

## **Gent Sejko: Bank of Albania highlights for 2015 and priorities for 2016**

Speech by Mr Gent Sejko, Governor of the Bank of Albania, at the press conference on Bank of Albania highlights for 2015 and priorities for 2016, Tirana, 3 February 2016.

\* \* \*

Year 2015 was a challenging one in the light of maintaining and consolidating the economic and financial stability and of improving the institutional framework of the Bank of Albania.

### **The Bank of Albania has provided substantial contribution to maintaining and consolidating macroeconomic balances and financial stability in Albania.**

The accommodative monetary policy, implemented throughout 2015, was a pivotal underlying factor for ensuring an economic and financial environment with low interest rates, amid ample liquidity. The prudential supervision of banks, the regulatory improvements, along with the intensive exchange of information with European and international counterparts contributed to strengthening and safeguarding banking system's financial stability.

The beginning of 2015 coincided with a set of institutional decisions adopted by the Parliament of Albania and the Supervisory Council of the Bank of Albania, which provided the ground for the return of public confidence to the institution. In concrete terms:

- the management structure of the Bank of Albania was completed;
- the Audit Committee, composed of three Supervisory Council members, started its activity;
- the Inspector General resumed reporting to the Supervisory Council;
- the Medium-term Development Strategy and Medium-term Budget for 2016–18 were approved;
- the new organisational structure was approved;
- the head offices renovation and construction works were completed;
- and the Museum of the Bank of Albania was launched.

These highlights contributed to strengthening good governance, accountability and subsequently enhancing public confidence in the Bank of Albania.

***The monetary policy intensified the simulating stance*** during 2015. The Bank of Albania lowered the key rate twice, continued to inject the necessary liquidity in the financial markets and clearly communicated the future monetary policy stance. Our monetary policy was successful in easing the financing conditions in the economy and helped in the return of the Albanian economy to a positive development track.

In particular, interest rates on new lek loans and servicing costs of existing credits fell. Lek credit increased, offsetting the continuous fall of the credit portfolio in foreign currency. Also, the share of lek credit in the total credit portfolio has been increasing, from around 28% in 2008 to 43% in 2015. These actions have played a vital role in accelerating the economic growth during the last two years.

***During 2015, the banking system continued to expand its activity.*** Financial soundness improved, while capitalisation and liquidity stand at optimal parameters, at 16% and 4%, respectively.

According to the latest data, as at November 2015, the performance of deposits was positive, increasing over EUR 130 million, thus confirming the public trust in the banking system.

After long-standing efforts, having increased for seven years, we provided for the **reduction of non-performing loans below 20%**. The lowering of the non-performing loans ratio, as financing costs in the financial market stand at minimum historical levels, allows for a reliable recovery of credit to economy in the period ahead. We believe that, as a result of the joint action plan with the Government, the non-performing loans ratio will continue to fall in the year ahead.

Also, in 2015, a new investor, the American Bank of Investments, entered the banking market, being the first one after 2009. We consider the new investment as a very positive development for the promotion of competition within the system. The Bank of Albania will continue to promote banking system consolidation and adhere to rigorous requirements for a responsible and proactive management of each bank.

In 2015, the most delicate developments coincided with the **complex political and financial situation in Greece**. The banking sector in general and individual banks in particular weathered with success all the difficulties.

The Bank of Albania, in addition to the constant monitoring of developments in Albanian banks with Greek capital, intensified the communication with the respective authorities in Greece and in the euro area. The above-stated situation served to test the efficiency of the measures on securing liquidity. On the other hand, they promoted the spirit of solidarity and fair competition among banks.

Another important aspect of our work was the **contribution in the framework of Albania's approximation to the European Union**. In 2015, we intensified the cooperation with the European Central Bank, ESCB central banks, and other European bodies dealing with financial regulations of the Union, notably the cooperation agreement with the European Supervisory Authority. We strengthened, at the same intensity, the cooperation with the International Monetary Fund, World Bank and Bank for International Settlements, and regional central banks.

The Bank of Albania has also undertaken concrete steps about the **development of payment systems**. The National Committee on Payment Systems was established in October 2015. This is an inter-institutional committee that will contribute to enhancing the security, stability and efficiency of the national payment systems in Albania.

The Law on Savings and Loan Associations (SLAs) has been drafted and is pending approval by the Parliament. This law regulates the licensing, supervision and activity of the SLAs in compliance with the best standards. In close collaboration with the Albanian Deposit Insurance Agency, amendments to the Law on Deposits Insurance have been drafted. These amendments consist in new norms addressing the SLAs and include legal persons in the insurance deposits scheme.

The past year was successful also regarding the information technology. Although such projects are less visible to the public, they are of key importance. At the beginning of 2015, the AFISaR system started operation - this is the central electronic register for the documentation of each element that accompanies the issue and transactions with securities issued by the Albanian state. In the meantime, other successes achieved with regard to information technology include:

- automation of the reporting system of banks to the Bank of Albania;
- integration and optimisation of the IT network utilisation, thus reducing operational costs of the Bank of Albania;
- automation of accounting operations at BoA branches;
- and increase of information processing and storing capacities.

## **Bigger challenges lie ahead of us in 2016.**

Another important objective is boosting credit to support the private sector, certainly at lower interest rates. The business plans of banks for 2016 render us optimistic in this regard. Meanwhile, once again I emphasise that our monetary policy stance will remain accommodative in 2016. Furthermore, private sector's demand will be low throughout 2016, thus creating premises to increasingly channel the banking system's liquidity to the private sector.

I would like to guarantee the banking system in Albania that the Bank of Albania will be a reliable, open and serious partner, in compliance with its mandate, implying its supervisory function. One of the main aspects in our work will be the compilation of a particular law to deal with banks facing a difficult financial situation, also known in our daily jargon as the Resolution Law. This is in the light of an important contemporary directive of European Union, which we are working to introduce in our banking legislation.

Last, but not least, we will continue our efforts during 2016 for the further institutional perfection the Bank of Albania, aiming a fast approximation to the model of ESCB central banks.

The new organisational structure and the three-year development strategy of the Bank of Albania will guide a set of decisions of the Bank of Albania's Supervisory Council to improve legal and sub-legal acts. The daily activity of the Bank of Albania's departments, the mobilisation and motivation of human resources, efficient management of funds for the financing of the activity, the strengthening of the internal audit and risk management in the activity of the Bank of Albania will be the main priorities in our work during 2016.

Thank You!