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PRESS RELEASE

Meeting of the Financial Stability Advisory Group

10 March 2014

On 10 March 2014, the Financial Stability Advisory Group (FSAG) held its regular meeting. The Minister of Finance, Governor of the Bank of Albania, and Deputy Chair of the Board of the Albanian Financial Supervisory Authority, as well as other senior officials from these institutions attended the meeting. The Director General of the Deposit Insurance Agency was also invited and attended.

The participants were initially introduced to a summary of recommendations by the International Monetary Fund (IMF) and the World Bank (WB) mission which carried out an assessment of the Albanian financial sector (FSAP) during October-November 2013. Recommendations refer to improvements to the supervisory framework of financial institutions, focusing on actions that enhance the supervisory authorities' capacity to maintain the financial system stability. The FSAG discussed on these recommendations and pointed to the need for preparing an interinstitutional action plan to implement these recommendation within the set time frame, taking into account that some of them represent commitments of Albanian authorities laid down in the funding agreements with the IMF and WB. These recommendations include, among others, revising the existing Memorandum of Understanding entered into between the Ministry of Finance (MoF), the Bank of Albania (BoA), the Financial Supervision Authority (FSA) and the Deposit Insurance Agency (DIA), to strengthen

and focus their cooperation on addressing systemic risks facing the financial system, and better support the work of the FSAG at the technical level. The executives of the institutions present in the meeting considered these amendments as necessary to further improve the activity of the FSAG and signed the revised Memorandum.

Additionally, the FSAP recommended amending laws that regulate the organisation and activity of the DIA and FSA, as well as the activity of a number of financial entities that they monitor. In their presentations, the DIA and FSA representatives said that such prepared legal amendments bring the institutional activity and financial markets supervision closer to best international standards and underlined the need to finalize them.

Representatives of the BoA presented a resume of the financial situation of the banking sector as at end-2013. They pointed out that the financial sector in Albania is well capitalised and liquid and that the positive rates of the sector's profit have almost doubled from a year earlier. The financial result improved primarily thanks to the significant slowdown of the increase of non-performing loans, and of provisions for credit risk, hence reducing operational expenses. The FSAG deemed that credit performance continues to be affected by some structural problems including efficiency of collateral execution, tax handling of loss loans' write-off from balance sheets, need for business restructuring, and volatile credit demand. Moreover, the FSAG held that legal amendments that are either finalised or are under way will address these problems better, and emphasised the need to handle these issues in close cooperation with other institutions.