



ALBANIAN ASSOCIATION OF BANKS
SHOQATA SHQIPTARE E BANKAVE

2017

ANNUAL
REPORT



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SHOQATA SHQIPTARE E BANKAVE

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Design & Layout: FCB Afirm

ANNUAL REPORT 2017

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Message from the Chairman

Dear Readers,

As you read through this annual report, I am fully convinced that you will do it with curiosity and in the end the feeling will be quite pleasant. It is about the activity of an association, which from year to year, has led its personality to another dimension, together with its representation and contribution to the banking industry, the economy of the country and the society. The year 2017 will remain in our memory as the year of parliamentary elections, where a single political party managed to win the elections and established the government without any coalition with other political forces. In addition to the elections, two other new trends came into life. Firstly, the efforts to reduce public debt, which reached below 70% at the end of the year; and secondly, the vetting process in justice. The banking industry congratulates both initiatives, because they contribute to the sustainability of the country and the rule of law.

The banking industry marks its greatest achievements in the reduction of the NPL and the profitability indicators. Following more than 6 years of efforts, NPL dropped down to 13.2%. The return on equity indicator reached over 15%, although profitability is not distributed across all the banks. Notwithstanding each banks' individual achievements, the sector remains highly capitalized and liquid. We are proud that the banking industry has not only caused no crisis, but it has prudently contributed to the avoidance of any potential crisis. The contribution of the banking industry to the economy and society is multi-dimensional.

Although loans have not achieved the best of our expectations, banks have been vigilant to new demand for loans. If more prudent steps were undertaken in the justice system and the legal regulation of the collateral execution environment, better outcome would have been achieved. We are looking forward (we remain awaiting) that the responsible line ministries consider AAB's controversies with regards to the fixed fee instructions and the success fee for private judicial enforcement agents. The year 2017 marked the first steps of the consolidation process of the banking industry. We are all curious on the outcome of this process, which ultimately we hope it serves to build a sound sector and healthy economy.



AAB has put more efforts to establish a more effective communication through public relations. We have been present in various roundtables, by turning into significant partners of governmental and international institutions such as the IMF, WB, EU, EBRD, IFC, etc. and our activities have been broadly broadcasted in media.

On behalf of the Executive Committee, I express my gratitude to all members of AAB for their contribution, members of the Executive Committee for the satisfaction and passion shown in the performance of their tasks, the staff of the Secretariat who keeps the day-to-day work pace and the former President of AAB, Mr. Periklis Drougkas, for his special commitment to the management of AAB.

I invite you to get to know with AAB's activity, and while reading through the annual report together with you, I promise that we will perform much better in the future.

I wish you a pleasant reading!

A handwritten signature in black ink, appearing to read 'Silvio Pedrazzi', is written in a cursive style.

Sincerely,
Silvio Pedrazzi
Chairman

ORGANIZATIONAL STRUCTURE

Assembly of Members*

The Assembly of Members consists of the representatives of Member Banks. The following list details AAB Member Banks and the Assembly of Members:

Alpha Bank Albania / George Papanastasiou, Chief Executive Officer

American Bank of Investments / Andi Ballta, Chief Executive Officer

Banka Kombetare Tregtare / Seyhan Pencablilil, Chief Executive Officer

Credins Bank / Maltin Korkuti, Chief Executive Officer

Credit Bank of Albania / Sherine Kamel, Chief Executive Officer

First Investment Bank Albania / Bozhidar Todorov, Chief Executive Officer

International Commercial Bank / Gideon Van Der Broek, Chief Executive Officer

Intesa Sanpaolo Bank Albania / Silvio Pedrazzi, Chief Executive Officer

NBG Bank Albania / Ioannis Agathos, Chief Executive Officer

Procredit Bank / Adela Leka, Spokesperson of the Management Board

Raiffeisen Bank Albania / Christian Canacaris, Chief Executive Officer

Société Générale Albania / Frederic Blanc, Chief Executive Officer

Tirana Bank / Dritan Mustafa, Chief Executive Officer

Union Bank / Gazmend Kadriu, Chief Executive Officer

United Bank of Albania / Muhamed Prlja, Chief Executive Officer

Veneto Bank / Pierluigi Caferri, Chief Executive Officer

** As of December 2017*



Executive Committee Members*

The members of the Executive Committee are elected by the Assembly of Members for a term of two years. Members having completed their terms of office may be re-elected.

Andi BALLTA, Member / Chief Executive Officer, American Bank of Investments

Maltin KORKUTI, Member / Chief Executive Officer, Credins Bank

Silvio PEDRAZZI, Chairman / Chief Executive Officer, Intesa Sanpaolo Bank Albania

Adela LEKA, Deputy Chairperson / Spokesperson of the Management Board, Procredit Bank

Bozhidar TODOROV, Member / Chief Executive Officer, First Investment Bank Albania

Dritan MUSTAFA, Member / Chief Executive Officer, Tirana Bank

* As of February 2018

(From left to right)

Secretariat

The day-to-day running of the Secretariat is headed by the Secretary General, who is appointed by the Executive Committee. Some of the duties of the Secretariat, which will be directed by the Secretary General, consist of:

Implementation of the decisions of the Assembly.

Ensuring that the members are notified about the resolutions of the Assembly of Members and the Executive Committee and executing these resolutions.

Fulfilling the duties charged by the Executive Committee.

Representing the Association to the governmental bodies, the Court and third parties (according to authorizations), in national and international level.

Implementation of annual budget and business plan.

Preparing information to be released by the Association and submitting it to the Executive Committee.

Supervising the AAB accounts and co-operating with the Auditor;
Preparing and signing AAB financial statements.



Spiro Brumbulli
AAB Secretary General

Technical Committees

- Bank Security Committee
- Cards Committee
- Compliance Committee
- Human Resources Committee
- Information Security Committee
- Internal Audit Committee
- Legal Committee
- Public Relations Committee
- Payment Systems Committee
- Treasury and Financial Market Committee
- Risk Management Committee
- Information Technology Committee



AAB MEMBERSHIPS

AAB is a member or associate member or partner of the following international/national organizations.

International Memberships

European Banking Federation (EBF)

European Banking & Financial Services Training Association (EBTN)

Banking Association for Central and Eastern Europe (BACEE)

INTERBALKAN Forum of Banking Associations

National Memberships

National Economic Council

Tax Council

Economic Council of Tirana Municipality

ICC Albania

National Labour Council

National Payment System Committee

AAB AT A GLANCE

The Assembly of Members held 5 regular meetings and the Executive Committee held 4 meetings during 2017.

On January, AAB is represented with a new logo. Three coins, inter-connected to each other, representing the unity of banking market development interests, are stamped at the AAB logo.

On February, AAB organized, for the first time, the Retail Banking Forum. AAB established the new committee on Risk Management, which held its first meeting on February 28.

On June, the new website of the AAB was released. The updated site includes changes to navigation, with dropdown menus for both mobile and desktop versions and improves access to the information published.

On September, the study “On the contribution of banking sector to the Albanian economy and society” was finalized. The findings of the study were introduced during the conference organized by AAB in November. The study was conducted by Op2M, Croatia.

On September 13, the Albanian Association of Banks (AAB), the Insurers Association of Albania (IAA) and Life Insurers, Pensions and Investment Funds Association (LPIFA) entered into a Memorandum of Cooperation.

On September, a new system of statistical data processing was online.

HR forum: “Human Resources management in digital banking” and the 2nd Internal Audit Forum “Responding to the voice of Stakeholders” were organized in October.

On November 14, AAB organized the first conference “Banks for Growth”.



FACTS AND FIGURES

Banking Sector in Albania

In 2017, the ALL credit portfolio to the private sector grew by 7.2%.

At the end of year under review, the total deposits were approximately 1.5% higher compared to the previous year. Deposits stock is estimated at about 71% of GDP.

Loans in foreign currency dropped at 56% of the total loan portfolio.

The average business loans interest rates dropped from 7.6% in 2016 to 6.7% in 2017.

The capital adequacy ratio stood at 16.6% at the end of 2017.

In December 2017, the non-performing loans accounted for 13.2% of the loan portfolio, compared to 18.3% in 2016.

A significant increase of the volume of home banking payments and 26.32% of the value of these transactions by 60.11% occurred compared with the previous year.

Profitability ratios confirmed the upward trend where return on equity (ROE) amounted to 7.24% and return on assets (ROA) amounted to 1.58%.

Financial Education

AAB believes that if people are provided with a solid financial education, they will make smart choices about their finances. This section is a summary of some initiatives in the context of financial education over 2017.

Open lectures

On March 9, the AAB Secretary General gave an open lecture on “Banks, economy and business” at the European University of Tirana with the participation of students from the Banking and Finance Faculty and students attending Master programs.

On April 05, AAB Secretary General, organized an open lecture on “Banking system in Albania”. Students of Business Administration Faculty and Economic Informatics of Metropolitan Tirana University (UMT) attended the lecture. Also, UMT welcomed the students of Economic Technical School, which became part of the lecture in the framework of the subject “Money and Banking” as part of their high school curriculum.



On May 30, a group of students from the Finance and Economics Faculty at Epoka University visited the AAB premises. The students were welcomed by the AAB Secretary General who delivered a presentation on AAB, its activities and on the banking system developments. This activity followed the participation of a bank expert in an open lesson organised with these students in the context of Money Week. Community experiences, such as this visit, have a strong impact on the students and broaden their learning.



Launching of the program “Education of young jobseekers in banking sector”

On April 5, was organised the launching ceremony of the “Education of young jobseekers in banking sector” program. The program offers education and development opportunities through contemporary learning approaches and multidimensional experience exchange. It provided to the 20 selected participants the possibility to attend a series of lectures and opportunities for interactive exchange and exposure in the banking sector. The most successful participants of the program had the possibility to be considered as potential candidates for the vacancies in this sector. Experts of various commercial banks in Albania, Partners Albania and the Albanian Association of Banks were engaged as lecturers in the program.



The Forum of Finance Students

On June 8, the Department of Finance at the European University of Tirana (UET) organized the annual forum of the students of this department. The forum entitled “Financial Intermediaries in Albania: Challenges and Concerns” was organized in the form of a contest, where presentations were awarded by the jury members. AAB Secretariat, Credins Bank and ABI Bank’ representatives were part of the jury.



Money Week in Albania, 27 March - 2 April

Albania Leading organizations: Bank of Albania (BoA), Ministry of Education and Sport, Albanian Banking Association (AAB), Deposit Insurance Agency, Junior Achievement and National Youth Service.

Number of children & young people involved: 2,200 viewed by over 25,000 individuals

Number of participating organizations: 60

Number of activities: 17

Monday, 27 March 2017

Opening Ceremony of Global Money Week was organized at BOA Museum. It was attended by high level representatives of financial institutions and media, many youths from elementary and high schools and universities of Tirana were part of the attending ceremony of this event as well. In their greeting speeches, BoA Governor, Minister of Education & Sports and AAB Chairman emphasized the mission of this week, which is raising awareness of young generations to be financially responsible citizens in the future. Also, during the event, the winners of the three competitions, launched one month ago by BoA and AAB on “Facebook”, were announced, as per following:

“My money” competition with paintings, where more than 500 pupils of I- III grade, from 35 schools participated. 10 winners were selected; The competition was supported by FIBank Albania.

“Save for difficult days! Save for better days!” - Competition for the best video, where 14 videos from students of high schools in the country were played, and three winners were selected; It was supported by Credins Bank.

“Should financial education be a mandatory subject to the academic curricula?” - Competition of the best essay, where 19 students of third-year bachelor for bank and finance from different universities of the country have participated, and 3 winners were selected. It was supported by Union Bank.

Open lecture at “Aleksandër Xhuvani” University, in Elbasan, attended by 70 students, majoring in Banking & Finance, delivered by Bank of Albania and Tirana Bank representatives.





Tuesday, March 28, 2017

The competition “If we were bankers” with students of three economic faculties from Tirana Business University (TBU), Luarasi University and University of Tirana, organized in collaboration with Youth Centre of Tirana and aimed at understanding banking and its daily operations, from a practical prospective. Three teams competed with each other, by representing themselves as bankers and offering to the client (a Hydro Power plant company) the best financial offer. All students were initially advised from AAB, BoA and Banka Kombëtare Tregtare representatives, about the case study and the competition’s characteristics. The TBU team was the winner of the competition. More than 85 students attended the event.

Wednesday, March 29, 2017

“The red bicycle” kids show at the Experimental National Theatre dedicated to pupils of elementary schools (third and fourth grade) teaching them the importance of saving. 850 pupils attended the show, which was set on stage four times, during the money week. Raiffeisen Bank sponsored the show.

Visits to banks were organized, in collaboration with BoA and students from “Qemal Stafa” High School, who have elected “Personal Finances in your hands” module as part of their academic curricula. Alpha Bank Albania welcomed 30 students in the premises of its main branch in Tirana and explained to them how a branch operates and products they offer to their clients.

Exposition entitled “Financial Education through Art” was organized at Fab Gallery with the paintings of 30 pupils that worked under the supervision and accuracy of the painter Kosta Zhonga. The pupils explained financial concepts with their art. The activity was sponsored by Tirana Bank.





Thursday, March 30, 2017

Visits to BoA's Museum by 125 students of "Dora D'istria" elementary school, "Sami Frashëri" high school and students of Agricultural University of Kamza.

Innovation Camp was organized by AAB, in cooperation with Junior Achievement of Albania and BoA and with sponsorship and strong support of Alpha Bank. The camp was attended by 30 students of 11th grade of JA network coming from different cities of the country, who formed 6 teams to find a solution to the challenge, presented by AAB, on "How to enable banks to increase their customers by developing marketing techniques through the use of mobile technology". During that day all teams were supported by experts from BoA, Alpha Bank Albania, Societe Generale Albania, Raiffeisen Bank and Tirana Bank.

Open lecture with 100 students of Epoka University in Tirana form representatives of Bank of Albania and Societe Generale Albania.



Friday, March 31, 2017

The visit to Credins Bank was organized in collaboration with BoA and students from “Qemal Stafa” High School, who have elected “Personal Finances in your hands” module in their academic curricula. The bank welcomed 30 students at the premises of its main branch in Tirana and explained to them how a branch operates and products they offer to the clients.

Visit to 7 branches of Intesa Sanpaolo Bank Albania (ISPA) in the country. ISPA and AAB arranged visits of 250 students from eight high schools and one University at some branches, where they had the chance to hear from Branch Managers about the importance of money and different products the bank offer to the clients.

Open lecture at “Aleksandër Moisiu” University, Durrës for 90 students, delivered by representatives of BoA and Intesa Sapaolo Bank Albania.

“Personal Finances in your hands” - TV competition. Ora News Television supported the competition between 3 high schools (“Besnik Sykja” and “Qemal Stafa” in Tirana and “Raqi Qirinxhi” in Korça) that have elected “Personal Finances in your hands” module during 2016-2017 academic years. The competition aimed the evaluation of knowledge and skills gained by studying the module. The winner was “Qemal Stafa” high school.



Trainings

Learning and development remain one of the AAB's main pillars. Over the last years we have organized more and more professional in-house in collaboration with our training partners.

2017 | 30 in-house trainings organized
Attended by 552 employees
Collaboration with 14 partners

Topic: The new Law on Bankruptcy

Date: February 07

Participants: 42

Training partner/Trainers: IFC consultants

Topic: Sales skills and sales management

Date: February 16-17

Participants: 17

Training partner/Trainers: Austrian Institute of Excellence, Eric Molin

Topic: Conflict Resolution Management

Date: February 20-21

Participants: 10 banks employees

Training partner/Trainers: Austrian Institute of Excellence, Mark Engelhardt

Topic: Agile Project Management

Date: February 22-24

Participants: 6 bank employees

Training partner/Trainers: Austrian Institute of Excellence, Mark Engelhardt

Topic: Credit Assessment and Management

Date: March 6-8

Participants: 20

Training partner/Trainers: House of Trainings, Luxembourg, Eric de Jong

Topic: Leading with Emotional Intelligence

Date: March 28-31

Participants: 10

Training partner/Trainers: Austrian Institute of Excellence, Larisa Winter



Topic: Proactive Protective Monitoring Managing Financial crime

Date: March 28-29

Participants: 19

Training partner /Trainers: Albanian Institute of Auditors, Bob Pointer

Topic: Enhancing Corporate Governance Leadership

Date: April 19 -20

Participants: 8

Training partner/Trainers: Corporate Governance Institute Albania (CGIA) with support of IFC

Topic: IFRS 9

Date: April 27

Participants: 40

Training partner/Trainers: Andrei Dochia, PWC expert

Topic: Techniques and Instruments for Internal Auditors

Date: May 24-26

Participants: 13

Training partner/Trainers: Albanian Institute of Auditors, Stavri Pashko, CIA

Topic: Team Work - Managing Effective Teams

Date: May 24- 25

Participants: 12

Training partner/Trainers: Genuine Effect, Gila Yaniv, Career Development Expert & Consult.

Topic: Train the Trainer: Methodology and Didactics

Date: June 5-7

Participants: 13

Training partner/Trainers: Austrian Institute of Excellence, Susanne Czachs, MA

Topic: Big Data driven CRM analytics

Date: June 8

Participants: 24

Training partner/Trainers: INFIGO, Mr. Davor Marić, expert in the field of CRM

Topic: Incoterms®2010

Date: June 8-9

Participants: 9

Training partner: ICC Albania



Topic: Foundations of International Trade & Finance

Date: June 21-22

Participants: 37

Training partner: EBRD Trade Facilitation Programme, Mr. O'Brien

Topic: Managing Credit Risk through Portfolio Management and Monitoring Performing and Non-performing Loans

Date: June 28

Participants: 25

Training partner: IFC

Topic: Anti-Bribery & Corruption in Practice

Date: June 29

Participants: 14

Training partner: ICC Netherlands

Topic: Certification Programme: Risk Management in Banking Foundation Level Part I and II

Date: September 15

Participants: 9

Training partner: ATTF Luxembourg,

Topic: CIA Exam Review

Date: 2-3 October 2017

Participants: 11

Training partner: Albanian Institute of Auditors

Topic: Leading with Emotional Intelligence

Date: October 4-5

Participants: 12

Training partner: Austrian Institute of Excellence, Larissa Winter

Topic: Risk Management Auditors point of view

Date: October 10-12

Participants: 10

Training partner: Albanian Institute of Auditors

Topic: EU Supervisory framework and 2017-2018 Priorities, Workshop

Date: October 24

Participants: 44

Training partner: Deloitte Audit Albania



Topic: Effective Management

Date: October 23-24

Participants: 15

Training partner: Yehuda Hamovitz

Topic: Visa Claims Resolution (VCR) Disputes

Date: October 25-27

Participants: 18

Training partner: Visa Business School

Topic: Retail Banking, Internet Finance & E-banking

Date: November 1-2

Participants: 15

Training partner: House of Trainings Luxembourg, Pierre Voos

Topic: Quality Assurance Assessment

Date: November 6-7

Participants: 10

Training partner: Mazars Certified Auditors

Topic: Treasury Sales Excellence

Date: November 21-22

Participants: 12

Training partner: Apollo Consulting, Mr. Attila Mizers

Topic: Workshop on COSME programme

Date: November 22

Participants: 37

Training partner: Ministry of Finance and ICC Albania

Topic: Workshop on FATCA & Common Reporting Standards (CRS)

Date: November 30

Participants: 22

Training partner: PWC

Topic: People Management for team managers

Date: December 4-7

Participants: 18

Training partner: House of Trainings Luxembourg, Viviane Harnois Gilles and Osona de Mendez



Banking Supervision

Regulatory issues treated during 2017

AAB dealt with important regulatory issues, which affect banking sector activity. Among all issues are worthy to be mentioned:

The guideline on Private Bailiff Tariffs - following the changes made on 2016 to the Civil Procedure Code, where, among others, was presented the concept of bailiff's success fee, the Minister of Justice and the Minister of Finance issued the joint guideline no. 385/7, dated 28/6/2017 "On the establishment of tariffs for services provided by private bailiffs".

AAB through its executive bodies has strongly opposed the guideline and mainly the high tariffs set on it, specifically the fixed one, which at the end will be charged to the debtor. The concerns of banking sector were presented during 2017 to the main relevant national and international institutions, such as: Prime Minister, Ministry of Justice, Ministry of Finance, World Bank and International Monetary Fund.

On fiscal issues related to banks – During 2017, the AAB Secretariat and AAB technical committees have thoroughly discussed on the necessity for changes to the fiscal legal framework aiming to have better and more detailed regulatory acts, aligning them with best practices of EU and region countries. AAB contracted with PricewaterhouseCoopers Albania (PwC), as advisor to the final preparation of the proposed changes to the income tax law, mainly concerning tax treatment of collaterals and their repossession. Respective proposals were presented to the Ministry of Finance.

Regarding the issue, AAB representatives organized several meetings with respective representatives of the authorities.

On the instructions issued by the Minister of Interior – following the approval of the law "On Additional Security Measures" and its bylaws, the AAB Secretariat and technical committees have discussed on the main issues regarding the guideline of the Minister of Interior and presented them to the later. Meanwhile, another concern of banking sector during 2017 has been also the guideline issued by the Minister of Interior "For the functioning of private security service" and especially regarding the procedures foreseen for the transportation of monetary value. The concerns and specific proposals of banking system were presented to the Ministry of Interior.

Regulatory framework of Bank of Albania

During 2017, AAB has been involved in the consultation process on "Regulation on extraordinary intervention plans" issued by the Bank of Albania pursuant to law 133/2016 "On the recovery and resolution in banks in the Republic of Albania".

AAB was also engaged in providing comments and suggestions on the de-euroization strategy adopted by the Bank of Albania as well as in the regulatory changes set out to make the banking sector's currency activity costlier and to strengthen the mechanisms of borrower awareness.

In addition, AAB through its technical committees collaborated with the Bank of Albania and has been involved in the consultation process through its comments and suggestions on:

The reviewed regulation on “Consolidated Supervision”, which sets out the conditions, rules and regulatory requirements for the implementation of consolidated quantitative and qualitative supervision for the purposes of risk management arising from the banking group and the financial group.

The changes made to the regulation “On capital adequacy ratio”, revised in order to continue with the implementation of the measure that penalizes (in terms of capital requirement) the banking sector settlements with non-residents.

The changes made to the regulation “On Transparency for Banking and Financial Products and Services”, which addresses some of the problems faced by banking sector related to customer transparency, as well as further alignment with the European Consumer Protection Directives.

The partial revision of the regulation “On the basic principles of banks and branches of foreign banks management and the criteria for the approval of their administrators”.

The changes made to the regulation “On the Internal Control System”, partially revised, aligning with the amendments to the regulation “On the basic principles of banks and branches of foreign banks management and the criteria for the approval of their administrators”.

The new regulation on “The Emergency Response Fund and the procedures for its administration”, issued by the Bank of Albania pursuant to the law “On the recovery and resolution in banks in the Republic of Albania”.

AAB Communications & PR

Events are an important strategic and communication tool for AAB, which gather local and regional banking industry professionals. These activities are a good opportunity to promote developments regarding the banking system and to be informed on the progresses of other countries.

As below, this section introduces the various kinds of events organized by AAB during this year which are divided in two categories: (i) events and (ii) social activities.

In several cases, AAB speakers or delegates participated in the conferences and presented the AAB position on these issues. In other cases, a delegate was present to attend key conferences.

The Secretary General of the AAB himself was often invited to speak or attend events in Albania and throughout Europe, in order to present the views of the sector on key topical issues.

The AAB activities received media coverage in 2017 and the Secretary General gave more than 30 interviews throughout 2017.

The AAB Annual Dinner, which brings together all contacts, colleagues, members and stakeholders, was attended by 60 participants.

2017 | Events organized during the year

Signing of Memorandum of Cooperation in the framework of National Employment Programme

In the framework of National Employment Programme, on January 26, the Ministry of Social Welfare and Youth, signed a memorandum of cooperation with 14 public and private companies. The agreement ensures exchanging services and experiences between students and companies, in real working environment, where after successful completion of the program, the interns could be employed by the companies.



World Bank - The Retail Payment Costs

During the visit of World Bank Mission on Remittances and Payments Systems to Albania, on January 26 was organized a workshop entitled “The Retail Payment Costs for Users in Albania – How much does it cost consumers, businesses and government authorities in Albania to pay?” The activity focused on the payment sector and was attended by AAB Member Banks. During the workshop were presented the findings of the Retail Payment Costs for Users in Albania. In addition, the launch of the supply-side analysis – rationale, methodology, and timeframe were part of the agenda.

AAB organizes the first Retail Banking Forum

The one – day event, organized on February 21, brought together international experts with the local policy-makers, regulators and representatives of the local banks, who discussed key challenges currently being faced on the digital transformation journey. Distinguished keynote speakers from McKensey, Pricewaterhoues Coopers, European Banking Federation and Croatian Banking Association shared with the participants their overview on the development of retail banking as a result of the development of technology and changing customer behaviour. Speakers from the World Bank, Bank of Albania, Ministry of Internal Affairs, Ministry of Innovation, Public Administration and other public institutions discussed about the cyber security threats, the importance of credit bureau, the current situation in the country and what can be improved in the future in order to create favourable conditions for the rapid development and secure retail banking. Also, representatives from banks operating in Albania introduced their experiences in retail banking.



Roundtable on Risk Management

AAB in collaboration with IFC organised the roundtable entitled “The Future of Risk Management”. This high-level roundtable, organized on April 5, helped guide banks towards leveraging their ICAAP capacity and improving their stress testing framework; and as well to understand better the best practice globally in these areas. The roundtable was attended by Bank of Albania representatives, CROs and risk staff of Member Banks, IFC experts, Deputy Head of Mission, Embassy of Switzerland in Albania. “Introducing ICAAP to the Albanian financial market/overview of the strategy”; “Risk management best practice moving forward”; “Moving to better risk governance/determination of risk appetite” were the main topics covered at the meeting.



SWIFT: Customer Security Programme (CSP) work session Albania

On June 1, AAB in collaboration with SWIFT Company organized the “SWIFT: Customer Security Programme (CSP) work session Albania”, which is a programme launched by SWIFT Company after the cyber-attacks happened in Philippines. The work session consisted of 2 parts and was attended by CISO – Chief Information Security Officers; IT director/managers; SWIFT main contacts, Ministry of Finance, Bank of Albania representatives and non-bank financial institutions.

SWIFT: UGM annual meeting

On June 2, AAB hosted the annual meeting of UGM. The meeting was focused on: The Customer Security Programme (CSP) update; SWIFT Global Payments Innovation (SWIFTgpi); Compliance Portfolio: Daily Validation Report; Payments Data Quality (FATF16, 2nd Funds Transfer Regulation); KYC Registry; Release 7.2 Rollout and Services; latest Board Papers. The activity was attended by Member Banks and representatives of Bank of Albania.



Infosec and Big Data Analytics

On June 8, was organized the conference entitled “InfoPoint Meetup - Infosec and Big Data Analytics”, in cooperation with INFOGO IS. The half-day conference was attended by professionals responsible for InfoSec, IT and regulatory compliance by commercial and central banks, mobile phone companies, financial and technology companies, ministries, other government agencies etc. This event brought the latest trends in information security from the most competent INFOGO experts, as well as some of the big data solutions INFOGO has developed to address different business needs and requirements. Representative from Raiffeisen Bank and Intesa Sanpaolo Bank Albania shared their experiences and good practices with the audience.



Memorandum of cooperation

The Albanian Association of Banks, the Insurers Association of Albania (IAA) and Life Insurers, Pensions and Investment Funds Association (LPIFA) entered into a Memorandum of Cooperation. On September 13, the General Executive Director of the Albanian Financial Supervision Authority, Chief Executives Officers of Member Banks and insurance companies, together with experts of the financial sector were present in the ceremony. The event was also broadly attended by the media.



How to Build a Profitable Card Business Portfolio

On September 22, AAB organized the workshop entitled “How to Build a Profitable Card Business Portfolio”. Speakers from the companies VISA and MasterCard gave presentations on the topic. This event was focused on addressing strategies or techniques for Card Portfolio Profitability Growth; the latest insights and card industry guidance from MasterCard and Visa Card Payments Experts and best practices and success stories throughout the world. The workshop was attended by Bank of Albania representatives and bank experts.



Human Resources Forum: HR management in digital banking

On October 04, AAB organized the HR forum entitled: “Human Resources management in digital banking”. HR international and national experts discussed the ability to learn and to adapt to changes that will continue to characterize bank employees through digital transformation. Mr. Alessandro Dordolo, Head of Human Resources Department, International Subsidiary Division of Intesa Sanpaolo, Italy; Ms. Larissa Winter, expert from the Austrian Institute of Excellence, Austria; Professor Nikos Lambridis, Head Coach of Executive MBA Programme, Sheffield University, Greece; Mr. Burak Yildiran, Head of Human Resources Directorate, Garanti Bank Turkey along with the executives of our Member Banks, BKT and Raiffeisen Bank were speakers at the forum.



2nd Internal Audit Forum: Responding to the voice of Stakeholders

The Forum organized by the Albanian Association of Banks in collaboration with the Albanian Institute of Internal Auditors took place on October 13 and served as a forum where participants from Bank of Albania, banks and other institutions discussed about the internal audit profession in Albanian banking sector and about the identification of common challenges toward fulfilment of the stakeholders' expectations.

It was an opportunity for key stakeholders to express their views on the insights, perspectives and recommendations required from internal auditors to facilitate the achievement of the objectives.

Furthermore, discussions were held on the new challenges emerged from everybody's perspective: Management, Audit Committee and Chief Audit Executives. International speakers as: Mr. Robert Cornelisse, Director of the European Institute for Audit Professionals and Internal Auditor at Dutch National Bank and Mrs. Angela Witzany, former chairperson of Global Institute of Internal Auditors Board, provided their views on the expectations and the role of the Internal Audit.



The AAB conference: “Banks for Growth in Albania”

The AAB the conference entitled: “Banks and the Economic Growth in Albania”. The conference was attended by the Prime Minister of Albania Mr. Edi Rama, the Minister of Finance and Economy Mr. Arben Ahmetaj, the Governor of the Bank of Albania Mr. Gent Sejko. The vice Minister of Infrastructure and Energy, Mr. Enis Aliko and the advisor of the Minister of Justice were part of the panel of discussions. Representatives from the Bank of Albania, Albanian Financial Supervisory Authority, non-bank institutions, bank executives, IMF, World Bank, EBRD, and representatives from EFSE development Facility (EFSE DF-which was the main sponsor of the conference) participated in this event. The three sessions were successfully chaired by Mr. Periklis Drougkas, AAB Chairman and CEO of Alpha Bank Albania; Mr. Seyhan Pencabliligil, CEO and Member of the Board of Directors of Banka Kombetare Tregtare (BKT); Mr. Dritan Mustafa, CEO of Tirana Bank and Mr. Jonathan Wheatley of IFC. The activity was monitored by the media during the opening session.



Social Activities

Activities with media representatives

On January 20, took place the New Year's meeting with economic journalists, analysts and media representatives organised by the Albanian Association of Banks. Board members, CEOs of AAB Member Banks as well as members of the Chairmanship of the PR Committee, attended this meeting. The participants enjoyed a cocktail, as the evening continued in a warm and friendly atmosphere with networking and connecting, aiming at further improving the communication between the two sectors.

On September 14-17, AAB organized for the third consecutive year an activity with economic journalists. Even the year under review, the activity was designed as a combination of training and entertaining trip and took place in the town of Bansko, Bulgaria. The activity was sponsored by FIBank Albania.



ATTF Alumni Meeting

On December 5, AAB organized in Tirana the first meeting of ATTF Alumni. Bankers that have participated at ATTF International Seminars on AML, ACAMS & Compliance, HR – People Management for Team Managers, Executive Programme in Luxemburg attended the event. At the event participated also the top 2 HR trainers of ATTF team Mr. Ossona and Mrs. Harnois who is the head of the HR programme in Luxemburg.

On December 6, Ms. Milani met with the AAB Secretary General and discussed cooperation between the institutions and the trainings to be organized throughout year 2018.



End of the year dinner

On December 2, AAB organized the End of the year dinner, attended by Chief Executive Officers and representatives of the Member Banks, special guests by Bank of Albania such as the Governor, First Deputy and Second Deputy Governor, Director of Supervision and other departments, Chief of Cabinet of the Governor's Office; the Director of the Deposit Insurance Agency, and the members of the Editorial Board of Bankieri magazine.



Publications

Through periodical and non - periodical publication, AAB provides the resources to inform the public on the banking system developments in general, on issues of concerns and on activities carried out by the Association.

The regular (periodical) reports include the Annual Report, the CSR Report according to SDGs, Bankieri Magazine and monthly newsletters.

Specific data reports were produced, in order to inform the committee members or specific Member Banks overview of financial services matters and collaboration.

A report on Money Week activities in Albania prepared by the AAB Secretariat shows the importance of the issues for the sector. This report circulated in electronic format to the assembly members and EBF and EBTN.

Finally, the monthly issues included in the AAB newsletter were distributed as always to all assembly members and committees.

Annual Report 2016

The AAB Annual Report, which has been published in July, included the main developments and activities of the Association during year 2016.



CSR Report 2016 – Banking for Society

For three consecutive years, AAB introduces the banking contributions in compliance with the Sustainable Development Goals. The report is considered as a new standard of communication established on the provision of information on the banks contributions to society and economy. The 2017 edition, drafted with the EY assistance and consultancy, brought upon an upgraded structure for outlining the contribution of banks in line with Sustainable Development Goals and Corporate Social Responsibility and the Goals are outlined in two sections:

Opportunities for Shared Values, which are those opportunities which banks expect to comprise an added value to shareholders as well as to the society, represent an action to create a more sustainable and inclusive path to economic growth, prosperity and welfare.

Other activities such as donations and sponsorships, not considered as SDGs, are summarized under the Corporate Social Responsibility section.



Bankieri Magazine

Four editions of Bankieri Magazine are prepared and published in 2017. The magazines are downloadable online at and social network profiles. In addition, the magazine was broadly distributed to various institution representatives in Albania.

Study on the Contribution of banking sector to the Albanian economy and society

The study includes analysis of banks important function in support of economic growth and social development of Albania to follow with a consideration of the development perspectives of banking sector in a regional context under the lenses of current stance of the industry. Also, remarks are drawn on key critical aspects of the importance of the Albanian banking sector for the economy of the country.

The study was conducted by Op2M, Croatia as commissioned by the Association and was introduced in November 2017 during the AAB Conference.



Videos

Over 2017, AAB continued to publish the informative videos on Financial Education of the series “My Bank”.

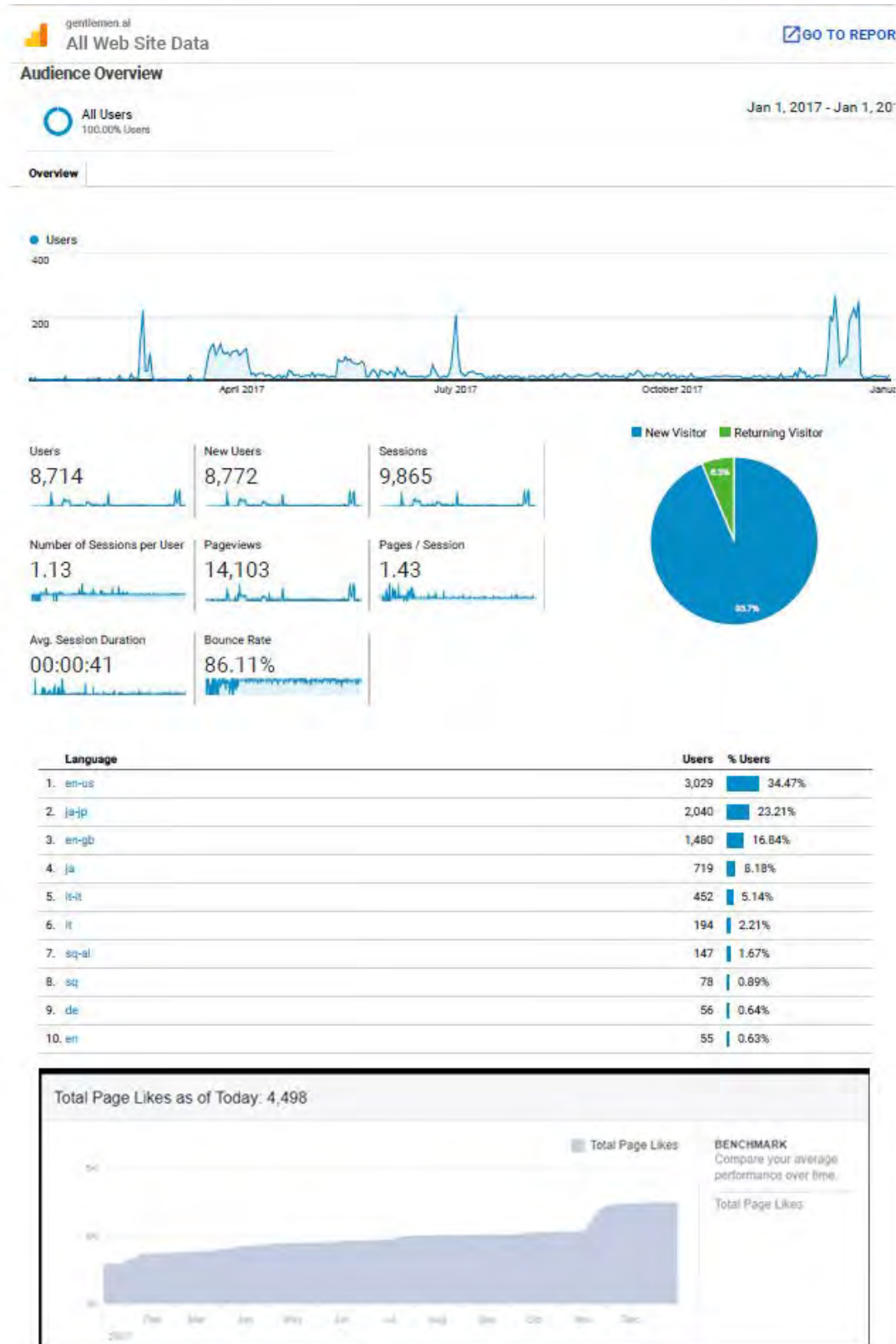
- Consumer Loan
- The Overdraft
- How to become a bank customer
- Digital banking



Website

On June the new website of the AAB was live. The updated site includes changes to navigation, with dropdown menus for both mobile and desktop versions and improves access to the information published.

Now, the official AAB webpage includes a new system of statistical data processing. This tool enables the readers to proceed with the data base by applying specific filters.



AAB social media performance, 2017

TECHNICAL COMMITTEES

Achievements and highlights

The Technical Committees gathered in more than **50 meetings** during 2017 and the issues identified were followed up by the AAB Secretariat.

Bank Security Committee

In view of the consultation process offered by the State Police, the committee members discussed some additions and amendments to the guideline of the Ministry of Internal Affairs no. 157, dated 01/04/2015 “On the functioning of the Physical Security Private Service”.

After the approval of the law no. 19/2016 “On Additional Security Measures to Public Order” and the guideline no. 134 date 10/03/2017, the committee members met and communicated with TIA Airport representatives, where was further discussed on the guideline the transport of monetary value.

In the context of the regional project on “Private Security Companies in the Western Balkans” funded by the DCAF Foundation, committee representatives attended the roundtable organised by IDM on May 17, 2017 to assess the implementation of law 75/2014 on “Private Security Service and the Impact on the Private Security Sector: 2014 -2017”, its impact on the private security sector, as well as the positive or negative trends observed. Some meetings of the committee were attended by experts of the General Directorate of the State Police. As a result of the committee’s meetings, AAB Secretariat sent official letters to respective authorities (according to the issues).

On September 12, after the election, the chairmanship of the committee consists of: Bajram Ibraj, representative of Intesa Sanpaolo Bank Albania (Chairman); Henri Muhaxhiri, representative of Raiffeisen Bank Albania (Vice – chairman); Rasim Borici, representative of American Bank of Investments (Vice – chairman).

The committee held 9 meetings during the year.

Card Committee

The main activity of the committee was the workshop organized in collaboration with the companies VISA and MasterCard upon the request of the members. This event was focused on addressing strategies or techniques for Card Portfolio Profitability Growth; the latest insights and card industry guidance from MasterCard and Visa Card Payments Experts and best practices and success stories throughout the world.

On June 15, the AAB Secretary General and the Card Committee chairwoman met with account manager for Albania on behalf of Mastercard. In the meeting, the participants discussed about the projects to be undertaken by the company in Albania and the developments in the field.

During the month the committee members delivered via email information regarding the fraud incidents occurred. The information sharing is considered as very important information for the card and security departments of banks.

During the meetings organized the members were regularly informed on some mandates from Master Cards and VISA such as: MasterCard Automatic Billing Update - The data security; increase of the AML Compliance Program Annual Fee; etc.

On April 7, an election was held because of the mandate termination of the chairmanship. After the election, the Chairmanship of the committee is composed of Nevila Kovaçi, representative of Intesa Sanpaolo Bank Albania as the Chairwoman; Valbona Çuçka, representative of Union Bank and Imelda Koçaj, representative of Banka Kombetare Tregtare as Vice Chairwomen's of the committee.

The committee held 6 meetings during the year.

Compliance Committee

The committee members gathered during the year have had in focus different technical issues. One of the main issues of concerns was the draft law "On some changes and additions to the Law on Preventing Money Laundering and Terrorism Financing". The unified comments and suggestion on the draft law were sent to the General Directorate of Anti Money Laundering.

One of the meetings was attended by the chairman of the Payment Systems Committee. Also, the new General Director of the General Directorate of Money Laundering Prevention, Mr Arlind Gjokuta participated. He praised the progress achieved so far and especially that of the banking sector as the main actor and contributor. Also, he expressed his fully engagement for a fruitful collaboration. The participants discussed and agreed on different technical issues and on the forthcoming visit of MONEYVAL Committee.

Regarding the decision of Competition Authority (CA) concerning the General Investigation Report in the Banking Sector, the members of the committee agreed that the decision include recommendations for the banking sector. Meanwhile, the members addressed the need to be part of the consultation process, which will be started by the Bank of Albania to make the changes to the regulation on the transparency of banking services, as it is recommended by the Competition Authority.

The committee held 3 meetings during the year.

HR Committee

On October 14, was organized the HR forum entitled: "Human Resources management in digital banking", which gathered HR international and national experts to discuss on flexibility and ability to learn and adapt to change that will continue to characterize bank employees through digital transformation.

In March, the report on HR KPI for year 2016 was delivered. Regarding the report, it is decided that will be now elaborated by the Secretariat and new KPI's will be added to it. The committee gathered on March 15 to discuss the proposal of AAB to participate at the Employee Effectiveness Survey that will be conducted from Hay Group and the report will be presented at the next AAB HR Forum. AAB Secretariat gathered the data of its Member Banks of HR KPI-s.

On December 27, the Committee elected the new chairmanship. The Chairwoman of AAB's HR Committee for a two-year mandate is Mrs. Entela Zigori, Head of HR Department at Intesa Sanpaolo Bank Albania, together with the two vice-chairwomen Valbona Zeneli, Head of HR Division at Raiffeisen Bank and Gertjana Drita, Head of HR Department at Tirana Bank.

Other issues discussed throughout the year include presentation by Hay Group on the Employee Effectiveness Survey and its benefits and Salary Survey details; Workshop on reward and compensation package; Certification by GARP regarding Risk Management (TOT) and the Financial Education Forum & initiatives to be undertaken during the Money Week.

The committee held 5 meetings during the year.

Information Security Committee

The committee members were informed on the new cyber security law that entered into force by the end of February. The committee addressed to the relevant authorities, relevant issues and arguments that impede banks to implement the law and ask explanations. Also, the members expressed their willingness to be included in the working groups engaged on the drafting of the bylaws.

Following some of the attacks, the measures to be undertaken and the investigations made by the banks were discussed. It was decided on the WannaCry ransomware, which affect Windows/Microsoft infrastructure, the measures to be undertaken or the measure used in accordance with CERT EU. Also, the members focused on the awareness-raising activities to be developed in the framework of the Cybercrime Awareness Month and the measures to be undertaken in the framework of SWIFT Customer Security Programme.

The Committee chairmanship election was held on September 25. After the voting process, Oerd Cukalla from Raiffeisen Bank Albania was elected as the chairman, while Eni Nesturi from American Bank of Investments and Valsi Thomollari from Alpha Bank Albania were elected as vice chairmen.

The committee held 3 meetings during the year.

Information Technology Committee

On 23 March the AAB IT committee organized its first meeting. In the meeting, the regulation based on which will function this committee was discussed and were also elected the Chairmanship of the committee with the following composition: Alketa Lamce, represented of Intesa Sanpaolo Bank Albania as the Chairman and Irena Rushaj, representative of Union Bank and Altin Kona, representative of Banka Kombetare Tregtare as Vice Chairman's of the committee.

The committee held 1 meeting during the year.

Internal Auditors Committee

The committee members focused on the possibility to be more active on the promotion of internal audit function. The committee discussed the International Internal Audit Awareness Month and emphasised the role of the Albanian Institute of Internal Auditors (AIIA) which encourages members to actively promote internal auditing value.

Upon the decision of the committee to organize the second annual forum in collaboration with the Albanian Institute of Internal Audit (AIIA), the chairmanship and AIIA representatives organized several meetings to set the agenda. In October, for the second consecutive year the committee organized its annual forum, which this year was entitled: "Responding to the voice of stakeholders". In order to get an accurate view of the challenges of Internal Audit function in Albania and to introduce it during the forum, a questionnaire was distributed to the stakeholder and banks' internal auditors. The results of the questionnaire were introduced by the chairperson of the committee during her presentation in the forum.

The Committee chairmanship election was held, to determine the next chairman, and the two vice chairmen. After the voting process, Silvana Zoto, representative of NBG Bank Albania was elected as the chairperson, while Dorida Stambolla, representative of Raiffeisen Bank and Daniela Hoxha, representative of Banka Kombetare Tregtare, were elected as vice chairwomen.

The committee held 5 meetings during the year.

Legal Committee

The committee members during the year have discussed and have made specific proposals regarding the joint guideline "On Private Bailiff Tariffs", which were presented to the respective ministries by the AAB and were not taken into consideration in the approved guideline. Even that the AAB has continued to raise the issue and its statement of the private bailiff tariffs. The committee members have been involved on the consultation process on new regulation issued by the Bank of Albania pursuant to the law "For the recovery and the extraordinary intervention in banks in the Republic of Albania", as well as in the consultation process of other regulations issued by the Bank of Albania during 2017.

The committee held 1 meeting during the year and further correspondence has been delivered electronically.

Public Relations Committee

The activities organized during the Money Week and support by the Member Banks was one of the issues of discussion. Even this year, banks committed to be part of these activities through sponsorship and/or staff involvement.

Another discussed topic was the CSR Report 2016 prepared by Ernst & Young in accordance with UN Sustainable Development Goals (SDG). The committee worked on the new report entitled SDG Diagnostic Model. The purpose of the SDG Diagnostic Model is to provide practitioners with a framework to help the banks diagnose their organization's readiness to implement an effective Sustainable Development Goals program. The model provides a dashboard overview of the banks current alignment and desired SDG

alignment levels, which can form the basis of a gap analysis (current to future state) - the gaps representing potential improvement opportunities. AAB prepared this report with the support of Ernst & Young Albania.

The committee held 2 meetings during the year.

Payment Systems Committee

In view of the latest developments in the payments sector, on January 31, the representatives of PayLink Company introduced their platform (proposal) regarding clearing for domestic transfers in euro. Bank of Albania representatives and the chairmanship of the Committee along with the IT departments' responsible persons, attended the meeting.

In the framework view of the project on "Clearing and Settlement of payments in euro within the country", it was required a feasibility study by the Bank of Albania. The aim of this feasibility study was to provide sufficient evidence for each option proposed. For this purpose, was created a working group which proposed three options: Clearing and Settlement provided by a third party (private operator); Clearing by a third part and Settlement by Bank of Albania; Clearing and Settlement provided by Bank of Albania.

In the meeting organized on February 15, the AAB Secretary General informed the committee members on the results of the meeting between utility companies and National Committee for Payment Systems. This meeting had on the focus the Direct Debit Scheme and the parties expressed their interest on this project. In order to further discuss technical issues, the companies informed on their person in charge from their side.

The committee addressed to BoA through a letter the concern related the guideline No. 22 and specifically the compliance with the requirements of the unified payment order.

The committee held 5 meetings during the year.

Treasury and Financial Market Committee

The Albania Government Bond Market Development Workshop was the main topic discussed by the committee. A workshop supported by the Ministry of Finance, Bank of Albania, and the World Bank was organized as a part of a larger technical assistance project supported by the FIRST on strengthening government bond market and related public debt management. The aim of the workshop was to allow the different stakeholders to discuss and agree on a viable roadmap with timelines and clear responsibilities for the development of the government securities market.

At the end of the year, the chairmanship of committee was comprised of Suela Totokoci from Intesa Sanpaolo Bank Albania – chairperson; Donalda Gjorga from Raiffeisen Bank, and Teuta Lloshi from ABI Bank, vice chairpersons.

The committee held 5 meetings during the year.

Risk Committee

Risk Committee had its first meeting on February 28. The committee held its election and delivered the regulation for the functioning of the Committee by email. Chairperson of the Committee was elected Brisilda Bala, representative of Tirana Bank, while Gresa Panajoti, from American Bank of Investment and Enkelejda Ania from Raiffeisen Bank were elected as the two other members of the Chairmanship.

The main topic of the meetings held throughout the year was the project-guideline on “Internal Capital Adequacy Assessment Process” and IFRS 9. The participants shared their practices and discussed about common concerns regarding the implementation of the projects. The meetings were attended by risk committee members and finance departments representatives. Also, joint meetings were organized with Bank of Albania.

The members were involved in the Credit Bureau project, filling out a questionnaire regarding the establishment of a credit bureau.

On April 5, AAB in collaboration with IFC organised the roundtable entitled “The Future of Risk Management”. This high-level roundtable helped guide banks towards leveraging their ICAAP capacity and improving their stress testing framework; and to better understand the best practice globally in these areas as well.

Bank of Albania, through the AAB Secretariat, requested the opinion of banks for the proposed measures regarding de-euroization in the banking sector. The risk committee gathered on May 30 to further discuss their opinions sent to Bank of Albania.

Following up the request from the Risk Management Committee on some data on banking system to be provided by Bank of Albania and the meeting of the AAB Secretary General with the Deputy Governor in order to achieve an agreement on the matter, the data required were sent by the authority. These data were distributed to the committee members and shall assist banks with their internal analysis.

AAB Secretariat distributed to risk committee members the platform of AAB regarding the new rule for banks on the usage of business financial statements. On December 11, was organized a meeting attended also by the directly involved responsible unit structures in the lending process and some of the AAB Risk Committee members with the aim of discussing the comments.

After the approval of the new data format which shall be submitted by the Member Banks for the internal use, the AAB with the support of the chairperson of the committee prepared the instructions first draft in order to report the data as of December 2017. The statistical data shall be reported by banks on a quarterly basis, according to GAAP & IFRS standards. The committee held 7 meetings during the year.



OTHER MEETINGS

Meetings with Bank of Albania

On February 15, the Bank of Albania (BoA) representatives and the Executive Committee of the AAB had a discussion meeting at the premises of the Bank of Albania. The Governor of the Bank of Albania, Mr. Gent Sejko; the Deputy Governor, Mrs Natasha Ahmetaj, other senior officials from the Bank of Albania, the AAB Chairman of Executive Committee and CEO of Alpha Bank Albania, Mr. Periklis Drougkas, other members of this Committee, and Secretary General of AAB participated in this meeting. The purpose of the meeting was to intensify the dialogue and collaboration between BoA, AAB and commercial banks that conduct their activity in Albania, on issues related in particular to the security of conducting the banking activity, taking into consideration the recent events that have occurred during the transportation of monetary values, as well as to discuss on the financial, crediting and operational activity of the banking system in Albania.

On July 7, the AAB Executive Committee met with the Governor. During the meeting the participants addressed the banking sector concerns regarding the implementation of IFRS 9 project. Also, they addressed issues related with new guidelines on private bailiffs' fees. In the meeting was discussed even the need to organize a meeting with the Prime Minister in order to explain all the crucial concerns requesting by the later to undertake the necessary actions in order to remedy the situation created through this guideline.

On September 22, upon the request of Bank of Albania was organized a meeting with banks' representatives and BoA representatives, where was introduced the new draft regulatory on "The Emergency Response Fund and the procedures for its administration".

Interbank Direct Debit project

On January 26, in the framework of the Interbank Direct Debit project, was organized a meeting with the participation of Ms. Elisabeta Gjoni, First Deputy Governor of the Bank of Albania, the AAB Secretary General and representatives from utility companies (OSHE, UK Tirana, Albtelekom). At this meeting was discussed the agreement for the cooperation between the related parties regarding the finalization of this process.

Meeting with the minister of Diaspora

The remittances were the topic of the meeting of Bank of Albania representatives, AAB Assembly Members with the Minister of Diaspora. The meeting took place on December 11.

On IFRS 9

On December 14, the AAB Secretary General met with the deputy director of General Directorate of Taxation to discuss the impact of IFRS 9 on the banking industry.

Meetings with World Bank representatives

On January 25, the World Bank representatives met with the chairmanships of AAB Cards and Payment Committees. The meeting focused on the project undertaken by the World Bank on financial inclusion. The participants discussed the situation in Albania (a brief overview); the latest innovations putted into practice and the related difficulties, the financial services and products, the legal framework, etc.

AAB Secretariat met on January 31, with the experts of the related project to talk about the Prime Minister's Order on Integrated Land Management (ILM) and to discuss the impact this may have on the banking sector, particularly in those areas that deal with land and property markets (e.g. mortgage loans, agricultural loans). World Bank experts were in the phase of the feasibility study. In addition, AAB Secretariat assisted the project team to get the views/opinion of the Member Bank regarding the banks use of location/geospatial information and how this might evolve if data accuracy and access are improved under ILM.

The World Bank team assisting the Bank of Albania in drafting guideline for the implementation of voluntary multi-lender non-performing loan restructuring visited Albania during March 6 – 10, 2017. This team met with AAB Secretary General and Risk Committee chairmanship on March 7. During the meeting the participants discussed the current impediments for out-of-court non-performing loan resolution, identified areas where more detailed guidelines are needed, as well as relevance of international experience in the context of Albanian legislation and regulatory framework.

AAB Secretary General met on June 9 the World Bank expert regarding the possibility for cooperation between AAB, Ministry of Finance and Bank of Albania on the securities market.

On October 5, a meeting was organized with the AAB Secretary General and the World Bank, which had on the focus the projects supported by the banks.

Evaluation Department (EvD) Mission in Tirana

During 2017 the Evaluation Department (EvD) of the European Bank for Reconstruction and Development (EBRD) conducted an evaluation of the EBRD's activities in the sphere of investment climate support. The purpose of the evaluation focused on identifying context-specific lessons that may make future EBRD's activities in the area of investment climate support more effective and efficient. Albania is one of the countries of operation where Bank's activities in 2005-2016 are being analysed in depth. A team who visited Tirana met with AAB Secretary General on April 27 aiming to get their insight into the process of investment climate improvement, its effectiveness and impact.

EvD is an independent department within the EBRD. It is charged for assessing whether the Bank's products and services are achieving the results expected of them.

Meeting with Albania FIRST: Strengthening Government Bond Market and Related Public Debt Management

Following the workshop on the Government Bond Market Development, held on June 6-7, 2017, the World Bank Consultant Mr. Lazslo Buzas met with AAB representatives on July 4, 2017 at AAB premises. Mr. Buzas has informed the other participants that the World Bank has recommended to the Ministry of Finance to start initially with the issuance of a 5 Year Benchmark Bond that will substitute all the other 5-year bonds that were planned to be issued. This bond would be issued directly in the auction only to market participants that would be ready to sign a contract with the Ministry of Finance. The Ministry of Finance will also establish a clear communication with the market and will hold regular meetings with the participating banks to discuss plans and problems. Also, an investor relations website will be created to keep open communication with investors. Also, the World Bank will advise the Ministry of Finance on the rules for off market bids (high and low) that could be rejected.

Meeting with the European Commission representative

On October 9, AAB Secretary General met with Mr. Danielson, Director General of DG NEAR at the European Commission. During the meeting they discussed about the perspective of Albania in the context of the Regional Economic area and in the context of the European Integration.

Meeting with Regional Economic Adviser for the Danube-Balkans area

On October 12, the AAB Secretary General met with Mr. Jean-Marie Demange, Minister Advisor, and Regional Economic Adviser for the Danube-Balkans area, located in Sofia. Participants in the meeting discussed about the banking system in general and the challenges for 2018.

Private Credit Bureau Project in Albania

















On June 21, the AAB Secretary General met with EBRD representatives to discuss about the establishment of the Credit Bureau in Albania upon the decision of the Assembly of Members. During the meeting, the parties expressed their concerns regarding the regulation reform needed and the person in charge to be appointed for the implementation of the project. During this the meeting, it was emphasised the need for an international expert for assistance during the first month of the project and the first period of implementation as well.

In the context of the project, on October 11, the AAB Secretary General met with IMF representative who is assisting the Bank of Albania.

CRIF Company expressed its interest to present their experiences on the issue. CRIF is a leading global provider in banking credit information infrastructures and credit management solutions. Furthermore, credit & marketing management solutions completed the definition of End-To-End Company. On December 5, the company representatives met with banks representatives to introduce their experience on the matter.



Figures on the Member Banks

Bank	Shareholders' Structure:	Country of origin	Assets (€000)	Loans, Net (€000)	Investment in government Securities (€000)
 ALPHA BANK	Alpha Bank A.E. 100%	Greece	577,179	239,962	96,501
 AMERICAN BANK OF INVESTMENTS	Tranzit Shpk 100%	Albania	308,642	82,247	140,531
 BANKA KOMBETARE TREGTARE	Calik Finansal Hizmetler A.S. 100%	Turkey	3,057,934	979,800	1,146,876
 CREDINS bank	Renis Tershana 24.296% Aleksander Pilo 16.683% B.F.S.E Holding BV 14.482% Bank Executive Director 6.754% Other (less than 5% of shareholding) 37.785%	Albania Albania Netherland Albania	1,351,053	739,744	223,946
 CREDIT BANK OF ALBANIA BANKA E KREDITIT E SHQIPERISE	Kharafi Group 100%	Kuwait	13,374	2,027	705
 First Investment Bank	Fibank AD 100%	Bulgaria	157,916	71,597	52,851
 INTERNATIONAL COMMERCIALS rëndësi kan	ICB Financial Group Holding 100%	Switzerland	81,567	36,799	25,776
 INTESA SANPAOLO BANK Albania	Intesa Sanpaolo S.p.A. 100%	Italy	1,160,182	350,186	430,682
 NBG Bank	National Bank of Greece S.A. 100 %	Greece	296,650	203,101	47,624
 ProCredit Bank	ProCredit Holding AG & Co. KGaA 100%	Germany	256,968	171,335	13,773
 Raiffeisen BANK	Raiffeisen SEE Region Holding GmbH 100%	Austria	1,880,469	677,193	508,603
 SOCIETE GENERALE ALBANIA	Société Generale 88.89% Minority Shareholders 11.11%	France Albania	612,404	365,167	151,396
 TIRANA BANK	Piraeus Bank 98.83% Ioannis Tzivelis 1.17%	Greece	585,512	205,880	115,334
 UNIONBANK	Unioni Financiar Tirane (UFT) Sh.p.k. 86.34% EBRD 10.12% Individuals 3.54%	Albania United Kingdom Albania	349,658	143,660	120,872
 Banka e Bashkuar e Shqiperise United Bank of Albania	Islamic Development Bank 86.7% Ithmaar Bank 4.63% Dallah Albaraka Holding Co. 2.32% Business Focus SDN BHD 1.47% Saudi Brother Commercial Co. 0.58% Individuals 4.31%	Saudi Arabia Bahrain Bahrain Malaysia Saudi Arabia Saudi Arabia	64,644	30,164	-
 VENETO BANK GRUPPO VENETO B	Intesa Sanpaolo Group 100 %	Italy	210,728	43,406	6,132

Equity Capital (€000)	Deposits (€000)	Net profit (€000)	No. of outlets	No. of employees	Nr of ATMs	Nr of Cards Issued	Debit	Credit	Nr of POS	Internet Banking	Mobile Banking	E-commerce
72,035	466,931	(6,189)	34	424	50	17,918	73,415	9,933	816	Yes	Yes	No
28,773	262,853	4,402	19	248	32	14,883	14,205	678	-			
327,074	2,396,567	49,200	93	1,292	147	378,756	320,042	58,714	5,348	Yes	Yes	Yes
114,364	1,136,389	8,160	58	857	65	78,435	74,246	4,189	683	Yes	Yes	Yes
9,915	3,849	(2,112)	1	24	-	-	-	-	N/A	No	No	No
19,978	129,594	3,277	9	143	28	30,206	26,372	3,834	N/A	Yes	N/A	N/A
10,529	61,002	(1,223)	5	98	5	1,132	1,132	N/A	N/A	Yes	Yes	No
148,247	960,597	12,461	32	576	49	102,024	102,024	N/A	563	Yes	Yes	No
58,095	232,120	(4,180)	26	306	34	17,257	16,845	412	-	N/A	N/A	N/A
32,261	180,867	(3,998)	7	202	25	29,818	29,497	321	300	Yes	No	No
222,627	1,542,090	33,546	76	1,277	171	233,278	210,197	23,081	978	Yes	Yes	Yes
67,515	512,948	3,030	38	413	64	49,980	49,277	703	-	Yes	Yes	No
109,026	458,497	522	39	439	69	61,755	57,634	4,121	131	Yes	Yes	N/A
29,141	300,306	2,563	30	377	40	33,181	28,779	4,402	30	Yes	Yes	No
10,278	54,016	(1,228)	6	79	0	0	0	0	0	No	No	No
23,174	177,122	(10,431)	15	123	16	11,579	11,131	448	42	Yes	No	No

Audited Data according to IFRS, as of 29.12.2017 (1 EUR =132.95 ALL)

AAB FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON 31 DECEMBER 2017

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STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017	31 December 2016
<u>ASSETS</u>			
Current Assets			
Cash on hand and at banks	4	18,441,678	14,755,093
Prepaid expenses	5, 6, 7	1,510,130	1,713,732
Total current assets		19,951,808	16,468,825
Non-current Assets			
Fixed assets, net	8	931,706	914,482
Total non-current assets		931,706	914,482
TOTAL ASSETS		20,883,515	17,383,307
<u>LIABILITIES</u>			
Payable accounts	9	663,968	1,305,556
Total current liabilities		663,968	1,305,556
Net assets	10	20,219,546	16,077,751
TOTAL LIABILITIES		20,883,515	17,383,307

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 4 to 16.

STATEMENT OF INCOME AND EXPENDITURE

	Notes	31 December 2017	31 December 2016
<u>INCOME</u>	11		
Membership fee		39,311,000	36,984,000
Training fees		5,119,088	3,717,480
Sponsorship		542,149	-
Total income		44,972,237	40,701,480
<u>EXPENDITURES</u>			
Depreciation	6	(237,595)	(163,119)
Losses from disposal of fixed assets	6		(17,582)
Administration and general expenses	12, 13, 16	(35,766,930)	(31,629,506)
Training expenses	12	(4,825,917)	(3,175,176)
Donations & Contributions	15	-	-
Exchange Loss / Gain		-	-
Total expenditures		(40,830,442)	(34,985,383)
Excess /deficit of income over expenditures		4,141,795	5,716,097
Net assets at the beginning of the year		16,077,751	10,361,654
Net assets at the end of the year		20,219,546	16,077,751

The statement of income and expenditure is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 4 to 16.

STATEMENT OF CASH FLOW

	Notes	31 December 2017	31 December 2016
<i>Cash flow from operating activities</i>			
Excess /deficit of income over expenditures		4,141,795	5,716,097
Adjustments for:			
Depreciation	8	237,595	163,119
Losses from disposal of fixed assets	8		17,582
Interest Income (current accounts)			
Payments for prepaid expenses	7	421,407	459,520
Receivable accounts		(217,804)	(926,822)
Proceeds for payable accounts	9	(641,588)	371,093
Interest received (current accounts)			
Cash from operating activities		3,941,405	5,800,588
<i>Cash flows from investing activities</i>			
Purchase of fixed assets	8	(254,080)	(371,312)
Cash from investing activities		(254,080)	(371,312)
NET INCREASE IN CASH		3,686,585	5,429,276
Cash on hand at banks at the beginning of the year	4	14,755,093	9,325,816
Cash on hand at banks at the end of the year	4	18,441,678	14,755,093

The statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 4 to 16.

The financial statements of Albanian Association of Banks have been issued on 20.03.2018 and signed by:



Spiro BRUMBULLI
Secretary General
Albanian Association of Banks



Tedi ZERI
Financial Department
Department Manager
Tirana Bank

1. Background information

The Albanian Association of Banks (AAB) was established on 15 April 1999. The Registered Office of AAB is located at Rr. Ibrahim Rugova, Sky Tower, Floor 9, Ap. 3, Tirana, Albania.

AAB is a not-for-profit association, seeking to promote the latest banking standards of its member banks, the development, stability, and effectiveness of the Albanian banking system in general, thus contributing to the progress of the Albanian economy. AAB is constituted by 16 voluntary members: Alpha Bank Albania; American bank of Investments; Banka Kombëtare Tregtare; Societe Generale Albania; Credins Bank; Credit Bank of Albania; FIBank Albania; International Commercial Bank; Intesa Sanpaolo Bank Albania; NBG Bank Albania; ProCredit Bank; Raiffeisen Bank Albania; Tirana Bank; Union Bank; United Bank of Albania; and Veneto Banka.

2. Basis of preparation

Financial Statements are prepared according to the SKK standards for NGOs and Law on Accounting and Financial Statements. The SKK for NGOs has come into force from 1 January 2016.

The Financial Statements are presented in ALL, which is the functional currency of the Association.

3. Important accounting policies**- Revenue and expenses**

Revenues are recognized at fair value of the amount received or payable. Expenses are recognized in the same period with the income related to them.

The main revenues of the Association are generated by membership fees, which are subject of Assembly of Members approval.

Revenue is recorded when realized and expenses are recorded when occurred.

- Transactions in foreign currency

The AAB measurement and presentation currency is the ALL. All contributions and the majority of transactions are carried out in ALL. Transactions in foreign currency are converted in ALL at the rate of exchange of the day the transaction is carried out. All balances in foreign currency at the end of the year are converted in ALL at the exchange rate of Bank of Albania as at the last day of the year as follows:

Exchange rate at December 31

	31/12/2017	31/12/2016
Euro	132.95	135.23

- Long term Material Assets (LMA)

The initial valuation of the elements that meet the recognition criteria as AAM in the balance sheet is made at purchase cost plus other direct costs related to the asset's behaviour at the location and the conditions necessary for its operation, according to the purposes of the association. The following valuation is made according to the cost model, and the AAMs are presented in the balance sheet at their net value (minus accumulated amortization and depreciation, if any). Depreciation is charged starting from the month following the month of acquisition.

Amortization rates and method according to AAM groups:

	Amortization rate	Used method
Computer equipment	25%	residual value
Office equipment	20%	residual value
Other AMMs	20%	residual value

- Taxes and local taxes

AAB is a non-profit organization and is excluded from income tax. The association is subject to withholding tax, personal income tax, local taxes and fees, and social and health insurance contributions.

4. Cash on hand and their equivalents

Cash on hand and at banks is composed as follows:

In ALL	31/12/2017	31/12/2016
Current account in ALL	17,120,898	14,571,976
Current account in EUR	1,215,120	124,193
Cash on hand	101,029	58,925
Total	18,441,678	14,755,093

5. Rights and receivable interest

	31/12/2017	31/12/2016
Prepayment		91,377
Other obligations		142,695
Rent Guarantee	280,160	280,160
Total	280,160	514,232

6. Contributions Receivable

Contributions Receivable is composed as follows:

In ALL	31 December 2017	31 December 2016
Membership	1,144,626	692,750
Total	1,144,626	692,750

7. Inventory and prepaid expenses

Inventory and prepaid expenses are composed as follows:

In ALL	31 December 2017	31 December 2016
Internet Expenses		10,918
Electronic and Postal Communications Authority / AKEP		3,833
Membership Fee Prepaid to BACEE		272,100
Maintenance and web hosting		25,999
Domain Hosting	-	-
Health Insurance	85,343	193,900
Invoices of travels	-	-
Total	85,343	506,750

8. Fixed assets

Fixed assets are composed as follows:

In ALL	Furniture	Electronic equipment	Total
Cost			
At 31.12.2016	2,013,701	1,222,767	3,236,468
Additions for year 2017		254,280	254,280
Reductions for year 2017			
At 31.12.2017	2,013,701	1,447,047	3,491,288
Accumulated depreciation			
At 31.12.2016	1,505,267	816,720	2,321,987
Depreciation for the year 2017	77,697	159,908	237,595
Reductions for year 2017			
At 31.12.2017	1,582,954	976,628	2,559,852
Net carrying value			
At 31.12.2016	508,434	406,048	914,482
At 31.12.2017	430,747	500,959	931,707

9. Payable Accounts

In ALL	2017	2016
Suppliers	166,990	672,637
Health and Insurance Contributions	185,969	192,456
TAP	273,448	368,174
Withholding Tax	16,400	72,259
Personnel	21,160	30
Total	663,967	1,305,556

10. Net Assets

Net Assets is the difference between the assets and liabilities of the NPO at the statement of financial position.

The change in net assets presented in the statement of operations is articulated in net assets presented in the statement of financial position.

Net assets presented as unrestricted are used in the following periods only for the objectives set out in the charter of the association.

In ALL	2017	2016
Balance carried at the beginning of the period	16,077,751	10,361,654
Increase from change of net assets	4,141,795	5,716,097
Impairment losses on net assets	-	-
Balance that is carried forward in the coming year	20,219,546	16,077,751

11. Incomes

In ALL	2017	2016
Membership fee member banks	39,311,000	36,984,000
Trainings member banks	5,119,088	3,717,480
Sponsorship	542,149	-
Total	44,972,237	40,701,480

12. Activity A - Organization Expenses

In ALL		2017	2016
Events and Workshop	1	0,803,265	6,454,899
Memberships	1	,179,840	1,500,645
Trips	1	,432,571	679,866
Trainings member banks	2	,110,567	3,175,176
Total	1	5,526,243	11,810,586

13. Activity B - Promotion, publications and publicity Expenses

In ALL	2017	2016
Publications	4,394,132	3,652,851
Informative materials and publicity	393,733	692,260
Total	4,787,866	4,345,111

14. Administration and general expenses

	2017	2016
Personnel Salaries	10,924,505	11,258,281
Health & Insurance Contributions	1,138,539	1,114,606
Health Insurance SIGAL	313,371	584,430
Rent	3,223,240	3,300,500
Communication	1,425,942	796,369
Utilities	139,678	204,668
Local Taxes	15,100	15,000
Bank Fee & Commissions	40,396	82,524
Translation Services	250,940	277,462
Stationary & Supplies	529,103	308,254
Media Subscriptions	13,500	191,614
Legal Services	25,000	22,140
Other Expenses	514,527	472,756
Exchange Rates	36,550	10,310
Penalties	2,683	10,071
Amortization & Depreciation	237,595	180,701
Financial consulting	1,685,665	
Total	20,516,334	18,829,686

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PWC Spiro Brumbulli
Price water house Couper General Secretary

