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PRESS RELEASE

Meeting of the Financial Stability Advisory Group

The Financial Stability Advisory Group (FSAG) held its regular meeting on 4 May 2015. The meeting brought together the Minister of Finance, Governor of the Bank of Albania, Chairman of the Board of the Financial Supervisory Authority, senior executives of the Deposit Insurance Agency, as well as other representatives from these institutions. The meeting focused on the analysis of the latest available indicators for the banking sector and developments affecting them. Discussions of participants were accompanied with presentations prepared by the Bank of Albania and the Deposit Insurance Agency.

The FSAG assessed that the financial situation of the banking sector is good. During 2014, the banking sector's profit amounted to ALL 11.2 billion, and was better distributed among banks compared to the previous year. Capitalisation and liquidity levels are evidently above the minimum level required by the regulatory and supervisory framework. Thus, the capital adequacy ratio stood at 16.8%, whereas liquid assets to current liabilities surged to 40.4%. The pace of lending was better than in the previous year; it, however, is affected by other statistical factors and is assessed as low. The ratio of non-performing loans fell to 22.8%. Expectations for the banking sector's financial situation during 2015 remain positive.

To assess the potential effects on Albania's banking sector, the FSAG analysed recent developments in the Eurozone and ongoing negotiations on the Greek debt financing. Focusing on banks with Greek capital that operate in Albania, the FSAG confirmed that the fact that these banks are totally subject to the regulatory and supervisory framework in Albania has contributed to the pursuit of an active supervisory policy by both the Bank of Albania and these banks to achieve a gradual restructuring of their activity and very good levels of capital and liquid assets, actually. As a result of these joint actions undertaken over time, these banks together ended 2014 in profit and their exposure to Greek financial institutions and instruments has fallen down to very low levels. Hence, based also on the stress test results, the FSAG deems that these measures effectively protect these banks in the case of unfavourable developments in Greece.

In conclusion, the FSAG assessed that overall the current financial situation of the banking sector, the legal and operational framework for risk management and the effective cooperation with the banking industry and other stakeholders have enhanced banking sector's resilience against various risks to its activities. In line with its objective, the FSAG will continue to monitor and analyse regularly developments in the banking sector and the whole financial system.