

Tirana, 29.12.2016

PRESS RELEASE

Meeting of the Financial Stability Advisory Group

28 December 2016

The Financial Stability Advisory Group (FSAG) held its regular meeting on 28 December 2016. The attendees were the Minister of Finance, Governor of the Bank of Albania, Chair of the Board of the Financial Supervision Authority, Director General of the Deposit Insurance Agency, as well as other representatives from these institutions.

According to the program, representatives of the Bank of Albania, at the beginning of the meeting, presented an assessment of financial performance and risks for the banking sector activity based on the more complete data of 2016 Q3. The participants assessed that the banking sector is performing at a stable pace and is profitable. Credit in the domestic currency continues to dominate the lending activity, while deposits in foreign currency provide the main contribution in the growth of deposits. They also analysed the relevant risk indicators of the banking activity and assessed that such risks remain contained. The analysis showed that banking sector has good levels of capitalization and liquidity, thus being sufficiently protected against banking activity risks.

Following the discussion of the previous meeting related to the need to strengthen the use of the domestic currency in both, the Albanian economy and in the financial system, the participants were introduced to some concrete proposals in this regard and supported the drafting of a general collaboration framework. The participants highlighted the

importance of this project to improve effectiveness of the monetary policy and to reduce risks to the financial stability. At the same time, they identified the challenges of this process and the need to act in a gradual and stable way.

In relation to international and regional developments the participants also discussed about the respective exposure and sensitivity of the Albanian economy and of the banking system. Following the analysis and given the experience of the last years, the FSAG assessed that in relation to the external trading activity and the exposures of the financial system, the Albanian economy has improved its diversification and flexibility, hence better controlling for the sensitivity against the unfavourable developments. Nevertheless, FSGA emphasised that this issue should be in the focus of monitoring by the respective authorities.

In this meeting, the Financial Supervision Authority informed the participants on the developments in the financial markets, by highlighting the increased interests of market's participants to improve its infrastructure, in particular the one related to the trading of debt and equity securities.

As another issue, the Financial Supervision Authority also presented current information on the performance and monitoring of on-line trading portals, following the specific discussions of this issue in previous FSAG meetings to improve public awareness about related risks. The participants supported the efforts for the stable and orderly developments of the financial market, where the initiative of the market players and the inter-institutional cooperation of public authorities should be based and addressed according to the respective legal framework.

At the conclusion of meeting's discussions according to the program, the heads of the participating institutions approved this press release and authorized its publication.