

Gent Sejko: Address - centennial conference of the Bank of Albania

Address by Mr Gent Sejko, Governor of the Bank of Albania, at the centennial conference of the Bank of Albania, Tirana, 11 November 2025.

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Your Excellency Prime Minister,

Dear fellow Governors,

Dear representatives from international institutions,

Dear guests and friends,

It is my great pleasure to warmly welcome you to the 2025 Conference of the Bank of Albania.

This year's conference holds special significance for us, as it marks the centennial of the Bank of Albania - an institution that, since its founding, has served as the central bank of the Albanian state.

In my view, every jubilee carries a twofold purpose. It is, first and foremost, a moment to assess the work of the institution and to celebrate the dedication of all employees that have contributed to its progress. At the same time, a jubilee should also serve as a moment to take a critical look at what we have accomplished, on the factors that have enabled our success, as well as the challenges and opportunities that lie ahead.

The proceedings of this conference are, to a large extent, devoted to this second purpose. The active participation of our esteemed speakers and distinguished guests will greatly enrich this collective process of reflection and forward-looking dialogue.

Dear participants,

Before I proceed further, allow me to briefly share a few words about the past and present of the Bank of Albania.

The vision for creating a national bank was first voiced in 1899 by our great Renaissance thinker, Sami Frashëri, who stated that true sovereignty requires institutions - capable of safeguarding the economic independence of the nation. This noble idea was embraced and advanced by Ismail Qemali, the founder of the Albanian State. The initial efforts of his government were continued by the following governments, and culminated in the establishment of the National Bank of Albania in 1925. That bank became the country's first national bank. It established the Albania's first monetary system, based on the gold standard, and, in 1926, put into circulation our first national currency - the Gold Franc and its subdivision, the Lek.

With the end of the Second World War, the new political course of the communist state was accompanied by swift measures of nationalization. In January 1945, the concession of the National Bank of Albania was annulled, and the State Bank of

Albania was established. For nearly five decades that followed, this institution served the centralized economy as an instrument of control and economic administration. Yet, despite the political context of the time, the State Bank of Albania remained a valuable nucleus of economic and financial expertise.

The early 1990s marked the country's great transition - toward democracy, political pluralism, and an economic system founded on the principles of the free market. This transition brought profound changes to the banking system. In April 1992, the Bank of Albania was re-established as a central bank, mandated with the objectives of macro-financial stability and with supervisory and regulatory functions. Over the three decades that followed, it has adopted a modern monetary policy framework, based on an inflation-targeting regime and a freely floating exchange rate. It has also achieved a high degree of convergence with the supervisory standards and regulatory practices of the European Union; contributed to the development of financial markets; built an efficient payment system; invested in financial education; and established an effective process of dialogue with domestic and international partners, as well as with the wider public.

In quantitative terms, the remarkable economic and financial progress our country has experienced over the past three decades is a direct testament to the Bank of Albania's achievements. Despite the fluctuations and numerous shocks we have experienced along the way, the Albanian economy has recorded an annual average growth rate of 4.3% over this period. Average income per capita has increased from EUR 670 to EUR 11,000, while inflation rate averaged at 3.1% - a figure very close to our 3% target. Over the same time horizon, the credit stock to the private sector has picked up more than a hundredfold, deposits stocks has edged up almost thirty-five times, reaching EUR 18 billion, while the Bank of Albania's foreign exchange reserves have grown to EUR 7 billion from EUR 380 million.

In qualitative terms, an equally meaningful testament to the Bank's success in fulfilling its mission is the fact that - apart from the political and social turmoil of 1997 - the Albanian economy has not experienced any genuine financial crises or balance-of-payments crises. On the contrary, confidence among domestic and foreign investors in the Albanian financial system has been increasing. This is displayed by the growth in foreign investment, the enhancement of public confidence in our national currency and financial institutions, and the reduction of risk premia.

Finally, the broad partnership it enjoys with a wide range of international organizations, clearly mirrors the Bank of Albania's stage of progress. It is a full member of the Bretton Woods institutions - the International Monetary Fund and the World Bank - as well as of the Bank for International Settlements (BIS, Basel). In addition, the Bank of Albania maintains a structured process of dialogue with the European Commission, a broad framework of cooperation with the European Central Bank, particularly in the areas of banking supervision and payment systems, a series of twinning projects with central banks in the euro area, and an extensive network of cooperation agreements with regional counterpart institutions.

Distinguished guests,

Historical sources provide the foundation for analysing an institution's history, but the latter is ultimately the product of our shared, daily work and decisions. In this context, and with a forward-looking perspective, allow me to focus on the vision, mission, and policies that will guide the Bank of Albania's activities in the decade to come.

Our vision for the future is that of a modern central bank, which applies the best international practices, is capable of fulfilling its mission, and is worthy of being a member of the European System of Central Banks.

The realization of this vision requires a clear mandate focused on maintaining price stability. At the same time, without undermining this objective, the Bank of Albania should persist to work toward bolstering the overall financial stability of the country. Finally, the Bank of Albania must continue to contribute to the development of monetary markets in general, and payment systems in particular. The fulfilment of these objectives helps generate a calm, transparent, and efficient financial environment, supporting the long-term well-being of society.

In this regard, I find it appropriate to highlight that expanding the mandate of central banks with additional objectives-for which they lack the legitimacy, capacities, or proper instruments-tends to create conflicts in decision-making, undermine credibility, and be counterproductive.

Beyond their mandate, central banks must have a clear and consistent policy framework to achieve their objectives, as well as a broad gamma of instruments to implement these policies.

In this context, allow me to underscore two important points.

- *First*, regarding monetary policy, the Bank of Albania considers that its current framework-the inflation-targeting regime combined with a free exchange rate-provides an optimal strategy for maintaining price stability, stabilizing economic activity, and addressing shocks at minimal cost. On the one hand, the inflation-targeting regime offers the most direct and effective path for controlling inflation. On the other hand, the free exchange rate regime serves as an automatic stabilizer to withstand shocks, enhances the flexibility of monetary and fiscal policy, and enables the Bank of Albania to perform its role as lender of last resort, providing a strong guarantee for the country's financial stability.

This monetary policy regime has proven successful over the past three decades. Further developed and refined, it will continue to serve the Albanian economy in the process of accession and convergence with European Union standards in the years to come.

- *Second*, regarding the supervision and regulation of the banking sector, the Bank of Albania will continue to work toward the full adoption of the regulatory framework, supervisory practices, macroprudential resolution tools, and the safety nets of the European Union.

On this topic, I wish to emphasize that the banking sector has been and will remain the main pillar of our financial system. This sector performs an irreplaceable role: it provides secure savings instruments in the form of bank deposits, allocates funds to the most profitable sectors, branches, and businesses of the economy while assuming part of the risk, and creates safe and efficient payment instruments. For this reason, over the past decade, the Bank of Albania has devoted considerable attention to the comprehensive structural reform of this system. Among other measures, the management of the consolidation process, the implementation of the national strategy for reducing non-performing loans, and the continuous improvements to our regulatory framework have enabled a banking sector that is secure, reliable, and capable of providing the economy with the necessary funds to support the expansion of both consumption and investment.

Dear participants,

Returning to the theme of this conference, I would like to focus the remaining part of my speech on some of the challenges and opportunities we face, which will shape the future activities of the Bank of Albania. Without attempting to present an exhaustive list, I would like to highlight the most significant of these challenges.

The first challenge is the growing geopolitical tensions in the global environment. The reconfiguration of global production chains and the rise of trade barriers have now become a new economic reality. This reality impacts developing economies in two ways. First, it hinders the effective allocation of resources on a global and regional scale, reducing the ability of developing countries to attract foreign investment and capital. Second, it increases volatility and uncertainty, which dampens long-term investments and forces developing nations to strengthen their safety nets - a phenomenon that, of course, carries its own costs.

The second challenge is the rapid pace of financial innovation. Over the past decade, we have witnessed a financial revolution with the potential to fundamentally transform the industry itself. The ongoing digitalization of payment systems, the rapid evolution and increasing use of blockchain technology, digital assets, and decentralized finance come with both benefits and risks. The benefits of innovation stem from cost reductions and expanded access to finance, which increase the efficiency of the financial industry and its contribution to national development. On the other hand, the potential risks arise from the negative impact this innovation may have on the business models and balance sheets of traditional financial intermediaries, as well as from the limited experience of regulators, the general public, and even the operators within this industry.

The third challenge relates to Albania's stage of development and the implications it has for its growth model in the future. As a middle-income country, Albania is already exposed to stronger competition for capital and labour within the European market. Moreover, the country must increasingly base its development model on productivity growth, innovation, and the identification and development of its comparative

advantages. This final challenge is further complicated by unfavourable demographic trends - in Albania, across the region, and beyond - which place a high premium on a skilled workforce.

Nonetheless, from our perspective, the risks arising from these challenges are outweighed, both in quality and quantity, by the opportunities offered through the process of European Union accession. These benefits come both directly, through increased access to the European Union's joint development programs, and indirectly, through the growth of foreign investment, resulting from an improved business climate and reduced perceived risk.

The Bank of Albania, together with the Albanian banking sector, has played and will continue to play a significant role in this process. As the chair of two Inter-Institutional Working Groups on European Integration for two chapters of the Acquis, and as a key contributor to six other chapters, the Bank of Albania is an integral part of the negotiation process. At the same time, the work we have undertaken on regulatory convergence and the integration of the Albanian financial system with the European framework - a process that recently reached a major milestone with Albania's membership in SEPA - has served as a strong promoter of broader financial integration.

Dear guests,

In closing, I would like to share one final observation. A clear mandate is a necessary condition for central banks, but it is not sufficient on its own to ensure the successful fulfilment of their mission. It must be accompanied by well-defined attributes of independence, accountability, transparency, and institutional professionalism.

In this context, I am encouraged to see that the common thread connecting all generations of employees at the Bank of Albania is precisely their sustained commitment to duty and their steadily growing professionalism. This dedication and professionalism remain the best guarantee we can offer the public of fulfilling our responsibilities.

Let me once again thank you for your presence at this conference, and I encourage you to participate actively, engaging in an open and sincere exchange of views.

Now a very special moment. To mark the centennial of Albanian central banking, the Bank of Albania has issued the commemorative coin, with no legal tender status: "100 Years of the Bank of Albania, 1925–2025".

The coin symbolizes the importance of the Bank of Albania as a central institution and pays tribute to the key milestones that have shaped its evolution through years.

On the reverse, the left side depicts the portrait of a boy wearing the traditional costume of Central Albania, as depicted on the first banknote issued in 1926. On the right, the portrait of the poet and patriot Asdreni appears, inspired by the design of the 10,000 Lekë banknote - the most recent issue of the Bank of Albania.

On the obverse, the coin features the logo of the centennial of the Bank of Albania, surrounded by the historic dates that mark the evolution of central banking in Albania.

This creation honours the institution's enduring legacy and inspires confidence in the future.

Thank You!