

## Monetary policies and banking development in Albania during 2020 and onwards

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### Abstract

The Bank of Albania has as its primary objective the achievement and maintenance of price stability. To achieve this target, it follows the inflation targeting regime with a medium-term target of 3%.<sup>1</sup> This point value is considered as the annual inflation rate which supports the healthy growth of the economy. Monetary policy is implemented through open market operations, through repurchase agreements and reverse ones with a one-week term. The Bank of Albania defines a free exchange rate regime, in which the value of the domestic currency against the foreign ones is determined by the movements of supply and demand in the foreign exchange markets. The Bank reserves the right to intervene in this market to manage the level of its foreign exchange reserve, through publicly announced auctions. The monetary policy framework and the exchange rate regime are considered appropriate and beneficial to achieve the central bank target and are not expected to change in the medium term. The instruments used are in constant calibration to increase the effectiveness of the transmission of monetary policy in the market.

**Keywords:** Monetary policies, banking, development, Albania.

### Introduction

The Bank of Albania has increased its monetary stimulus during 2020, in the face of the pandemic crisis. The measures aimed at keeping borrowing costs low and supporting credit flows by ensuring the normal functioning of financial markets. The key interest rate was reduced by 50 basis points, bringing it to 0.50%,<sup>2</sup> which is its historical low. The Bank provided unlimited liquidity to the banking system. The transmission of monetary stimulus to the economy has been good. Borrowing interest rates are low and credit to the economy, aided by sovereign guarantee schemes, has continued to meet the financing needs of households and businesses. Also, the increased monetary stimulus, together with the signal for the future, have reduced the uncertainties in the financial markets and in the economic agents in the future. In addition to monetary measures, the Bank of Albania's response package to the Covid-19 crisis includes other micro and macro prudential measures, which together with government assistance packages, have mitigated the negative impact of shocks in the financial system and the economy, creating premises for the revival of economic activity.

The Bank of Albania projections expect the contraction of economic activity during

<sup>1</sup> Inflation rate set by the European Union.

<sup>2</sup> The annual report 2020 on Political Monetary Policy", Published by Central Bank of Albania, January 2021. [www.bankofalbania.org](http://www.bankofalbania.org).

the current year and its recovery in the coming years. This recovery will be supported by macroeconomic stimulus, by reducing uncertainty and improving the foreign economic environment. With the economy growing steadily and approaching its potential, inflationary pressures are expected to intensify by supporting sustained inflation growth. The inflation rate is expected to reach the 3% target by 2022.<sup>3</sup> The projections include maintaining the stimulus direction of monetary policy in the medium term, for the entire forecast period. Monetary stimulus is considered a necessary condition to support the recovery of economic activity and the strengthening of internal inflationary pressures.

The priorities of the Bank of Albania in the field of economic criteria include:<sup>4</sup>

1. Maintaining the monetary stimulus for a period of time, to ensure that the banking system operates in a liquid environment, and is well-capitalized;
2. Improving the transmission mechanism by following measures to reduce non-performing loans, encourage the use of local currency in financial markets and develop the secondary market and exchange rate risk hedging instruments;
3. Modernization of the system of payments and the expansion of services provided;
4. Continuous harmonization of monetary, fiscal and macro prudential policy;
5. Perfection of technical expertise and analytical capabilities to ensure a decision-making well-informed;
6. Completion and implementation of the emergency intervention regime to precede disciplined exit from the banking market.

The current situation of the economy has required an increase in macroeconomic stimulus: fiscal, monetary and financial. The current combination of economic policies is appropriate and necessary to maintain macroeconomic stability, to support the revival of economic activity and to return it to a sustainable growth trajectory. The activity of the banking sector developed steadily during the first half of 2020, despite the challenges posed by the pandemic situation in the country. Operational measures taken by banks to ensure the continuity of critical functions and customer relations and measures taken by public authorities to mitigate the pandemic impact on the economic and financial activity of the country, enabled the financial intermediation activity to continue in an appropriate manner and the financial indicators of the banking sector remain at good levels. Uncertainty about economic developments in the presence of a pandemic remains significant, and so do the challenges to banking and financial activity. However, the assessments of the banking industry and the resistance testing exercises suggest that the capacities of the banking sector to face these challenges are currently sufficient. Financial system performance indicators including those of capitalization, profitability, liquidity and asset quality remain at good levels. The degree of interconnection between financial institutions remains stable and reflects the importance of the stability of the banking sector for the entire financial system. The direct exposure of the banking sector to the non-banking sector

<sup>3</sup> The annual report 2020 on Political Monetary Policy", Published by Central Bank of Albania, January 2021. [www.bankofalbania.org](http://www.bankofalbania.org)

<sup>4</sup> The 17-th chapter on the Economic and Monetary Policies", Published by Ministry of Europe and Foreign Affairs, is presented to Albania in Brussels. [dk@mfa.gov.al](mailto:dk@mfa.gov.al)

is estimated to be low, while the performance of the banking sector remains critical to the activity and stability of the non-banking sector.

The financial sector and its intermediary role, measured by the size of its assets, has continued to expand. Financial system activity expanded by almost 4.4 percentage points (pp) during the first half of 2020, climbing to 111.6% of Gross Domestic Product.<sup>5</sup>

The banking sector provided the highest contribution to the expansion of financial system assets, supported mainly by the expansion in lending and investments in government securities. Pension funds and savings and loan associations continued to expand their activity however their share of GDP maintained the last level of 2019. The segment of non-bank financial institutions, insurance companies and investment funds marked an increase in activity of them.

Table 1. Weight of assets of the constituent segments of the financial system to GDP[2] of the coun

Supervisory Assets 2019	2011	2012	2013	2014	2015	2016	2017	2018	2020 *		
The Bank of Albania	banks	88.1	92.1	94.8	97.6	97.3	100.5	99.4	96.0	95.5	99.4
	Non- banking financial institutions	2.7	2.7	2.7	3.0	2.9	3.0	3.1	3.5	4.2	4.4
	Savings and Credit Associations	0.8	0.8	0.7	0.8	0.8	0.6	0.6	0.6	0.7	0.7
Financial Supervision Authority	Insurance Companies	1.5	1.6	1.7	1.9	2.1	2.1	2.1	2.1	2.2	2.6
	Pension Funds	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2
	Investment Funds		1.2	3.9	4.8	5.0	4.7	5.0	4.5	4.3	4.4

<sup>5</sup> Macroeconomic and Fiscal framework for the Period 2021-2023", ( DCM no. 574, date 22.07.2020). Published by Ministry of Finance and economy, [www.financa.gov.al](http://www.financa.gov.al).

Total											111.
financial	93.1	98.6	103.8	108.2	108.0	111.0	110.3	106.9	107.2		6
system assets											

Source: Bank of Albania, Financial Supervision Authority, \* The latest data on the balance sheet of insurance companies, non-banks and savings and loan associations belong to the first quarter of 2020.

The Albanian banking sector in its structure numbers 12 banks, of which 8 banks are with foreign capital and 4 banks with domestic capital. Banking sector assets from January to August 2020, increased by 3.8% or ALL 57 billion and reached ALL 1.543 billion. This growth was supported by a 19.7% expansion in the stock of banking sector securities and 2.7% in the credit stock. On the liabilities side, the increase was supported by an increase of ALL 36 billion in the deposit stock and an increase of ALL 17 billion in the stock of treasury and interbank operations. Total deposits amounted to ALL 1.239 billion at the end of August 2020 and represent about 80% of the liabilities of the banking sector.<sup>6</sup> The good level of liquidity of the banking sector and the continuous expansion of the deposit base have reduced the dependence of the banking sector on foreign financing. In August 2020, non-resident liabilities accounted for about 2.5% of total banking sector liabilities, maintaining this level throughout the months of 2020.

During 2020, the credit balance of the banking sector has fluctuated slightly and at the end of August it rose to the level of ALL 592 billion (from ALL 576 billion in December 2019).

Except for short-term loans and those granted to the public sector, which have decreased compared to the end of last year, all other categories of loans by sector, currency and term have expanded compared to December 2019. However, the main contribution to the positive performance of the credit stock for the period was given by the expansion of long-term credit, business credit and that in local currency. According to credit classes, expansion was observed mainly for the first class of classification (the standard one), influenced by both the inflow of new credit and the increase in the value of overdue loans within this class. For the months of March-August, the Bank of Albania decided to postpone the payment of loan installments to businesses, in order to mitigate the negative effect caused by the COVID 2019 pandemic. time, of performing credits. In addition to loans in the standard class, a significant expansion (by about 31%) was also observed for loans classified as "lost", as a result of reclassification (in this class) of substandard and doubtful loans.<sup>7</sup>

New loans granted during the first eight months of 2020 were about 8% lower compared to those granted for the same period a year ago, while new loans granted during August were higher than the monthly average of the last 12 months. About 76% of the new loan (granted during 2020) is granted to the business entity, who have received the new loan mainly for short-term purposes (overdraft and working

<sup>6</sup> The annual report on Political Monetary Policies 2020" Published by Central Bank of Albania, January 2021. [www.bankofalbania.org](http://www.bankofalbania.org).

<sup>7</sup> Manjani Olta, Note Sofia, and Gazidede Anjeza, " Lending Trends T2-2020". Published by Department of Monetary Policies, Central Bank of Albania, July 2020.

capital). Meanwhile, during August, the inflow of credit for real estate investments has almost tripled. Due to the significant weight of foreign currency loans (50%) exchange rate developments play an important role in its nominal value in local currency. The effect of the exchange rate on the change of foreign currency loans converted into Lek during the first eight months of 2020 was positive by ALL 4 billion and this effect reflects the strengthening of the Euro against the Lek. Excluding the exchange rate impact, the change in foreign currency loans referred to the end of 2019, would be -0.3% from + 1.1%. The performance of foreign currency lending has reflected, inter alia, the measures taken in the framework of the de-euroization strategy.<sup>8</sup>

Credit quality continued to improve over the course of a year and the ratio of non-performing loans (RKP) recorded the lowest level in the last decade 8.1% (since December 2009). Compared to a year ago, the outstanding non-performing loans shrank by 23%, while the RKP fell by about 3 pp from the level of 11% recorded in August 2019.<sup>9</sup> The strongest decline was recorded in non-performing loans in foreign currency (-26%), business loans (-27%) and short-term loans (-35%). Over the last 12 months, the performance of non-performing loans has been determined by the repayment of overdue loans, the restructuring between classes and the write-off of a portion of bad loans. Outstanding loans, doubtful and substandard loans decreased by 11%, 22% and 38% respectively.

The structure of non-performing loans is dominated by bad loans (48%), while doubtful and substandard loans account for 23% and 30% of the total, respectively. From the end of 2019 to August 2020, the share of bad loans to total non-performing loans has increased by about 11.5 pp to 48%. During this period, banks have reported the transfer of part of non-performing loans from the most performing (doubtful) class to the "lost" class. Meanwhile, during the first eight months of the year, the stock of non-performing loans remained unchanged. Credit quality remains to monitor the coming months, after the repeal of the measures taken by the Bank of Albania to postpone the payment of loan installments by businesses, the stock of non-performing loans can punch s growth.

Liquidity ratios increased slightly during August, while all banks maintained significantly higher ratios compared to the lower regulatory limits, both for individual currencies and for total liquid assets. The loan / deposit ratio marked 47.7%, slightly decreasing compared to the previous month. For the currency, the ratio decreased, while for the local currency, this ratio increased slightly compared to a month and a year ago. The financial result of the banking sector at the end of August was positive (+10.4 billion ALL) but much lower (-25%) compared to a year ago.<sup>10</sup> The increase of expenses for provisions, mainly for credit, to ALL 3.5 billion from a minimum value reported a year ago, was the main factor after the decline of the financial result of the sector. Net interest income increased slightly as a result of the increase in net income in lek. Revenues from other activities did not change, while overall operating

<sup>8</sup> Manjani Olta, Note Sofia and Gazidede Anjeza, " Lending Trends T2-2020". Published by Department of Monetary Policies, Central Bank of Albania, July 2020.

<sup>9</sup> Press Release: Measures Undertaken by the Bank of Albania on the Rescheduling the installments of loans", Published by Bank of Albania date: 16.03.2020.

<sup>10</sup> Bank of Albania Statement, " Financial Stability Statement for 2020", Published by Bank of Albania, date 30.09.2020.

expenses increased slightly.

The banking sector is well-capitalized and no sector bank results in a sufficiency rate below the regulatory minimum of 12%. At the end of the first half of 2020, the capital adequacy ratio marked 18.1% from 18.5% in December 2019 and June 2019.<sup>11</sup> In the performance of the capital adequacy ratio, the negative effect of the increase in risk-weighted assets was larger compared to the positive effect of regulatory capital growth. During the period, regulatory capital increased to ALL 152 billion, giving a positive effect of 0.8 percentage points on the capital adequacy ratio. Its performance was mainly supported by increased reserves and retained earnings. On the other hand, risk weighted assets amounted to about ALL 839 billion, increasing by ALL 54 billion from the level recorded in December 2019. The increase in this indicator gave a negative contribution of 1.2percentage points to the capital adequacy ratio.<sup>12</sup> In March-June of this year, in the conditions of slowing down the economic activity due to the pandemic and the expected difficulties of the borrowers to cover the loan repayments, the Bank of Albania undertook some measures and regulatory changes of prudential nature, which aim to facilitate of the burden of borrowers affected by the pandemic, the increase of financial resistance of banks and the continuation of lending activity by the banking sector. These measures consisted of:<sup>13</sup>

- Issuance of a moratorium, which enables the temporary suspension of loan repayment payments to borrowers affected by the pandemic, initially until the end of June 2020 and later, until the end of August 2020;
- Approving regulatory changes that enable banks to maintain the credit rating and levels
- of non-performing loan provisions during this situation. The goal is that, by the end of this year, banks and their borrowing clients will find ways to restructure certain loans that quickly restore the solvency of pandemic-affected borrowers;
- Suspending the distribution of banks' profits until the end of this year, in order that in
- case of materialization of financial losses, the size of capital will be appropriate not only to absorb this loss, but also to support new lending.

As these measures are temporary, the course of the pandemic (intensity and duration) remains uncertain, the possibility that the challenges facing the banking sector may deepen is not ruled out. The resistance test exercises conducted by the Bank of Albania suggest that in case of extreme shocks in the macroeconomic framework, it would be necessary for certain banks to strengthen their capital position, although on the whole the banking sector is well-capitalized.<sup>14</sup>

<sup>11</sup> Bank of Albania Statement: " Financial Stability Statement for 2020 H1". Published by Bank of Albania, date 30.09.2020.

<sup>12</sup> Decision no.7, date 5.02.2020 based on Regulation 48/2013, " On capital adequacy ratio", integrated version. Published by Department of Banking Supervision, Bank of Albania date 19.02.2013.

<sup>13</sup> Press Release: " Measures undertaken by the Bank of Albania on the rescheduling the installments of loans" Published by Bank of Albania in Association with Albanian Association of Banks, date 16.03.2020.

<sup>14</sup> Press Release: " Measures undertaken by the Bank of Albania on the rescheduling the installments of Loans". Published by Bank of Albania in Association with Albanian Association of Banks,

### *Risks of the banking sector*

Banks have perceived increased economic and financial risks during the period, but banks' confidence in the soundness of the financial system has remained unchanged following the good financial indicators and the measures taken to maintain them. The stock of non-performing loans has been stable. The main impact on this stability of the value of non-performing loans was provided by the provisions in the loan repayment moratorium, which have enabled banks to temporarily suspend the recording of non-performing loans and changes within them. In terms of continued credit growth, the non-performing loan ratio dropped to 8.1%.<sup>15</sup> The liquidity situation of the banking sector is quite good. At market risks, the banking sector remains sensitive to exchange rate risk through the unsecured foreign currency credit segment. Interest rate risk exposure remains present and has increased over the period but is estimated to be limited.

The risks of banking activity are reflected and intertwined with developments of a structural nature. Such is the long-term existence of a low-interest environment, which maintains pressure on banks' financial performance, encourages a shift in its financing structure to shorter-term resources and the need for higher liquid assets, and preserves the potential for increased activity stress in the event of a strong and sudden correction. The high use of currency in the banking sector is associated with risks to the management of foreign currency liquidity risk. Overall, systemic risk assessment indices show an increase over the period.

Through regulatory actions of micro prudential nature and macro prudential policy instruments,<sup>16</sup> the Bank of Albania has tried to address these risks. Several new regulatory acts that have been implemented, including the one on the liquidity coverage ratio, the package of measures for de-euroization, as well as the regulation on the implementation of macroprudential capital additions, aim to mitigate risks and strengthen the banking sector's resilience towards them.

From the point of view of strengthening the resistance of the banking sector to cyclical and structural risks, and their reduction, the Bank of Albania has approved the Regulation "On Macro-prudential Capital Additions", as well as the package of measures to increase the use of local currency in banking financial activity.

The regulation contains a framework for the implementation of

- Capital conservation supplement (KONS)<sup>17</sup>
- Countercyclical capital increase (KUNC)<sup>18</sup>
- Add-on for systemic banks (SIST)<sup>19</sup>
- Additive for systemic risk (SRS)<sup>20</sup>

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date 16.03.2020.

<sup>15</sup> AMF Periodical Report no.140, Published by Financial Supervisory Authority, January 2021.

<sup>16</sup> Erland Nier and T. Tjoervi Olafsson: "Main operational Aspects for Macroprudential Policy Relaxation", Monetary and Capital Markets, Special series on covid 19. September 10, 2020.

<sup>17</sup> Regulation no. 41/2019 "On macro prudential capital buffers", Article 10. Published by Bank of Albania, date 05.06.2019.

<sup>18</sup> Regulation no. 41/2019 "On macro prudential capital buffers", Article 11-13; Published by Bank of Albania, date 05.06.2019.

<sup>19</sup> Regulation no.41/2019 "On macro prudential capital buffers", Article 14; Published by Bank of Albania, date 05.06.2019.

<sup>20</sup> Regulation no.41/2019 "On macro prudential capital buffers", Article 15; Published by Bank of

All macro prudential capital additions must be met with Tier 1 capital instruments and expressed as a percentage of the bank's risk-weighted exposures. Their simultaneous implementation represents the combined macro prudential capital increase or SHKOMAK.<sup>21</sup>

The requirement for capital conservation supplement applies to all banks and entered into force with the approval of the above regulation. The maximum value of this supplement is 2.5%, and the regulation stipulates that the supplement be completed in steps of 0.5 percentage points per year starting from March 2020. The countercyclical capital increase for Albania is currently equal to 0% and is announced in end of each quarter through a decision of the Governor. The decision on the determination of systemic banks and capital additions for systemic importance is announced once a year, at the end of the first quarter. Following the decision of June 2019, the Governor took the next decision on March 25, 2020, which expands from four to five the number of banks of systemic importance and determines the capital increase for these banks from 0.5% to 1.5%. For the first time, banks reported the fulfillment of macro prudential capital additions for the reporting period "March 2020". Reporting will be performed on a quarterly basis and the last reporting belongs to June 2020. From this reporting it resulted that all banks meet the combined capital increase - SHKOMAK, as the compliance ratio is over 100%.

The banking sector continued to show a steady trend in terms of distribution and use of financial resources. This was also reflected in the Herfindahl Index,<sup>22</sup> which measures the level of concentration in the banking sector. Concentration indicators, measured by the Herfindahl Index, for total assets, deposits and loans, have shown a relatively high concentration in the banking sector in terms of assets, deposits and less for loans. However, there is a slightly better distribution of weights in the market over the last few years which consequently indicate increasing competitiveness.

### Insurance market

The insurance market on 31.12.2019 consisted of 12 insurance companies. In the market structure, 8 insurance companies operate your new activity in Non-Life insurance and 4 in Life insurance. One of the Non-Life companies also performs reinsurance activity. Based on the overview of the technical account of Non-Life insurance companies, even during this year it is noticed that the insurance market continues to be dominated by the portfolio of domestic MTPL.<sup>23</sup>

The total gross written premiums for the Life and Non-Life insurance market on 31.12.2019 is ALL

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Albania, date 05.06.2019.

<sup>21</sup> Regulation 41/2019 "On macro prudential capital buffers", Published by Bank of Albania. Date 05.06.2019.

<sup>22</sup> Herfindahl-Hirschman Index is a commonly accepted measure of market concentration". The HHI is calculated by squaring the market share of each firm competing in the market and then summing the resulting number. See The United State Department of Justice. Updated July 31, 2018.

<sup>23</sup> MTPL- " Motor Third Party Liability insurance. The motor third party vehicle liability insurance protects both the holder and the driver of a vehicle against statutory liability claims of third parties in the event the vehicle caused damage. See Asco Group International insurance broker. [www.asko24.com](http://www.asko24.com).

17.62 billion, marking an increase of ALL 689 million or translated as a percentage of 4.07% compared to a year ago.<sup>24</sup> This increase has come as a result of an increase in the volume of gross written premiums in the amount of ALL 616 million or 3.91% for the Non-Life insurance market and the Life insurance market, has marked an increase of ALL 72 million or 6.33%. The Capital Adequacy Ratio for the Non-Life period on 31.12.2019 was sufficient, with ALL 67 million above the required level, or 101.8%.

ROE and ROA<sup>25</sup> Profitability Indicators for 2019 were respectively ROE at 7.73% from 7.30% in 2018 and ROA 2.40% from 2.37% in 2018. Both of these indicators have increased slightly for 2019, reflecting a steady growth and in proportion to the profits, assets and equity of insurance companies.<sup>26</sup>

**The total assets of the insurance market** on 31.12.2019, according to the financial statements, was ALL 38.80 billion and increased by ALL 7.23 billion, or 22.94% compared to 31.12.2018. This increase has come mainly from the Non-Life sector as a result of the increase in the share of reinsurers in technical provisions for damages, for damages caused by two earthquakes that occurred during 2019. Total assets in the Life market increased by 778 million or 23.4% more compared to 2018. The licensing in September 2019 of a new company in the Life market, has affected the increase of investments by companies participating in this market.

The net financial result of the insurance market for 2019 was positive in the amount of ALL 843 million. In January - August 2020 the insurance market has decreased by 6.48%. The volume of gross written premiums reached the figure of ALL 10.63 billion. The total assets of the insurance market on 30.06.2020, according to the financial statements, is ALL 38.61 billion and has decreased by ALL 0.20 billion, or 0.51% compared to 31.12.2019. The net financial result of the insurance market on 30.06.2020 is positive in the amount of ALL 974 million.<sup>27</sup>

*Investment Funds Market.* The market structure of Investment Funds until 31.12.2019 consisted of six investment funds. According to the analysis of data on the Investment Funds market on 31.12.2019, the net asset value of the Funds was over ALL 66.79 billion with an increase of 1.06% compared to 31.12.2018. This market is mainly dominated by investments in Government Bonds inside and outside the country which account for 66.82% of the total assets of the funds. According to the analysis of data on the Investment Funds market on 30.06.2020, the net asset value of the Funds was over ALL 65.47 billion with a decrease of 1.97% compared to 31.12.2019.<sup>28</sup>

*Voluntary Private Pension Market.* The structure of the voluntary private pension market consists of four pension funds, which are administered by three different management

<sup>24</sup> Report on "Development of the Insurance Market in Albania", Published by Financial Supervisory Authority, January 2021.

<sup>25</sup> ROE and ROA—"means Return on Equity ( ROE ), is generally net income divided by equity, while Return on Assets ( ROA ) is net income divided by average assets. See [www.experian.com](http://www.experian.com), December 5, 2008.

<sup>26</sup> Report "On Insurance Market Development in Albania in 2020", Published by Financial Supervisory Authority, January 25, 2021.

<sup>27</sup> Report "On Insurance Market Development in Albania in 2020", Published by Financial Supervisory Authority, January 25, 2021.

<sup>28</sup> WVP Fund Management Tirana", Published by Financial Supervisory Authority, January, 2021.

companies. Analysis of voluntary private pension market data on 31.12.2019 shows a total net assets of ALL 2.91 billion with an increase of approximately ALL 621.34 million (27.14%) compared to the end of 2018. During 2019, the market investments of Pension Funds consist of Treasury Bonds of the Republic of Albania with a maturity of 3, 5, 7 and 10 years. The analysis of data on the voluntary private pension market on 30.06.2020 shows a total net assets of ALL 3.24 billion with an increase of about ALL 334.61 million (11.52%) compared to the end of 2019.<sup>29</sup>

## Conclusions

In these article I wanted to emphasize that the banking system in Albania even though it has encountered problems in these past two years due to the big earthquake of November 2019, and then COVID-19 pandemic, it can be said that due to the appropriate interventions and measures it has succeeded to move on toward the future. We can even claim that it is one of the most profitable markets for our country. We have a market that functions correctly, regulated from a legal and institutional point of view. Central Bank of Albania with the measures undertaken in these past years and his adequate supervision of the commercial banks market has successfully achieved his goals. Financial Supervision Authority has played a key role in coping with this situation and in adequate market monitoring. We can summarize, that the difficulties in these markets recently have undoubtedly been seriously but we are hopefully convinced that banking system and insurance market in Albania is making small but sure steps towards progress.

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<sup>29</sup> Report "Voluntary pension market developments in 2020", Published by Financial Supervisory Authority, December 2020.