



THE EARTHQUAKE... AND ITS AFTERMATH

COVID-19



The health and wellbeing of employees and customers remains the highest priority for banks.

Health comes first!

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COVID 19:

Now and afterwards

We are on a path of the unknown, but sufficiently prepared to face challenges. The banking industry remains maximally committed to provide full support that is needed to overcome this difficult situation. Together we can!

AAB Executive Committee

The second week of March came with bad news. The thing we feared of and felt unsecured, just happened: The first person ç, infected by COVID-19, was identified. This marked the beginning of a "war-like" situation, an emergency situation of natural disaster that few would have thought, except for situations seen in surreal/dystopian films! By the end of March, over 860,000 cases were identified worldwide and over 42,000 deaths; in Albania: 243 infected and 15 deaths.

The Albanian Government responded swiftly: on March 9th, the activity of all educational institutions was suspended; stringent lockdown measures to avoid public and mass gatherings; recommendations for working from home; closure of a series of commercial activities; en masse enforcement of increased precautions; movement restrictions, for vehicles and pedestrians, etc.; measures and decisions, changing on a daily basis, towards a quasi-full quarantine, which became effective by the normative act of the Council of Ministers no.3, dated 15.3.202: "On taking special administrative measures during the period of infection, caused by COVID-19", as changed. The aggravating, unimaginable and

unrepeatable situation pushed the Council of Ministers to take the decision no.243, dated 24.03.2020, "On declaring the state of natural disaster".

Also, financial market stakeholders, including supervisors, called for prompt and timely measures to contain and minimize potential adverse effects, not only on public health and welfare, but also on the circulation of public funds and goods, within the economic environment. The first measures taken by the banking industry were those of workplace hygiene, enabling workplace alternatives – transferring the workplace at home, social & communication distancing rules, cancellation of trips, training and meetings with physical presence, precautionary measures to prevent physical gathering of clients, pro-active communication with public, activation of business continuity plan, etc. Banking sector was among the first to impose security (health) measures, aiming at protecting the health of clients and employees, despite the cost attached to them.

All measures are provided without any interruption compromise with the quality of service, especially for individuals. We highlight this, because

businesses have specialized staff and are more familiar with digital services. Individuals are still quite present at bank branches. Therefore, in compliance with restrictive measures, under Government's normative act and decisions, banks were bound to reorganize staff, especially at branch level, activity restriction and/or inactive branch closures, providing part of daily services through ATMs, adapting working hours, promoting the use of digital channels, etc. At the end of March, the banking industry had over 370 operational branches (out of 422 in total) and 3,300 active employees (out of 6,400 in total). For the first time, mass remote (from home) working was implemented and tested, so far. Notwithstanding location, banking industry's employees manifested a quite distinctive commitment, especially at branches, by offering seamless quality customer service. No interruptions in services, no distractions from quality.

Now it's time when commercial goals come second and health and contribution to society take primacy. Banks are fully aware of their essential and necessary role in society and will contribute by all possible means. The fastest and most visible action for this was the decision of the Supervisory

Council of the Bank of Albania about the temporal amendment of a provision in the regulation on credit risk management from banks and on credit risk management in the activity of non-bank financial institutions and savings and loan associations, which aims to provide a facility to these entities, for the period of March 13th – May 31st, that in case of borrowers' insolvency during this three-month period, these entities are not subject to the application of the requirements of these regulations that are related primarily to the classification and establishment of provisioning funds. Following this decision, a joint order of Prime Minister and BoA's Governor, dated March 17th, postpones for three months, the payment of loan installments of businesses and individuals, who are faced with difficulties, as the result of COVID-19 situation.

So, banks and the above-mentioned institutions will be able to accommodate the needs of clients for rescheduling of loan rescheduling, by not charging them with penalties, or worsening of the borrower's status, because the loan is not paid due to the difficult conditions of these days, beyond their control. Those borrowers, be they households and businesses, whose financial position deteriorates, due to current situation, may benefit a delay, up to three months, of the payment of their loan instalments, they have taken at the financial institutions licensed by the Bank of Albania: banks, non-bank financial institutions, and save & loan associations. This is a process which enables only a rescheduling of the above borrowers' liabilities; it is not a loan forgiveness. The borrowers, whose solvency is

neither affected nor damaged from such situation, should normally continue the payment of their liabilities to these entities. Those borrowers, who qualify to take advantage of such facility, should contact the bank and, in collaboration with the lender, which will assess the request, will provide the relevant solution. The whole process is unified and guided by the Bank of Albania's guidelines. Some EUR 300 million are expected as not entering the



Banks and other financial institutions will be able to accommodate the needs of clients for rescheduling of loan rescheduling, by not charging them with penalties, or worsening of the borrower's status, because the loan is not paid due to the difficult conditions of these days, beyond their control.



banking industry's coffers, by end-May, following the three-month rescheduling of loan installment payment.

In addition to this three-month loan installment payment relaxation measure, by pushing the use of digital channels, some banks have waived on-line service commissions (home and/or mobile banking), as well as withdrawing cash at other banks' ATMs, without commission. So, in addition to measures affecting all

banks, there are other individual measures, based upon individual bank's decision.

In order for businesses to face the current situation with less painful and negative consequences, the Government has set up a fund of ALL 11 billion as a sovereign guarantee for businesses loan applications at banks, to cover their liquidity needs. The Bank of Albania responded to this measure, by lowering the key interest rate to 0.5% (by the decision of BOA's Supervisory Council of March 25th), the lowest historical level in this regard. In the frame of air flights cancellations, banks resolved, within the industry, the issue of currency (physical) transport and availability, thus relieving any difficulties in the market, despite the increased costs of such constrained solution.

A period full of new challenges lies ahead. These are just the first steps to control the situation of emergency and getting out of quarantine. What future awaits us? How will the economy progress?

The individual health of society and the health of the economy must go hand in hand. We are on a path of the unknown, but sufficiently prepared to face challenges. The banking industry remains maximally committed to provide full support that is needed to overcome this difficult situation. Together we can!



Intesa Sanpaolo Bank Albania

Përkrah individët dhe subjektet juridike të prekura nga kriza e shkaktuar nga COVID-19

Ne jemi duke angazhuar një numër të konsiderueshëm burimesh financiare dhe njerëzore. Ne e bëjmë këtë sepse Intesa Sanpaolo Bank Albania është pjesë e Grupit Intesa Sanpaolo i cili ka madhësinë, qendrueshmërinë dhe një shtrirje kapilare që na lejon ndërhyrje të jashtëzakonshme në vend, duke ofruar mbështetje të qënësishme të gjithë individëve dhe personave juridikë.

Stafi ynë, falë profesionalizmit të lartë që po tregon në këtë situatë të jashtëzakonshme, do të sigurojë zgjidhjen më të mirë për ju dhe biznesin tuaj.

- 50 milion euro buxhet kredie për të financuar subjektet juridike me afat 18 mujor, që përfshin 6 muaj periudhë mos pagimi (grace period).
- Lehtësi të tjera financiare që synojë mbështetjen në mënyrë aktive për çdo ndërhyrje tjetër të promovuar nga Institucionet Shtetërore, me qëllim sigurimin e pagimit të pagave të atyre që punojnë në ndërmarrjet e prekura nga Kriza.
- Pezullim të pagesave të kredive për individët dhe subjektet juridike të prekura nga kriza e shkaktuar nga COVID-19 deri në 31 Korrik 2020 që mund të shtyhen edhe për 3/6 muaj të tjerë, në varësi të kohëzgjatjes së emergjencës.

Qëndro i sigurt, apliko për pezullimin e pagesave të kredive nga shtëpia.

Informacioni dhe forma e aplikimit gjenden (online) në faqen zyrtare të Intesa Sanpaolo Bank Albania www.intesasanpaolobank.al

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 **INTESA SANPAOLO BANK**
Albania

The earthquake...and its aftermath

The earthquake's aftermath taught us that the insurance industry and banking sector must (and in a certain way, are bound to) cooperate and work together to develop the bancassurance concept and practice, as part of banking industry's daily activity.



Prof. Asoc. Dr. Elvin MEKA¹
Editor-in-Chief

The first hours of November 26th and the dramatic moments we felt during the earthquake, the strongest within a 40-year range since 1979, reminded us that the earthquake of September 21st was just the prelude of a different and complex social and economic period, we were just entering into. The earthquake claimed the lives of many and produced a gargantuan bill for the government, insurance companies, businesses and individuals.

The banking sector in Albania was positioned in the first line of relief for all affected by the earthquake, by making proper monetary and material donations, individually and through AAB, as well as taking supportive decisions to facilitate transfers and accommodating requests from different borrowers, in terms of restructuring loan installment

payments. It should be noted that, banks in Albania experienced limited consequences, in terms of financial damages caused by the earthquake, given the proper insurance coverage applied on their loans and the respective collaterals. Fortunately, banks scored minimal damages to their operational activity, thanks to their effective business continuity plans and immediate reaction towards the situation in place.

On the other hand, the insurance industry got the life's hit from both events, by facing an augmented damage payback and a mountain of bureaucracy and paperwork, as never seen and experienced before. Unfortunately, but in the same time quite positively, the earthquake(s) revealed loopholes and deficiencies, the financial system in general and the insurance industry in particular have, in terms of insurance contracts setup, and in a greater perspective, the level of financial literacy, the general public possesses, regarding the insurance products. The earthquake's aftermath taught us that the insurance industry and banking sector must (and in a certain way, are bound to) cooperate and work together to develop the bancassurance concept and practice, as part of banking industry's daily activity. Also, it unfurled the down-to-earth level of general public's financial education about insurance industry, its role and relevant products, and the urgent need for proper intervention,

in terms of ensuring an effective and useful financial education for all.

Additionally, the recent dramatic developments, related to Covid-19 pandemic and the actual economic lockdown have just been added to the above challenges, the banking sector and insurance industry must face, from now and on. The complex situation that prevails actually will, unavoidably, impact the banking activity, up to the point of calling for important strategic decisions. Nevertheless, all we have to do for now is to build up confidence within ourselves, within our banking institutional standing, our professionalism and professional courage, by crushing fear and uncertainty. As the US President Franklin D. Roosevelt said in his First Inaugural Address: "...the only thing we have to fear is fear itself..." So, it's time for banks to convert threats to opportunities and weaknesses to strengths; it's time to work for S-O strategies, within the principle of the well-known SWOT Analysis!

¹Dean of Faculty of Economy, Business & Development, European University of Tirana, UET

Earthquake aftermath, financial industry and the Albanian society

A moment of reflection

We need to protect ourselves from forces of nature, regardless of the probability when the event may occur, in the near or far future, or that it may never happen to us. Home is not a consumption expense, it is a long-term investment and as such, it must be protected!



Dr. Spiro BRUMBULLI

Secretary General

ALBANIAN ASSOCIATION OF BANKS, AAB

Now that months have passed since the November 26th (2019) earthquake, things have become clear: loss of life, complete damages and urgent need for repairs. While life losses are not recoverable, for others there is a government commitment to house all those who lost their homes in new homes and a commitment to repair damages, including construction companies, in buildings constructed by themselves.

The banking industry followed, painstakingly, in solidarity and cooperation, the whole process so far and, at moments after the

earthquake, immediately gave positive signals and messages, by calming down all those who had loans with them. Bank employees visited and contacted their clients, staying close to them and explaining how to proceed in this regard.

At the same time, the banking industry abolished commissions



The earthquake aftermath calls for a more careful review of insurance contracts. Hence, we need more precise clarification, more complete definitions and more diverse offerings from the insurance industry, especially clarifications about property insurance and loan insurance.



on transfers to earthquake relief accounts; it decided to deal on a case-by-case basis with each borrower, according to the new situation created after the earthquake; AAB contributed EUR 200,000 to the government special account for voluntary contributions,

and each bank was included in the solidarity contribution, according to individual internal decision-making. It is also necessary to mention handling the situation created for banks themselves, within their business premises. The post-earthquake situation demonstrates how effective the continuity plans are, each bank is required to have, and how they helped launch the business without a loss of time.

But the situation after the earthquake also proved to us that, although we long for economic freedom and the free functioning of markets, we are not yet ready to accept it, with all its rules. In countries with an established market economy, it's the duty of every owner to take care and protect their own wealth. Thus, it is impossible for the state budget to always bear the consequences of any force majeure. The need for financial education on property and property insurance against natural disasters is a must. Such major shifts in mindset and lifestyle are not always left to the natural long processes of education, but for the sake of a public interest, they are accelerated by legal norms, by making them part of our lives. For example, the long discussion during such transition period, regarding compulsory property

insurance, should now get a real momentum. In this global warming environment, where seasons have changed and natural phenomena are activated with an unpredictable irregularity, we cannot wait and pray for government and state protection. Surely, the state has the task of coping with the emergency, but the replacement of damages must be sought at everyone's contribution, by engaging in a property insurance scheme - whether voluntary or compulsory.

So far, the property insurance premium owes to the standard introduced by banks, in the lending process, by asking insurance for the property as collateral. Individuals, or businesses, who have insured the property for getting the loan, are in the process of damage assessment and payback. But damage payback, in the event of complete property damage, goes to repay the loan first and, depending on the insurance policy, may have room for the owner payback, as well - depending on what option the borrower has chosen for insurance policy: 1) property insurance for the full market value, or 2) property insurance for the remaining balance of the loan. In both cases, the borrower is protected in relation to the bank, but in the first case it has the advantage that it may also receive a portion of the payback amount from the insurer, as an income for itself; in the second case, there is no penny left for the borrower, as the entire amount goes to repaying the loan. For example: if Citizen A has secured a loan of ALL 10 million with a home valued at ALL 14 million, in the event of complete damage of home, the insurance company will pay the full market value, out of which, the exposure to the bank shall be deducted. If

the exposure to the bank is, let say, ALL 4 million, the rest of ALL 10 million is returned to the insured borrower (abstracting here from the right of any percentage for any risk undertaken by the insured borrower). In the second case, if Citizen B, under the same conditions as Citizen A, only provides insurance for the remaining value of ALL 4 million loan, following the loss of home, the loan will be fully repaid to the bank and there is nothing left for him/her. Had borrower B, at the time of insurance, been not lured by the smaller size of the premium, s/he would have benefited a portion of the amount from the insurance policy, but trying to curb expenses, s/he has undertaken the risk of renouncing any damage payback.

The increased attention to such requirements, which at the time of loan application seem as they will never get any value to us, become extremely valuable, in the security and comfort that provide, when we must face the consequences of an event that occurs out of our will. Now it is the time to understand that banks' persistence on borrower's life and property insurance is not understood as a tax surcharge, but as a purchase of a risk-averse instrument. What had resulted from massive losses, in the case of the earthquake, should be a lesson for everyone. We need to protect themselves from forces of nature, regardless of the probability when the event may occur, in the near or far future, or that it may never happen to us. In the developed world, people buy homes through mortgage loans and work for the whole life to repay it. Home is not a consumption expense, it is a long-term investment and as a such, it must be protected!

The earthquake aftermath calls for a more careful review of

insurance contracts. Hence, we need more precise clarification, more complete definitions and more diverse offerings from the insurance industry, especially clarifications about property insurance and loan insurance. The situation may be more complex in case of businesses, not only because insurance may also be applied for other types of property, such as: technology lines, machinery, equipment, inventory, etc., in addition to real estate insurance, but also that the relationship is also with other institutions. Therefore, the coordination between all parties - institutions, such as: State Cadaster Agency, General Taxation Directorate, municipality, other specialized institutions - is important to pursue its own bureaucracy, but without bureaucratization. In addition to damage compensation and payback from insurance companies, the banking industry has been willing to provide facilitated financing schemes for business re-establishment.

The momentum of earthquake consequences of November 26th must be turned into an opportunity for economic growth. The damage repairing cost, at EUR 1 billion, is huge, although a part of financing will be covered by donations and grants. Together with soft loans and budgetary contribution, guarantee a full coverage of identified needs. However, absorbing these funds with well-received projects and managing the entire process, remains a challenge. It is an imperative that the process is not only transparent but well-defined. Banks are ready to get involved in this process, satisfying demands from construction companies, or users. A large work site will be opening in Albania.

Insurance market after the earthquake and the financial education

Some issues to be addressed

The compulsory insurance increases the insurance penetration and we will obtain a percentage reduction in insurance and administrative costs, a reduction in reinsurance premiums, and a reduction in premiums per unit, to be paid by the citizens.



Aranit MUJA

Actuary
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AUTHORITY, AFSA

The year 2019 posed some challenges to the insurance market in Albania. Among them are the earthquakes of September 21st and November 26th. The November 26th earthquake, with a magnitude of 6.4 of Richter scale, was described by specialists as the most powerful of the last 40 years. These two earthquakes put the insurance market in front of high claims for damage compensations. Damage claims, which have been handled by the insurance companies so far, come approx. to 5,129 cases and amount to EUR 29 million. Out of this value, Albanian insurance companies operating in Albania will pay approx. EUR 1.8 million, as the difference will be paid

by reinsurance companies, in accordance with the legal and regulatory framework in force.

Referring to the number of reported damages, related to insured properties, it is noted that about 85% of them belong to the insured who have insured the property for loan purposes, while the rest are voluntary insured



The continuous financial education will raise the consumers awareness and empower them to make proper and informed decisions. From this point of view, greater results will be achieved through cooperation with all stakeholders, who operate in the insurance market.



properties, including state facilities, such as: universities, hospitals, etc.

The Albanian Financial Supervisory Authority (AFSA), as a regulator for the insurance market, in co-operation with stakeholders, has drafted a new law that regulates the insurance market, which was adopted in

2014. From a risk management approach, the Law 52/2014 "On Insurance and Reinsurance", provides, inter alia, that insurance companies must reinsure all risks, which go beyond 10% of their solvency. With the Regulation no. 85/1, dated 30.09.2015 "On Reinsurance Criterion", as amended, AFSA has prescribed the quality of reinsurers, with which the Albanian insurance companies should sign insurance contracts in the Republic of Albania. The quality of reinsurers, that currently covering insurance companies, is A + and above, according to Standard & Poors, AM Best, Fitch, etc. For earthquake events, as being a low probability but with major impact event, AFSA has also adopted, by regulation, the methodology on the calculation of net retention of aggregate maximum coverage for earthquake insurance (NST), for insurance companies. From 2014 onwards, AFSA monitors the insurance market using a risk-based methodology.

Looking at the insurance companies' indicators, it is noted that the insurance market has successfully coped with the damage claims, produced by the two earthquake events, by sharing the financial bill with reinsurance companies, as well. In order to continuously cover such risks with proper insurance, it is

necessary to increase the number of earthquake-related voluntary, or mandatory risks. Currently, this number is estimated at 3%, a level that is considered far too low to benefit lower premiums from reinsurers, which would be reflected in the final consumer policy.

In view of consumer protection and development of the insurance market, the World Bank has recommended the compulsory insurance of residential buildings against earthquake risk, in line with some countries with high seismic risk, such as: Turkey or Romania, etc. Surely, this measure requires insurance rates to be affordable for all citizens and to guarantee a basic damage claim value for house units, and for higher values, a voluntary insurance to be applicable. If implemented, the compulsory insurance increases the insurance penetration and we will obtain a percentage reduction in insurance and administrative costs, a reduction in reinsurance premiums, and a reduction in premiums per unit, to be paid by the citizens. In sum, compulsory insurance offers preconditions for a better protection of the insured public, in a country with a high exposure to earthquakes, such as Albania.

Raising public and business awareness about the use of insurance products

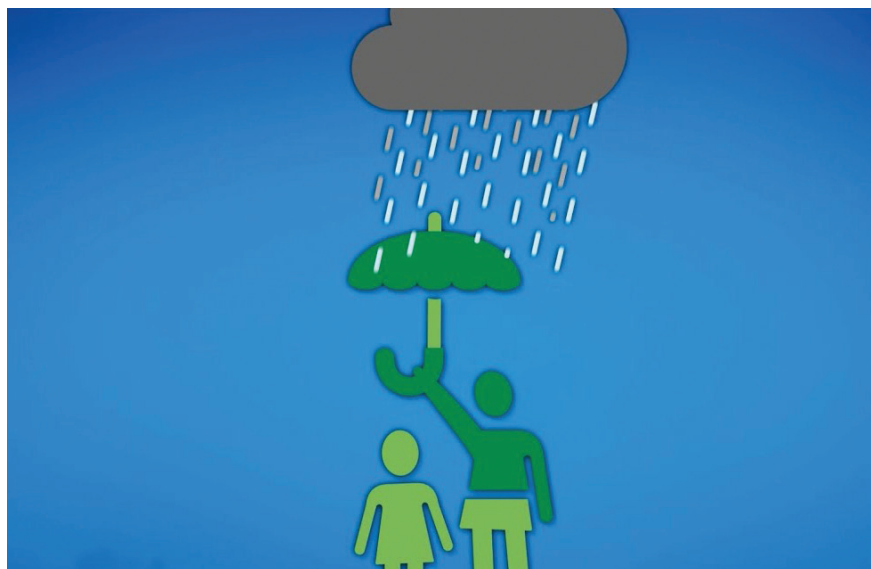
AFSA deems the financial education of the public as a key important factor for the development of the insurance market. By increasing public awareness and education about products offered by the insurance companies will increase consumer confidence, while contributing to the development of the financial market, in general. The continuous

financial education will raise the consumers awareness and empower them to make proper and informed decisions. From this point of view, greater results will be achieved through cooperation with all stakeholders, who operate in the insurance market.

Bearing in mind the great importance of financial education of general public, AFSA has engaged in practical actions to increase consumer confidence and education about the markets it supervises, by organizing numerous information and education activities, for the implementation of AFSA's Strategy: "On the Development of AFSA and of the Markets under Its Supervision 2018-2022". The AFSA's strategy includes an information campaign, open meetings and lectures at countries' public and private universities, providing students to carry out their internships at AFSA and its supervised subjects, as well as by conducting surveys, to measure the level of public's financial literacy. Also, AFSA has signed cooperation agreements with many universities, aiming

further cooperation for the education of younger generation. Every year, AFSA organizes the Student Conference on Financial Education, an already tradition now, to encourage students to make research and work at improving their knowledge about non-bank financial markets.

Another initiative, undertaken by AFSA, is the invitation to cooperate with public institutions, such as: Bank of Albania, Ministry of Education, Sport and Youth, Ministry of Finance & Economy, etc., to design and implement a nationwide strategy for financial education, by undertaking various obligations and engaging their internal professional capacities, for financial education of general public, starting from the basics. The consumer of financial products needs to learn better, as quickly as possible, in order to manage personal finances, family finances, daily income and expenses, or invest in various financial products. Financial education should start from school classrooms and continue through the life-long timespan.



Reflections on November 26th earthquake

Following the earthquake of November 26th, there has been a growing interest in disaster insurance information, and especially earthquake insurance, but we had a surprisingly few insurance cases. This is a bell that tolls for all of us, and especially for the insurance market, which should increasingly address the consumer education, and especially towards younger generations.



Edvin LIBOHOVA

Secretary General
INSURERS' ASSOCIATION OF ALBANIA

Usually, earthquakes constitute the natural disaster with the greatest human casualties and material consequences. Despite the fact, that they occur less frequently, and generally have cycles that span into decades, the damage they cause leaves deep traces in a country's economic and social development, whose recovery takes years and considerable funds. The earthquake that struck Albania on November 26th, 2019, was a typical example, where hundreds of homes were razed to the ground or heavily damaged, amounting to hundreds of millions of euros.

The insurance market is playing an active and important role in the financial coverage of damages caused by earthquake. Based on

latest reports, published by the Albanian Financial Supervisory Authority, it shows that in total, all non-life insurance companies, have identified and processed over 5,000 damage claims, with a compensation value of approx. ALL 3.7 billion, by providing insurance payback in more than 2,300 cases, with a value of over ALL 900 million, and the rest is underway. In the meantime, it should be mentioned that for the damages caused by the earthquake of September 21st, 2019 the payback value of damages, from the insurance market, is over ALL 400 million.

In the aftermath of the earthquake, as a result of poor customer knowledge and lack of experience in dealing with such disasters, insurance companies faced many problems in dealing with damage cases, including:

- Expectations by the insured persons, especially in cases of mortgage loans and collateral insurance with banks were quite high, compared to what resulted from the assessment based on the insurance policy (level of insurance, the deductible amount, etc.)
- In many cases, event reports were delayed, which was reflected in the timing of compensation (payback), often resulting in disappointment for the insured persons;
- Delays in carrying out damage

assessments (there are still damaged buildings without a completed assessment), or delays in determining which buildings will be demolished and which will be repaired - all due to insufficient market expertise. There are often cases when damage assessments are conducted by engineers who are not licensed for property assessments, nor licensed as a damage assessor. Likewise, there have been many cases of fraud by prevention engineers, which have put clients in a deadlock, by increasing the value of damage assessments for unfair profit purposes.

- Lack of knowledge about the insurance market has often created the idea for insurers as a humanitarian organizations, that will cover any potential damage, regardless of the conditions set out in the insurance policy, and for properties taken into insurance at replacement value, a compensation for the market value is sought.

Citizens do not have enough information about insuring their homes and businesses. The earthquake cases in September and November 2019 showed with bare figures the problem that insurers face every day, where the majority of property insurance policies are written against bank loans (over 85%). In this case,

the insured person, being the borrower, has no information (in at least 90% of cases) about the role of insurance policy, what damages it covers, the extent of insurance payback, what does it mean the application of sublimit insurance under a contract with the bank, what are the exemption cases, etc. These elements have generally not been explained by the bank, nor have the insurance agent been able to contact these clients to provide appropriate explanations.

Earthquake insurance is generally an additional insurance that is applied to the property insurance policy against risks, where the basic risk is fire risk (fire, lightning, explosion, etc.) and the earthquake is an additional risk. In the daily practice, the insurance market operates with two main policies: Property Insurance and Mortgage Insurance. Experiences in other countries offer different models of property insurance against natural disasters (including earthquakes), by combining compulsory and voluntary insurance, while in our country this type of insurance is a voluntary one.

I think it is of interest to focus on the relationship of the insurance market with banks, in case of property insurance for loan purposes. Bank clients have expressed concern and dissatisfaction with the amount of damage payback, as in many cases, banks are interested in covering the loan, rather than the client's property, which has led to many buildings being sublimit insured, the coefficient being reduced over the years, as a result of loan repayment. Finally, there is a logical reduction in compensation for damages incurred. The time has come for

the insurance market and banks to sit down and standardize their relationships, for insurance property for borrowing, and for other insurances. Enhancing insurance education requires that banks play better the role of broker in dealing with customers, by clarifying them on contract terms and assisting them in securing more profitable insurance, where the most important is applying for value replacement insurance.

In addition, banks should provide insurance companies with more complete documentation of properties at the time of insurance, including the assessment report, as well as clear information on each property, put up as collateral. Clients must be given explanations about the fact that their loan insurance relationship is a relationship with banks, which are also beneficiaries, in case of an insurance event.

Following the earthquake of November 26th, there has been a growing interest in disaster insurance information, and especially earthquake insurance, but we had a surprisingly few insurance cases. This is a bell that tolls for all of us, and especially for the insurance market, which should increasingly address the consumer education, and especially towards younger generations. Reflecting on what happened during and after the earthquake, we conclude that, above all, what we can do is to take precautionary measures and be prepared seriously to mitigate the consequences of these natural disasters, and in order to ensure the best protection and coverage against earthquake effects, we must work in several directions, as follows:

- Consumer education remains

the main challenge we must face and win. The figures show that out of 1.2 million property titles nationwide, about 46,000 are insured (including loan insurance), which means less than 4% of properties.

- The insurance market should raise the level of information and awareness of individuals and businesses about the importance of insurance, in general. In this regard, assistance and cooperation with the Albanian Financial Supervisory Authority, the education system, banks and microfinance institutions, etc., are really required. Educational knowledge on insurance should begin gradually in the lower cycles of the education system.
- Lack of insurance experience and culture requires the preparation and implementation of a mandatory legal framework for natural disaster insurance, as many countries in the region have already in place. The case of Turkey and Romania could be mentioned, as they applied a mandatory legal framework, immediately after the earthquakes that these two countries experienced several years ago.
- Investments are required to increase the introduction of new monitoring technologies and training of professional staff, in the field of seismology (where there are significant shortages in specialists and equipment; we do not yet have a complete seismic map for the country, etc.), as well as strengthening and completing civil emergency structures.



Nuk po nivesh me mision mik,
m-Banking
është thjesht me një klik!

Shkarko Aplikacionin



Legal and regulatory amendments for boosting credit to economy

Some practical proposals

The government must identify strategic sectors of the economy for a longer period than the annual budget. Such identification may also lead to the implementation of a more relaxed regime of risk weights, used for assets.



Brunilda KOSTARE

Legal adviser

ALBANIAN ASSOCIATION OF BANKS, AAB

In May 2019, the Bank of Albania organized a joint round table with senior management of commercial banks, discussing the prevailing state of credit to economy and issues related to it. Following the discussions at the roundtable, the parties agreed to develop a platform to identify practical actions that help reduce risk and create better conditions for credit growth.

In November 2019, the Credit Revitalization Platform was developed, a joint action plan that engages the Bank of Albania and banking sector for regulatory improvements and practical initiatives, aimed at promoting lending.

Following the approved platform, the Albanian Association of Banks (AAB) organized, in December 2019, a roundtable with representatives

from the banking sector, but not only, where representatives of Bank of Albania, World Bank, IFC were invited, along with EU Delegation in Tirana. Considering the discussions and proposals of participants, AAB finalized a document with all issues and interventions/actions needed to address them, as an action plan, aimed at increasing lending. This action plan and its ultimate goal got the full support from the Ministry of Finance & Economy.

Upon invitation of the Minister of Finance & Economy, on March 6th, 2020, a meeting was held with the highest representatives from the ministry, Bank of Albania, Albania Investment Council and international institutions, such as: World Bank, European Union Delegation Office in Albania and IFC, in order to identify issues related to economic growth, obstacles, and steps that can be taken to improve business climate.

At this meeting, AAB introduced the identified measures that require legal and regulatory intervention. To summarize, the proposed measures are as following:

a) *"The Cadaster Act" - increasing opportunities for collateral coverage*

The new Cadaster Act has brought improvements with regard to the registration of property and real rights over them. But there are problems that create legal uncertainties for banks (creditors), yet. The identified issues relate to transactions for buildings/premises under construction, with most of them occurring during construction,

when it is uncompleted and not yet registered.

It is necessary to regulate properly the control of transfer of the mortgage, placed on a plot of land, even to the construction/building over this plot, at the moment when the completed building is registered, and during the construction phases, as there is no control in place over their registration in the register, or the lack of control over undertaking contracts that the developer/builder signs with third parties.

As for the above, and not only, several legal changes are needed, as per following:

- prescribing registration of undertaking contracts - providing banks with the opportunity to create and register real rights over the building under construction, in this particular mortgage register, whose ownership will be obtained in the future;
- the obligation to notarize and register the undertaking contract - notaries must have the obligation to notarize and register such contract;
- registering the prospective mortgage contract since the construction stage (after the building permit has been registered) - actually, such registration is not performed, on the grounds that "the object/item does not exist, yet";
- regulating the control of the transfer of mortgages placed on a plot of land, even to the construction/building over this plot of land, at the moment when the completed

building is registered – as this causes the mortgage placed on the plot not to be transferred, thus making the realization of bank rights quite impossible;

- regulating the consequences of non-application of link plot of land with the building permit (and subsequently the building) by State Agency of Cadaster (SAC), thus leaving parties without a solution, forcing them to go at the court.

b) *Issuance of bylaws for the implementation of “Cadaster Act” – aiming to regulate the following:*

- Article 28 prescribes the guarantee of access to property title extracts – it is necessary that bylaws establish such opportunity for banks to access these registries/extracts, as the law itself stipulates for such access.
- Article 48 prescribes the registration of a building permit – drafting bylaws or infrastructures for the implementation of such article, in order to minimize the risk of banks, by recognizing the status of the property before obtaining the mortgage.
- Issuance of a Unified Act/Instruction by the State Agency of Cadaster (SAC) for the purpose of guiding local SACs in applying the same legal provisions – same practices and standards – regulating and unifying the way the law is enforced by different SAC agencies – in connecting the plot of land with the construction built with a building permit.
- Finding a solution by SAC for the right way of registering HPPs.

c) *Resolving the impasse with tax authorities, during the enforcement procedures, in cases when the bank collateral is blocked by the tax administration, as provided by the Law “On Tax Procedures”, as amended:*

At the moment when the bank obtains a refreshed ownership file, the collateral turns out to be blocked

by the tax administration. Such blocking, according to tax authorities (although it was established many years after the property was mortgaged on behalf of the bank) has a seniority compared to bank right, and under these conditions, the bank remains without collateral. The international best practices show that creditors' rankings always protect the mortgage-backed creditor, by the time the mortgage is placed.

d) *Ensuring access to tax data of borrowing entities, so that the bank is based on effective and real data, as well as in real time, by speeding up the lending process and getting security for the obtained information.*

e) *Providing electronic access for banks to necessary information available from public entities (e-Albania), for a broader assessment of borrower's risk.*

f) *Amendments to the Law 26/2019 “On the Private Bailiff Service” and issuing respective bylaws, as regards the cases to be transferred from one bailiff to another.*

Changes are needed as regards the secondary activity of collection of financial obligation in mutual understanding, which this law recognizes as an exclusive activity, performed by the private bailiff.

g) *The methodology for collateral appraisal should be approved by DCM.*

Pursuant to Article 564 of the Civil Procedure Code, a DCM on collateral appraisal methodology has not been issued, yet.

h) *The need to reduce cash in order to combat informality.*

- Lowering the allowed limit of cash use from business to business, individual to individual and individual to business.
- Each commercial entity should be obliged to offer a payment alternative, other than cash.
- Imposing restrictions on cash exchange, by the exchange bureaus.

- Establishing a financial requirement in any application for the construction permit.

- Restricting the use of Euro in the economy, as a payment currency.

i) *Diversification and development of alternative forms of collateral:*

- Considering a possible wider use of Treasury Bills/Bonds as financial collateral; so far banks accept only government papers bought through them and under their street name.
- Consider using the cheque as a financial collateral (making necessary legal adjustments), referring to positive experiences of other countries, such as: Turkey, Italy, etc.

j) *Review the regulations on immovable properties that banks have received on their balance sheets.*

These amendments to respective Bank of Albania's regulations should aim at releasing capital, which can be used to increase lending.

k) *Identifying priority sectors for lending and enhancing the range of lending products and schemes.*

The government must identify strategic sectors of the economy for a longer period than the annual budget. Such identification may also lead to the implementation of a more relaxed regime of risk weights, used for assets.

The afore mentioned measures should also include the project of establishing a Credit Bureau and bailiffs' fees. Both have already begun but require a boost from state institutions.

Despite the above proposals, which have been identified and presented by AAB, we believe and we are convinced that cooperation with relevant state institutions and international partner institutions would enable the creation of safer conditions and a lower risk perception, during lending activity.

BANKING SYSTEM

Banking Services Sector: A frontrunner in Kosovo

Financial inclusion remains a continuous priority for the banking services sector in Kosovo, which can be achieved through financial literacy, product design, improvements in payments infrastructure and digitalization of services.



Dr. Petrit BALIJA

CEO

KOSOVO BANKING ASSOCIATION (KBA)

The banking services sector comprises the largest part of the Kosovo financial system. There are 10 commercial banks operating in Kosovo, representing over EUR 4.5 billion in assets, which have been growing steadily over the last two decades, since the building foundations of the financial system of Kosovo were set out in 1999. The banking services sector is a driving force and a frontrunner in the economic development of Kosovo.

Deposits and lending

Banks have created a high trust environment within the social and economic ecosystem in Kosovo. This high trust has allowed for a higher level of productivity and a

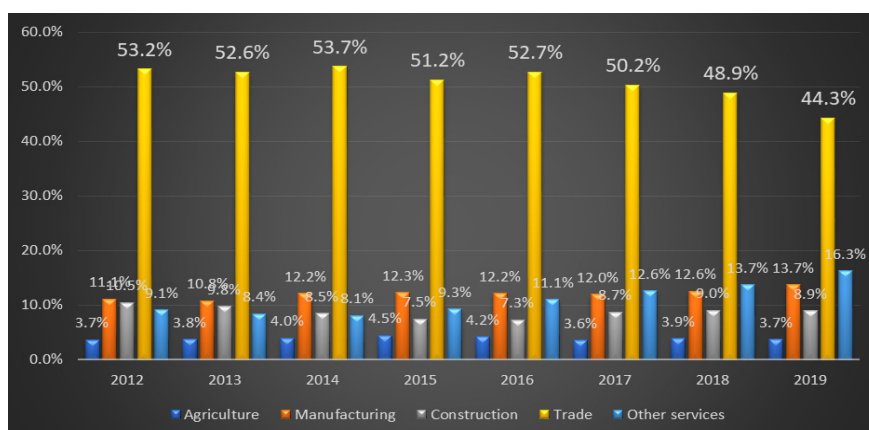
gradual, but consistent growth of the banking sector. In 2019, this trust was confirmed once again with a high growth rate in deposits, respectively a 16% annual growth. Total deposits reached over EUR 3.9 billion while the loans portfolio grew by 10% to EUR 3 billion.

Enterprise lending

Access to finance for businesses is vital to the economy, because it allows for expansion and increase of capacities, human and otherwise, creating the right momentum for a business to thrive. Banks in Kosovo have played a pivotal role in the development of business corporations and SMEs in the country. This collaboration between enterprises and banks has not been developed without its challenges, considering that both financial system and private sector were established at the same time, some two decades ago. At the beginning, there

was a lack of credit history, lack of business assets, scarce qualified human resources and a deficient legislative framework. Nevertheless, banks found ways to support enterprises in Kosovo and provided the much-needed access to finance and a very reliable payments infrastructure, while investing in human resources and building impressive professional capacities.

Loans to enterprises represents the largest portion of the total loan portfolio, at around 65%. There is a wide distribution of sectors of the economy that comprise the loan portfolio. Trade sector occupies the largest portion at 44% of total loans and leases, while the lowest extension of loans is to sectors in energy, mining and agriculture. However, the trend is towards a more balanced portfolio between different sectors. This is evident, because lending to trade has decreased from 52% in 2016

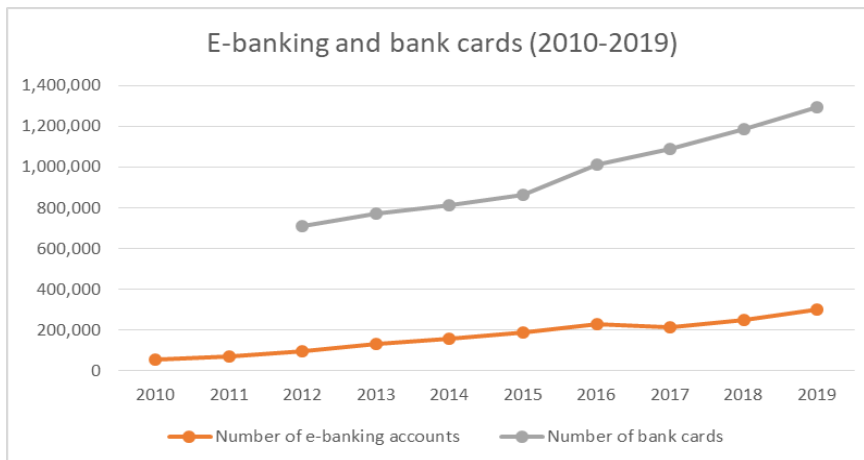


to 44% in 2019. Sectors that have gained in this adjustment are manufacturing, construction and, to a lesser extent, the hospitality industry. For the first time, the portion of loans to manufacturing has increased to above 13.7% of total loans.

There have been great improvements, in terms of interest rate affordability of businesses, as loan interest rates have been on a downward trend, during the past five years. While in 2013, the average loan interest rate was above 10%, now this interest rate is at 6.4% and even less for enterprises, at an average of 6.2%. This downward trend has greatly contributed to the significant growth in the loan portfolio, during this period.

Trends

The key indicators of the banking sector show that commercial banks in Kosovo are well above the minimum regulatory capital adequacy ratio; there is an impressive return on equity and return on assets, while the non-performing loans are at a historic low. Therefore, this is a great time to invest in further development of banks. In line with this, the banking services sector in Kosovo is keen on participating in digital developments, that are



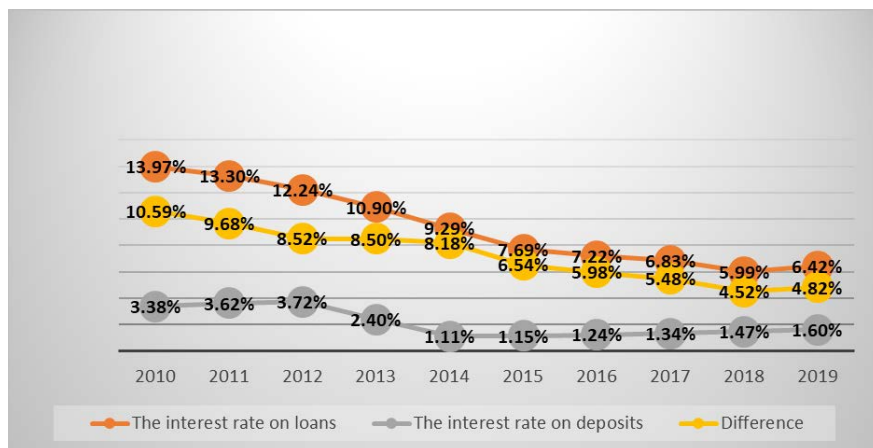
impacting the financial services. They have invested in providing a range of digital platforms for their customers and have succeeded in growing the level of electronic transactions, year after year.

There is a significant growth in online banking accounts and online transactions, as well as bank card transactions. Banks have been able to provide user-friendly payment solutions, such as: mobile banking and digital wallet applications. Nevertheless, the dynamic of technological advancements and digitization of services poses a challenge for banks, because it requires significant investments from banks, in the process of digitalization, as well as operational changes and cybersecurity enhancements.

Challenges and opportunities

Over the years, the banking sector has performed well; nevertheless, many challenges and opportunities lie ahead. Kosovo has not experienced its full potential yet, due to many different constraints, political, social, economic and environmental. This unexplored potential will come into fruition in the upcoming years, which will require a robust banking services sector that can fulfill the needs of the faster growth that Kosovo expects to undergo. The banking sector will need to have a well consolidated legal framework, harmonized closely with European directives and best banking practices. Accordingly, banks will have to be ready to adapt to the new financial reporting, AML and regulatory compliance standards.

Furthermore, financial inclusion remains a continuous priority for the banking services sector in Kosovo, which can be achieved through financial literacy, product design, improvements in payments infrastructure and digitalization of services. The banking services sector will continue to remain the frontrunner in the effort to achieve greater financial and social wellbeing for Kosovo's citizens and enterprises.



BANKING SYSTEM

Consumer confidence and perception on banks and banking sector

Generally, banks in Albania receive a good rating from their clients, when they are presented with general aspects, related to the relationship between client and bank.

IDRA RESEARCH & CONSULTING

The study: "Customer confidence and perception on banks and banking sector" analyzes the behavior of bank users and their general perception about the banking sector. Some 400 bank users were interviewed for the study, where 313 of them were conducted through the IDRAPoll online survey platform (<https://idrapoll.com/>) and 97 through face-to-face interviews. Interviews were collected during the November-December 2019 period. Results were weighted by gender and age, respecting the distribution, reported by INSTAT. Weighing the database enables the results to be generalized and representative.

Below are some of key findings from this study on the most commonly used banking products and services, customer perception and their experience with the service provided by commercial banks and the degree of confidence, compared to other institutions, or sectors.

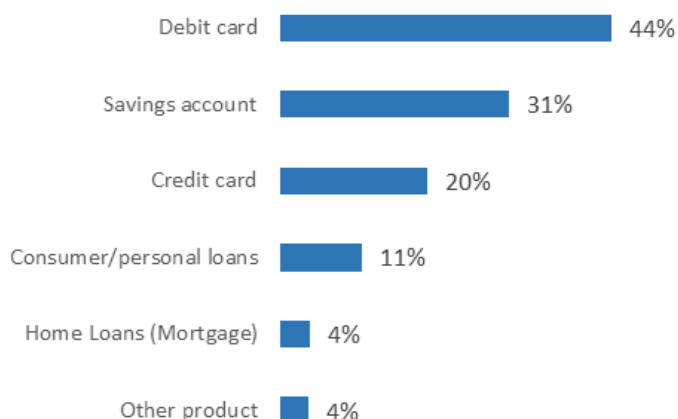
The survey shows that, three most used bank products by customers are: debit cards, savings deposits and credit cards. However, the use rate is at a moderate level (below 45%), when compared to European Union countries. It is expected that debit cards will be used in conjunction with checking accounts, but the results show that there is a high percentage of bank users using checking account without a debit card, as only 44% of respondents use one of them. On the other

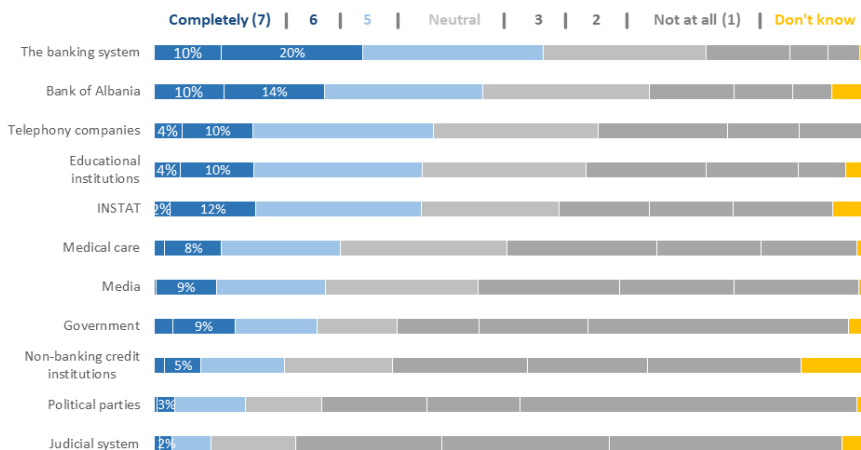
hand, there is a relatively high use of savings deposits (31%). Credit cards are less commonly used by bank customers, only 20% of respondents possess one. At even lower levels is the use of various loans. Only 11% have a consumer, or personal loan, and only 4% have a mortgage loan. The self-employed and the unemployed are the group with the highest number of savings accounts, while payroll banking services are used more by private and public sectors. It is worth noting, that men generally use more banking products than women.

Asked about the confidence at institutions in Albania, using a scale from 1 to 7, where 1 is "Completely" and 7 is "Not at all", the banking system is rated the highest (30% of respondents are completely confident), followed by the Bank of Albania (24% of respondents completely confident). The list goes on with telephone companies and educational institutions. On the other hand, less confident institutions are the judiciary system and political parties. It is noted that, in general, those over 55 years of age and with no university education tend to express more confidence than others.

Asked what they value most about the banking system, respondents mostly mentioned sustainability, implying security,

Which of the following bank products do you currently use?





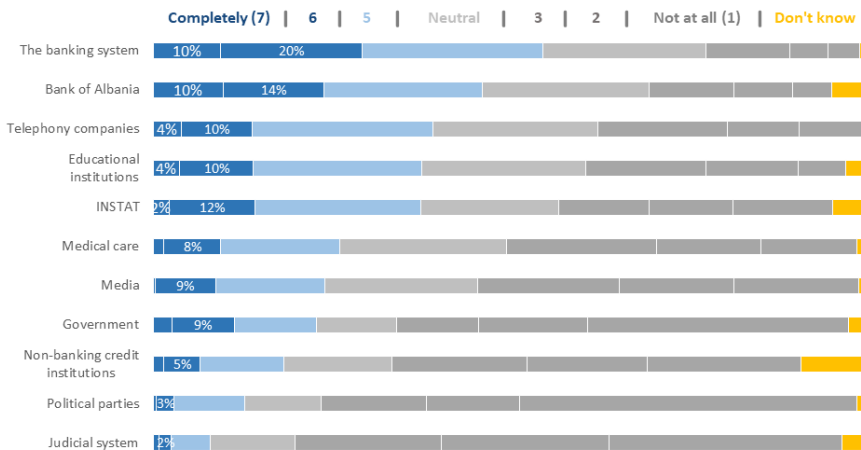
correctness and seriousness. It is worth noting, that when it comes to positive aspects of the bank, respondents tend to mention only sustainability and very few, the other aspects. On the other hand, among the aspects that require improvement, according to respondents, are bank costs (implying high fees and interests), lack of transparency, lack of customer focus, etc.

Generally, banks in Albania receive a good rating from their clients, when they are presented with general aspects, related to the relationship between client and bank. Here, it is noted that older people tend to give higher score, while public sector employees and those with higher education tend to give a lower scoring.

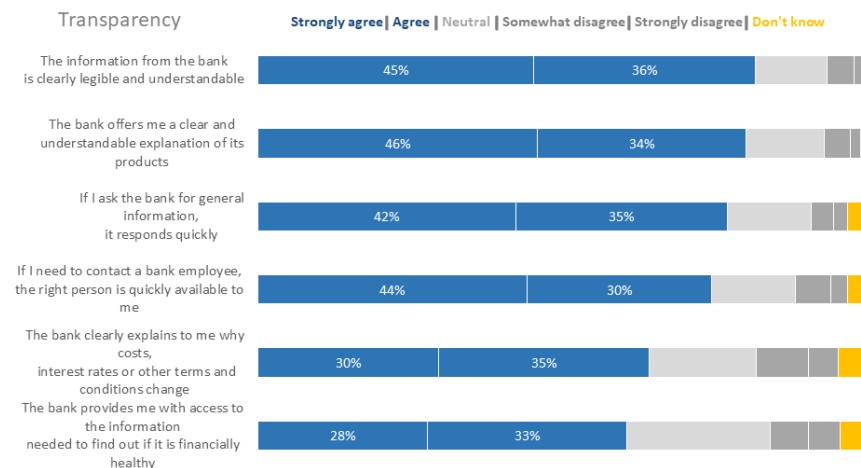
Asked about statements that describe the bank's transparency, the information from the bank is clearly legible and understandable to most users (81%). However, banks should put more efforts to explain interest costs/rates and provide information on the financial "health" of the bank.

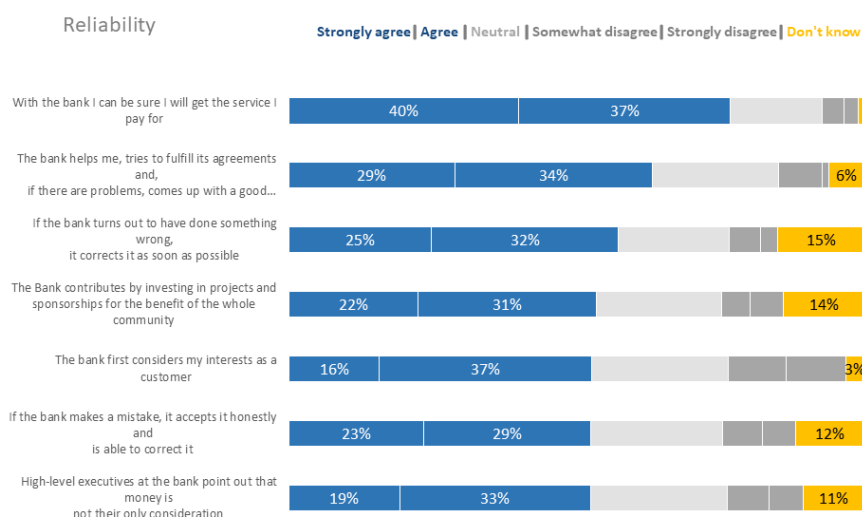
Regarding the statements describing the "reliability" of the bank, three out of four respondents feel confident of receiving the banking service for which they pay. Other aspects are shown in the figure below.

Regarding the issue of how they interact with the bank, the results show a tendency for physical contact. The results show that about 91% of respondents contact by going to the branch, or ATM (further considered as the main way to contact the bank, by 66% of respondents), while 36% interacted with the bank via mobile apps (considered the second most important way to contact the bank, by 20% of respondents). Other forms of interaction are through

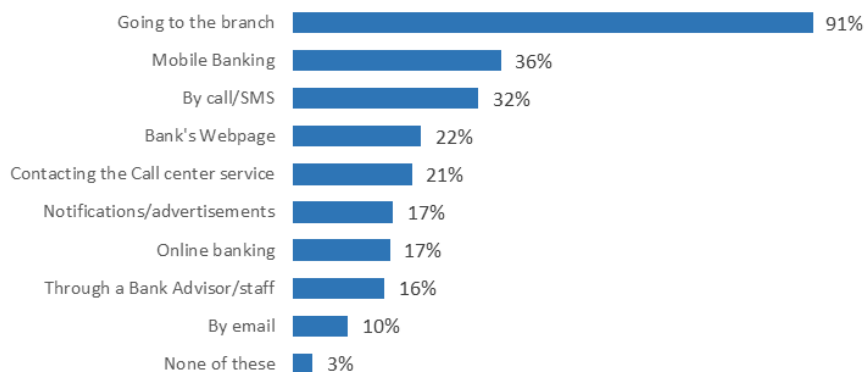


Transparency





Through which of the following ways (touching points) did you contact the bank this last 6 months?



phone calls or text messaging (32%) and by visiting the bank's homepage (22%). Taken together, these findings indicate that bank users in Albania tend to use more physical contact with the bank than virtual access, over the internet.

In sum, the study with banks users in Albania underlines that:

- the use level of banking products is at a moderate level, when compared to European Union countries. This is an indication

of holding cash rather than using other banking products, such as: credit and debit cards.

- in overall, bank users give a good rating to the banking system (especially when compared to other sectors, or institutions in the country), although they point out that commercial banks offer high-cost products and have problems with transparency. At the same time, this finding

highlights the progress of this sector vis-à-vis other sectors of the country, but also indicates that banks in Albania still have work in process, to improve their service.

- bank clients in Albania leans more towards the qualities of a bank user in a "basic" way, implying that they prefer to go to the bank physically, rather than accessing devices, such as: the internet.

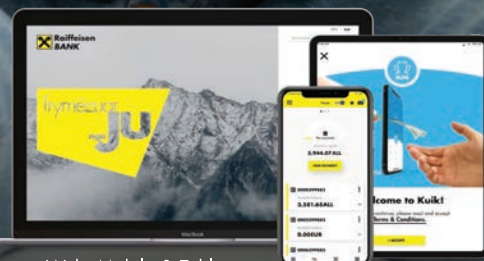


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Web, Mobile & Tablet

Alternative Collaterals in the Albanian banking sector

Developments in the international financial markets, in terms of offering different products for investment opportunities, have suggested the need for new developments, even in the Albanian financial market, as well.



Soni THANO

Head of Risk Management Division
CREDINS BANK

Current situation of loans, by type of collateral

The core activity of commercial banks is to provide customers with quality service to all their funding requirements, in accordance with acceptable loan standards, while maintaining the bank's profitability. In their role as financial intermediaries, banks as lending institutions operate as collateralized lenders. High levels of uncertainty are inherent features of commercial transactions. Today, a fully acceptable loan approval may turn into a relatively quickly loss, due to external factors, such as: unfavorable changes in business environment. Actually, the main categories of acceptable collateral in the banking sector, are as follows:

- **Cash collateral** - any deposit, or current account, escrowed in the bank;
- **Mortgages** - (recommended

as "First ranking mortgage") for immovable properties, owned by borrower or guarantor, and/or any other person who places a lien on his/her property to guarantee the loan repayment;

- **Guarantee** - from a bank, or any reputable financial institution (including insurance companies);



While banks employ a wide use of government securities (Treasury Bills and Bonds) as collateral in the lending process, the inclusion of other forms of financial titles will also directly increase lending, on a system level.



• Security Charges/Pledges

- owned by the borrower, or guarantor, and/or any other person who put a lien on his/her property, in order to guarantee the loan repayment. A pledge is a fixed, movable, or personal property that guarantees the loan, the ownership of which is transferred from the client to the bank.

• Financial interest/participation

-banks accept as collateral the shares/quotas held by partners/shareholders of the company and the securities, under the Securities Act. Such type of collateral is considered

as supplementary guarantee.

- **Agreements with third parties** - banks accept as partial guarantees the agreements, the client has signed with third parties;

- **Banks and/or other financial institutions' guarantees** - this guarantee means the Letter of Guarantee, issued on behalf of the lending bank by the bank and/or other financial institutions, domestically or internationally;

- **Guarantor** - is an individual, or business, that enjoys credibility and financial reputation.

Banks' orientation towards collateralized credit is related to the prudential process of managing the invested funds, since the quality of credit collateralized with real estate continues to be good and notably better compared with the quality of non-collateralized credit. This is also confirmed by the Bank of Albania's Financial Stability Report for the second half of 2019, which points out that performance of the collateralized credit, determined by the performance of loans for real estate, has improved during the period in concern. The ratio of non-performing loans for this type of loans reached 10.7%, at the end of the first half of the year, compared to 12.7%, a year earlier. The decline in the stock of non-performing loans for collateralized loans has been recorded since 2016. Compared with end-2018, the ratio of non-performing loans to loans collateralized with commercial real estate fell by 2.1 % to 11.7 %. This is the lowest level reported,

since 2010. Cash collateralized credit continue to score the lowest ratio of non-performing loans.

According to the data published in the same report, the loan portfolio quality indicators have not changed over the period, whereas the collateral coverage ratio has declined. By the end of June, the collateral coverage ratio reached 77.4%, compared to 79.6% a year earlier. Despite a slight decline, the loan collateral coverage remains at high levels. Loans collateralized with the real estate, account for about 68% of the collateralized credit and 53% of the outstanding credit. The outstanding amount of non-collateralized loans expanded by 2%, during the period in concern. Referring to the type of collateral, most of the banking system's loans, over 50% of them, are collateralized with real estate. Within such category, loans to households have a higher coverage level with mortgage, than loans to businesses.

Financial market developments

Developments in the international financial markets, in terms of offering different products for investment opportunities, have suggested the need for new developments, even in the Albanian financial market, as well. The latter is assessed as having a growing potential, given that liquidity is abundant and investment alternatives are limited. By expanding these opportunities, it will bring improvements in the financial infrastructure, both in terms of diversifying the funding channels for companies and in enhancing the financial well-being of its investors, be they individuals or businesses. This is so, because such forms of investment offer higher interest rates to offset the increased risk, compared to usual investments in deposits or government securities.

An alternative form of investment

is the corporate bond market. This market has shown very positive developments in recent years, by increasing the volumes of issuances for mid-term financing, significantly. Since December 2011, bond issuance through private placement has been a source of funding for banks, non-bank financial institutions and private companies. Bonds are issued in domestic and foreign currency (EUR and USD). According to AFSA data, the outstanding amount of bonds issued through private placement, by end-2019, is about ALL 7.449 billion, of which 53.2% is in domestic currency¹. The Albanian Stock Exchange – ALSE – involvement in bond trading for companies that will issue debt through public offerings, will certainly increase the possibility for market transparency, thus increasing the financial education of investors, as well.

Investment funds are another form of investment in progress. The investment fund is a separate group of assets, not registered as a legal entity, created under a contract, licensed by AFSA, and administered by a particular company. The latter collects cash, or similar funds, through public offering of fund's quotas. Funds are invested according to risk diversification principle, in accordance with the law, and fund holders have the right not only to participate proportionally in the fund's profits, but also to demand the repayment of their quotas, at any time.

A collective investment scheme with public offering, must build an investment portfolio which consists at least 90% of transferable securities and money market instruments, traded in regulated markets, or in a securities exchange in the Republic of Albania, in a EU country, or in any other country, authorized by AFSA; in investment fund quotas or shares of investment companies; in deposits at credit institutions, registered in

the Republic of Albania, in one of the EU Member States or in a country authorized by the AFSA; or in derivative financial instruments.

According to investment fund market data analysis, in December 2019, the net asset value of funds reached about ALL 66.79 billion, up with ALL 0.70 billion or 1.06%, compared to December 2018. This market is typically dominated by investments in government bonds, which make up 66.82% of the funds, an increase of 5.47%, compared to end-2018. The latest AFSA report shows that funds' members who invested in investment funds, as of December 2019, is 29,243 with a decrease of 0.60%, compared to 2018². The domestic market has a low level of using such investment opportunities, especially those other than bank deposits and government securities. Individual savings in the form of deposits, securities and participation in investment funds have increased, by June 2019, about ALL 19 billion, totaling at ALL 1,143 billion. The expansion of savings consists mainly of household deposits in ALL and in FX.

Opportunities for expanding other forms of collateral

Banks' need to operate on a collateralized lending environment brings about the inability to provide financial support to some clients, who have fully used the collateral, but have invested their liquidity in new forms of investments (corporate bonds, investment funds, etc.) For the latter, these forms as collateral may be seen as a good option, in the lending process. Investors, on one hand, benefit from incomes that will be generated from these securities and, on the other hand, will cover their liquidity needs through lending, by using the same underlying securities, as collateral. While banks employ a wide use of government securities (Treasury Bills

¹ Analysis on the use of local currency in the financial markets, under AFSA supervision, February 2020.

² Statistical Report: The Market for Collective Investment Schemes, December 2019.

and Bonds) as collateral in the lending process, the inclusion of other forms of financial titles will also directly increase lending, on a system level. It is also worth mentioning the possibility of mitigating the risk by transferring it to entities with healthier financial backgrounds, than exposing towards the risk of such borrowers.

According to the latest Bank of Albania's survey for the first half of 2019, banks' assessment of the country's main systemic risks, rank in the first place the risk of collateral execution difficulties, ahead of country's political and economic development risk. Collaterals in the form of debt securities, or in investment fund quotas, are found to have a high level of tradability and liquidity, compared to the collateral which widely used in the form of real

estate and movable property, except in case of cash collateral coverage from customers. It is worth noting that, regarding the possible execution of collateral, in the form of investment fund quotas, the law stipulates quotas' repayment within a period of 7 days, from the moment of request by the holder of such quotas, or as per the respective execution order.

Risk assessment and the need for capital, in case of investment funds' quotas as collateral, especially for those that currently exist in the domestic market, which have almost full exposure to the Albanian government and domestic banks, has the same effect as if banks themselves possess the assets of these investment funds. In short, this implies lower risk weights that government securities in ALL have and the exposures to

supervised institutions.

Facilitating processes and the widespread distribution of such instruments, in terms of adapting regulatory acts and, at the same time, in developing the capital market to enhance their tradability, are among the issues to be considered in the near future. Such endeavors will make a significant contribution to a development of the domestic securities market, by increasing the opportunities for private companies to diversify funding sources in the market; increasing investor well-being, by offering viable investment alternatives; promoting lending, enabling financial institutions to support liquidity needs based upon alternative collateral.



Some more reflections on financial education!

The time has come for all actors and stakeholders, public institutions and economic organizations to coordinate and launch an intensive financial education campaign in Albania. Financial education is a challenge, priority and necessity that requires our full and comprehensive commitment, now and in the future.



Brunilda ISAJ, MBA, CRB

Secretary General

ALBANIAN MICROFINANCE ASSOCIATION

Financial education is the word of the day. There is no one financial markets player, big or small, offering innovative or traditional financial services and products, that has not come to the conclusion that, in order to be able to push their offerings to the very end-customer, the main barrier to be surpassed is the poor financial education of targeted market segments.

To the same conclusion, either scientific, stemming out as a result of detailed surveys and statistics performed by various policy-making authorities, such as: Bank of Albania, Albanian Financial Supervisory Authority, World Bank, etc., or empirical, produced by market actors for their internal needs, have come all those stakeholders, that bear a direct, or indirect interest in the development

of financial markets in Albania.

A survey on Financial Education in Albania, conducted by IDRA and BDO certified, published by the Albanian Microfinance Association in November last year, shows that 49% of respondents admitted that their knowledge, in terms of financial education, ranges from moderate to poor, especially those in the 35-54 age group and those in the 18-34 age group. While an additional 21% of respondents admitted that they did not pay attention to this issue.

The average Albanian client still knows the basic products offered by banks, only, and those due to the legislation that requires employers to transfer their employees' salaries through banking channels. In another recent study, published by the Albanian Association of Banks on the level of trust in banks and the banking system, the most popular banking products among population were debit cards, time deposits and credit cards (the latter most probably known as physical product but pretty much less used).

Credit products are superficially known by a population that has borrowed over EUR 1 billion in consumer and mortgage loans, by individuals who were the sample of this study. Payment products are mainly used as an obligatory means to receive funds and remittances from abroad, while utility payments are made in cash, strangely even by spending hours waiting in queues at providers service outlets, despite a wide network of payment agents, spread across the country.

The situation is the same for microcredit products, while more complicated products, like insurance packages, private pension funds, investment funds, bonds or similar, are almost incomprehensible to the general public. An exception is made here (and this indicates whether one uses the product, then s/he understands it) for the Albanian Government Treasury Bills, a product used by individuals primarily for higher yields, compared to bank deposits.

Our society remains, for many families, dependent on remittances. However, it is a fact that out of the more than EUR 8 billion in banks, only 50% has been re-launched to the economy, in the form of loans and financing for businesses and individuals. So, it's not just the fact that we are poor, an obstacle to learning about financial products. Of course, this is also a cause, but financial education is growing and progressing hand in hand with the development of banking and financial markets.

The Bank of Albania, the Financial Supervision Authority, associations representing the interests of banking and financial market stakeholders, have in their strategy the enhance and development of financial inclusion and financial education. In addition, together with some non-governmental organizations, these bodies have also established a coordinating entity, named: the Albanian National Financial Education Network (ANFE). Through its activities to promote financial

inclusion and financial literacy, such entity has become a driver of important nationwide initiatives, such as: the design of a National Financial Education Strategy that, if adopted, would be a full-fledged program of activities and initiatives to change the non-optimistic situation of scarce and stagnant financial literacy of the masses.

Financial education starts at the counters where banks and financial institutions offer their products and services. If clear, understandable and practical knowledge on financial concepts are transmitted through these counters, along with services and products, one of the battles is clearly won.

Given such situation, a question raised is whether the branch staff is adequately equipped, in terms of knowledge and capacities, or is the staff motivated enough to do so? We believe so. But, the staff also needs strict preparation, development and capacity building, in terms of financial knowledge, since time has proven that one cannot explain to the others something that even they don't understand, themselves. As far as motivation is concerned, a number of incentive schemes and involvement of customer educational activities in the overall

performance evaluation of the employee might help this process, as well.

Financial education is closely related to financial inclusion. The role of non-bank financial institutions and microfinance companies, working with so-called "non-bankable" clients, is important, in this regard. Their mission is to help the client meet certain basic criteria for using credit products, and also to provide him with a credit history that, if positive, helps him at a second opportunity to access bank financing. But even this process requires caution, because in case of negative experiences, it acts in the opposite direction, so the responsibility of these institutions is greater in the ethical dimension, because clients of these segments have much less knowledge on financial products, compared to those of banks, or other more complex financial institutions.

Due to the persistence and immense efforts from some non-profit organizations (such as Junior Achievement of Albania), financial education has become a part of textbooks in Secondary Education Institutions, but to properly adopt the text it is necessary to raise the level of education of teachers

with no such background. Even in the universities this issue remains a concern, as long as access to finance and financial products is more theoretical and academic, and not practically related to the reality of the country's banking and financial systems.

In addition to the responsible stakeholders and financial system institutions, the media has a special and important role in promoting financial education and financial inclusion. Unfortunately, financial education is not the focus of everyday communications, nor the debates, where political or scandalous events fill the airtime. It is unfortunate that finances (especially personal finances that are at the core of every individual's life activities) are so rarely mentioned and addressed either in literature, or on television or radio shows, left alone on social media. It is time for this reality to change.

The time has come for all actors and stakeholders, public institutions and economic organizations to coordinate and launch an intensive financial education campaign in Albania. Financial education is a challenge, priority and necessity that requires our full and comprehensive commitment, now and in the future.



Increasing revenues from payment cards, through the use of “personalized” marketing programs

By combining security elements of financial card products, with new contactless technology and personalized marketing programs can achieve retention and additional increase of costumer base for issuers.



Eneida THOMAJ

Managing Director
PAYLINK

Now days a lot of debates surround the efficiency of payments through financial cards. The latter sometimes are perceived as a non-profit segment for issuer institutions, particularly in the light of new digital technologies, being deployed frequently. These technologies aim to offer end-users multi functions within one terminal with ease of access, (for example, QR codes, mobile wallet, wearable, e-wallet), including smart cards having access to multiple accounts, virtual cards, etc. Another factor reinforcing the above perception, are the different fees which are applied to financial card products, the most important

being Interchange Fees. In most of cases they are under the guidelines of payment networks, being calculated differently for different product (whether it is a debit or credit card, a standard product or a premium one, and the experience has shown that in some markets they have been on the rising trend).

Notwithstanding this, there are still ways out to curb costs associated to payment cards. The latest development of switching from chip to contactless cards, has given a boost to card business in European and Asian markets. New applications, offering diverse usage of payment cards, by introducing incentives every time a card is used, have been associated with increased profit not only to the digital application vendor itself, but also to the segment of the cards that the issuer bank has introduced the new technology. One key characteristic that issuers are using to push the usage of their cards, is the additional security standards, offered from new technologies introduced (the example of the new contactless card technologies exactly showed the case where an advanced technology with advanced functions and facilities was backed up with high security standards).

But, is it true that merchants themselves do not push payments through financial cards, because

of the cost associated to financial transactions (merchant fees), arguing that they bear more costs than benefits? Studies suggest that there is an exception, in case of a monopoly merchant (Hayashi, 2006), where the latter can decide not to accept payments through cards if the cost is high. In terms of business profit, despite merchant fees applied, merchants accept card payments, because at the end, is simple business. They need to retain clients; if they don't accept cards, then they lose sales. Even more, experience shows that merchants now are benefiting from new functions that credit cards offer, such as: revolving payments, or instalments which allows the customer to make immediately a purchase, but paying later in instalments, made automatically on a defined period.

Furthermore, there are successful examples of collaboration between merchants and issuers, through a card payment product that have boosted sales. Approving an overdraft, through a financial card from the issuer, provides merchants the opportunity to realize within seconds sales to “illiquid customer”. Overdraft instalments are made automatically later, from the customer to the financial institution. Such solution is beneficial not only to the merchant,

in terms of actual profitability, but also offers advantages to the customer. It reduces the time to go to the ATMs and withdraw money, or the risk of being theft, when they have a large amount of cash money with them.

Studies have shown (Prager, 2009), that merchants and banks themselves play the fundamental role of “setting” the transactional cost associated to card payments, thus affecting card usage frequency and profitability. A bank has a larger negotiation force, by offering a large base of cardholders, and a merchant has a larger negotiation force, if it has a large network of merchants. Also, processors may help the market, by offering local products for basic functions like: ATM withdraw and on-us transactions, through POS.

Howard Schultz once said: “The evolving social and digital media platforms and highly innovative and relevant payment capabilities are causing seismic changes in consumer behaviour and creating equally disruptive opportunities for business.” Furthermore, a study (Simon, 2010) using a model based on transaction level data, found that good loyalty programs, increased credit card usage from customers, more than debit card or cash usage. Thus, it suggests that linking together new technologies and loyalty programs or referring to them in general term as “marketing programs”, make possible an increase of card payment usage and turn them into a profitable financial product.

Marketing programs are applied to issuer’s own customer base, and atop of that there are some preliminary steps, or actions, that these institutions can undertake to make their card products stay relevant. They can complement

a card product with an innovative solution like mobile application and put card usage at the top of the solution (e.g. mobile wallet). In this way, card products stay relevant. Such combination locks in the main and relevant characteristics for the customer: faster payments, due to new technology, but secure ones – through traditional card product to which the customer is already used to. The challenge here is to get people load their card in the application for the first time. This can be achieved through incentives/loyalty programs/ marketing offerings. Once the card is registered it is



A dedicated person tracking customer behavior is needed in building effective/personalized marketing programs. Having a dedicated person, it means additional resources, thus an additional cost; nevertheless, this is a justified cost.



the issuers’ responsibility to offer not only performance but maintain incentives, in order to get the most of usage from the cards.

How can these incentives be organized? Firstly, a dedicated person tracking customer behavior is needed in building effective/personalized marketing programs. Having a dedicated person, it means additional resources, thus an additional cost; nevertheless, this is a justified cost. Experience shows that personalized marketing programs increase revenues from cards (in terms of interchange

fees, interest on credit card based on value of usage, or balance transfer fees etc.). This dedicated person can create not only timing marketing (like beginning of summer season, or end of year period), but also in building targeted marketing programs, through data analysis – dedicated to specific targeted clients (e.g. people who use debit card only for ATM withdraw, or have credit card and not use frequently, or who have received the credit card but not yet activated etc.). Lately, companies are outsourcing this function (data analysis to achieve consumer behaviour characteristics) to core processing institutions (including here examples from our company). In this way, issuing institutions have achieved a real boost of transactions in their customer base, but not only, have they also impacted the increase of customer base. Furthermore, it has allowed financial institutions to have an automated solution, adding value on timing perspective and increasing targeted customer segment.

Another issue, in which vendors can help in personalized marketing, is expertise in building metrics relevant to the targeted segment of customer, to prove result. For example, in terms of card activation – the percentage of decrease in dormant client; how many of them have become frequent users; comparison with industry benchmark according to market geography; retention of cardholder before and after the marketing campaign etc. What needs to be emphasized is that by combining security elements of financial card products, with new contactless technology and personalized marketing programs can achieve retention and additional increase of customer base for issuers.

 otpbank



**Siguri
maksimale**

EXPERTS' FORUM

Albania Investment Council

An effective public - private dialogue platform

Since its inception, AIC has addressed issues that have a direct impact on the investment climate, namely: informality, tax control, administrative disputes, investment incentives, inspections, property security, etc.



Dr. Diana LEKA (ANGONI)

Head of Secretariat
ALBANIA INVESTMENT COUNCIL

What is the Albania Investment Council (AIC)?

The Albania Investment Council is a public-private dialogue platform (established on a Memorandum of Cooperation between the Albanian Government and the European Bank for Reconstruction and Development, 2014, and DCM no. 294, dt. 08.04.2015), chaired by the Minister of Finance & Economy and consists of 17 members – representatives of public institutions, business associations and development partners. The main purpose of the AIC is to facilitate dialogue between stakeholders to develop a favorable, non-discriminatory and transparent climate for business and investments in Albania. As for the operational side, the AIC's work is facilitated by its Technical Secretariat, supported by EBRD,

currently funded by the Swiss Secretariat for Economic Affairs (SECO).

Following some amendments to the above DCM in 2019, Tirana Chamber of Commerce & Industry, and the Union of Chambers of Commerce & Industry of Albania became permanent members of the AIC, while four foreign chambers: Foreign Investors Association of Albania (FIAA), American Chamber of Commerce (AmCham), German Chamber of Commerce (DIHA), Confindustria Albania were engaged with a 2-year mandate.

What are the most significant achievements during these years of activity?

During its five years of activity, and based on a structured work methodology, the Albania Investment Council has consolidated its position as an effective dialogue platform. Accordingly, the work begins with the economic-legal analysis of the issues under consideration, based also on our annual surveys, while the research work of the Secretariat is further focused on:

- 1) Direct consultations with all stakeholders, focusing on identifying key issues, and prioritizing interventions to improve the investment climate in the country;
- 2) Legal & regulatory analysis, surveys, research, organizing

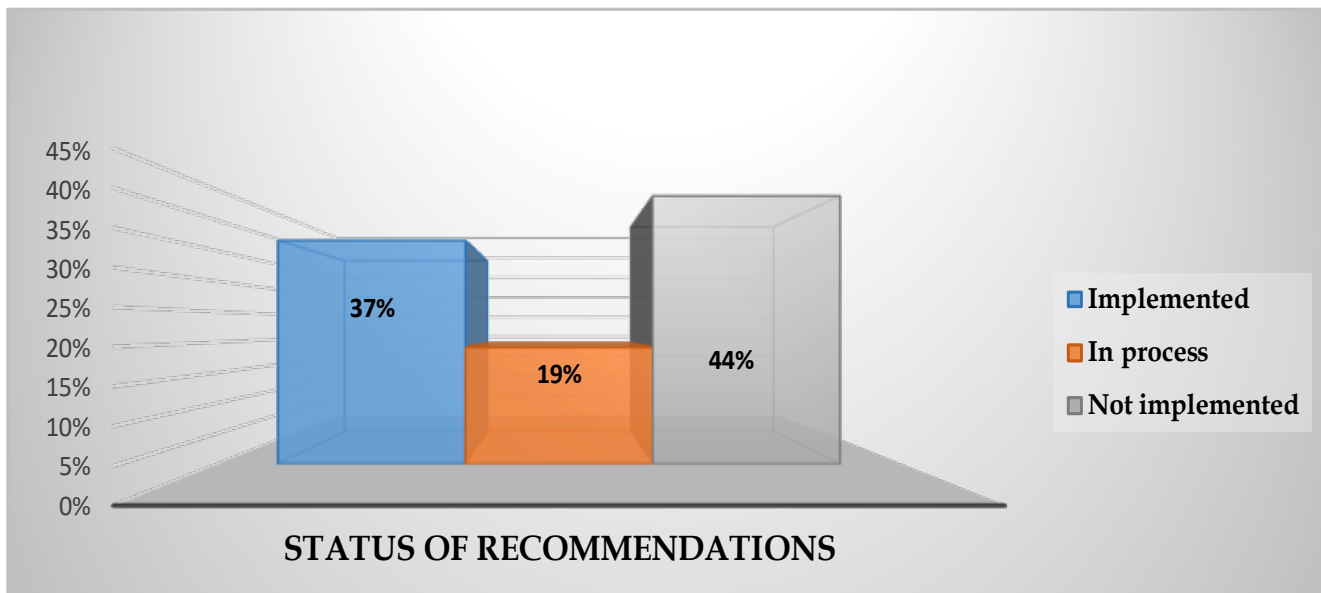
meetings at technical level, setting up specific working groups on the implementation of recommendations;

- 3) Preparing specific recommendations and measures to be implemented by institutions and associations/chambers, on possible solutions for identified problems;
- 4) Monitor the status of implementation of AIC recommendations.

Since its inception, AIC has addressed issues that have a direct impact on the investment climate, namely: informality, tax control, administrative disputes, investment incentives, inspections, property security, etc. To date, it has offered 188 recommendations, categorized into four main pillars: (i) Strategic, (ii) Institutional, (iii) Legal, and (iv) Transparency. Currently, about 37% of recommendations have been implemented and 19% are in the process of implementation.

For example, in the fight against informality, we have made an impact on:

- improving the focus and sectoral approach of this reform, with practical legal interventions in tax procedures, such as: in agriculture, tourism, and services;
- accelerating the focus on inspection reform, mainly towards unifying administrative practices on central and local



- level inspections;
- advocating for simplifying business procedures, with a view to deregulation reform, by simplifying tax and customs procedures;
- advocating for faster intervention to increase the quality of the workforce up to the needs of priority sectors, where the business sees potential for new investments. This suggestion was followed by practical steps to strengthen university-government-business partnerships, as in the case of IT centers (for the creation of talent pools);
- advocating for the improvement of the electronic platform for construction permits, administered by the Territory Development Agency; as well as practical

recommendations, from the business viewpoint, regarding the unification of administrative dispute procedures in institutions with the most significant impact on businesses, such as General Tax Directorate, General Customs Directorate, Inspectorates, etc.

The involvement of the banking industry in AIC optics and findings related to this industry

The banking sector's voice has always been present at AIC tables, represented over the years by the Bank of Albania, as well as, at specific moments, by the Albanian Association of Banks (AAB) and BKT. Specifically, AAB has been the main partner in the analysis of administrative disputes, as well as in the consultation of the bankruptcy act. I would also emphasize the cooperation in the frame of

analyzes and recommendations against informality, further consolidated in the tourism and agriculture sectors. Recently, following our analysis of business – municipality cooperation (January 2020), we had very good cooperation with AAB, on issues of freezing business bank accounts by municipalities. Specifically, after the plenary meeting, the Secretariat collaborated with Ministry of Finance & Economy, AAB, Tirana Municipality, AmCham, Confindustria Albania, to debate, on a technical basis, about practical business reported issues, and to suggest pre-agreed interventions with Ministry of Finance & Economy – specifically some amendments to Instruction no.24 of the Minister of Finance & Economy.

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FINANCIAL AUDITOR

DEUTSCHE BANK, Returning to the Roots

A Story of Restructuring



Eda META, MSc.

Financial Assistant
S-H INVESTMENTS GMBH

Deutsche Bank, the largest German bank and a multinational financial institution depicts a rich history, dating from its foundation in 1870 in Berlin. Being a pioneer in promoting German exports and facilitating industrial trade, Deutsche Bank is considered to have played a significant part in developing the German industry. Interesting to mention is that before the foundation of Deutsche Bank, German bills were almost unknown in international commerce, as the imports and exports from Germany were depended upon French and British banking institutions. The bank has come a long way since then, being one of the most prominent institutions worldwide, operating in 58 countries.

From the year of 1999 until recently Deutsche Bank established a global investment bank approach, with reluctance to major changes in its structure and strategies. After the financial

crisis, over the past decade, Deutsche Bank has gone through a difficult period, struggling to generate the aspired growth. Generally, banks in Germany have been dealing with a structurally lower margin, high costs in commercial and retail banking and an unsupportive Eurozone interest rate environment. All of these are translated in lower returns. As mentioned, Deutsche Bank management was quite reluctant, in terms of drastic structural or organizational changes. However, this stance changed with the new management, headed by Mr. Christian Sewing as its CEO, with more than 30 years of experience in risk management at Deutsche Bank.

As part of a change resolution from the new management, on March of 2019, Deutsche Bank was involved in merger negotiations with Commerzbank. This merger, if well-executed was considered to offer significant efficiency improvements, funding collaborations and franchise advantages, particularly in the German markets. In addition, media reports indicated that the German government was in support of the merger, with Mr. Olaf Scholz, the Finance Minister, supposedly saying the potential tie-up could result in a national champion in the banking industry. Unified, the banks would have controlled one fifth of Germany's banking business with around EUR 1.8 trillion in assets. However, as interesting and beneficial that this merger could have been, after six weeks of high-level negotiations, the merger discussions failed.

As communicated from their Management Board, the decision was a result of the additional risks, capital requirements and costs generated by the execution of the merger, which would have not been sufficiently offset by the potential benefits. The potential merge was also opposed by unions, fearing 30,000 job losses, raising concerns among investors and regulators. Many critics and analysts in the financial industry argued that such combination would have just led to other issues. Now Deutsche Bank would embrace further alternatives for improvement.

After the attempted merger, Deutsche Bank boarded on the most fundamental transformation in decades, profoundly restructuring its business. On July 7th 2019, Deutsche Bank announced major alterations in its strategy. The restructuring aimed for the institution to become more profitable, improve shareholder returns and generate long-term growth. To execute the transformation, Deutsche Bank will exit its global equity sales and trading operations, scale back its investment banking and reduce costs by revamping processes and infrastructure. Part of the cost reductions, Deutsche Bank will cut 18,000 jobs, resulting in a considerable number of layoffs by 2022. As reportedly announced, in a fundamental alteration the bank now will focus on its core strengths in a newly created Corporate Bank, a leading Private Bank, a focused investment bank and in asset management. With the new strategy unfolded, what is presently happening with Deutsche Bank and

#Me_Ju_Çdo_Moment



 **UNIONBANK**
Banka që dua

Kryeni të gjitha shërbimet
bankare nga celulari dhe
qëndroni në shtëpi të sigurt.

what to be expected?

"Returning to the roots", that is the rhetoric used by the CEO of Deutsche Bank, to describe the new transformation strategy. Restructuring is a necessary tool to unleash the true potential of the bank, building on its strengths. Mr. Christian Sewing considered the process as a restart, in which Deutsche Bank would be refocusing around the clients, thus returning to the roots of being one of the leading banks in the world. "The transformation will bring us closer to our core strength, our DNA," said Sewing. "In those areas where we are not currently competing to win, we are now taking decisive action. Indeed, we have no choice other than to concentrate our strengths and resources where we play to win and where we can make a true difference for our clients." Furthermore, MR. Paul Achleitner, Chairman of the Supervisory Board of Deutsche Bank, stated that the fundamental transformation would be the right response to the major changes and challenges in the financial industry, maintaining a confident and optimistic outlook on the developments.

But how does "Returning to the Roots" take now effect in Deutsche Bank? Through reduction of its investment banking operations, the success of Deutsche Bank would now depend more on the established retail banking, which substantially generates the revenue from Germany. The Retail Banking division performs well, but according to critics it has been overlooked and not exploited to its potential. By refocusing more in the roots, in terms of technology and efficiency within this division, Deutsche Bank would mitigate the pressure of low interest rates and competition, by improving its profitability. However, the ambitions

in transaction banking will face a global trading environment driven by an increasing number of FinTechs, which drive down margins in cheaper and faster transactions.

That said, what are the effects so far, since the announcement of restructuration? As reported, Deutsche Bank conveyed great loss for the last three months of 2019, and the full year. This was a result of the severances paid for layoffs, with more than 4,000 jobs eliminated and the write down of more than EUR 280 billion of unwanted assets. The bank reported a loss of EUR 1.5 billion, in the last three months of 2019, causing around EUR 5.7 billion loss in total for the year. Nevertheless, the loss was portrayed from the bank as a challenge in dealing with the past mistakes, reflecting the current transformation charges. Mr. Sewing described that the restructuring program was clearly being implemented and even though it was costly in the short term, would generate profits, by its own resources.

However, despite losses, the effects of restructuring have started to appear. The bank's management stated that advances in all four divisions are being noticed. Notably, the bank's annual pre-tax profit climbed at 7%, to approx. EUR 2.8 billion. An improvement is noticed in the bank's common tier one equity ratio, a key indicator of balance sheet strength. By the end of 2019, the ratio rose by 0.2 pp to 13.5% of risk-weighted assets. (RWA) This change supersedes the analyst expectations of 13.2%, reflecting Deutsche Bank's progress in the restructuring of its assets, as part of the transformation strategy. In addition, according to executives, there is an increased

optimistic outlook from Deutsche Bank, because fewer clients than expected left the bank when it closed the equity business, only around 3%. Also, the transactions margins seem to be revamping, in line with decreasing costs.

Such improvements are manifested by the falling price of the credit default swaps. They have declined, from its highest of 180 bp in 2019 to around 66 bp now, a good indicator also in terms of Deutsche Bank's rivals. To reflect this progress, supervisors lowered the minimum common equity tier one ratio (CET1) for Deutsche Bank by 25 bp, in 11.6%. The CET1, as known, is a key indicator of balance sheet strength. To strengthen its balance sheet, Deutsche Bank suspended dividends for both 2019 and 2020. Lastly, reports from Mr. James von Moltke, the bank's CFO, stated that the bank was aiming to become profitable again on a pre-tax basis for 2020.

From these observations, what can be said about the strategy of Returning to the Roots?

"A tree with strong roots laughs at storms." From an old proverb to a financial institution, entities that obtain deep roots of tradition and value, are able to gracefully overcome difficulties. Change requires effort and it is challenging, but as the CEO of Deutsche Bank stated, the important is not denying or turning a blind eye to weaknesses but tacking them head on. Deutsche Bank is confronting its difficulties and empowering its strengths, along with adapting innovative practices. Finally, the visionary strategy from Deutsche Bank is considered to integrate potential, stability and innovation. It is now left to witness the final product of this transformation, which so far has been going in the right direction.

CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



ALPHA BANK

CSR

The bank joined the Earth Hour global initiative, organized by WWF, by turning off all lights in its Head Office and inviting staff and customers to do the same, on March 28th, 20:30-21:30.

MEASURES TAKEN ABOUT PREVENTING COVID-19 OUTBREAK, AND PROTECTING BANK STAFF AND CLIENTS

- Repeatedly sending advisory e-mails to all staff, according to World Health Organization (WHO) instructions, Institute of Public Health (IPH) and advice on specific cases from the bank's physician;
- Special guidelines for branches, since being in direct contact with customers;
- Providing masks and gloves, together with relevant instructions for their use and disposal;
- Hand sanitizers distributed and placed everywhere within Head Office and branches's premises;
- Branch network and Head Office are regularly disinfected, according to proper instructions;
- About 75% of Head Office employees work from home and the bank has provided, for a part of them, PC and laptops;
- Human Resources Department is in constant communication with the Bank's staff, for any staff needs;
- The Bank is committed to facilitate the payment of loan installments of clients who have been financially affected by COVID-19, according to the joint order of the Prime Minister of the Republic of Albania and the Bank of Albania's Governor, No. 1650, dated 17/03/2020;
- Maximum 24/7 support is provided for all customers, through all bank communication channels;
- Necessary measures have been taken to provide cash stock for all ATMs, providing an operational infrastructure for all customers during cash withdrawal;
- Applying a flexible operation schedule for branches, following decisions announced by the Government about the schedule of pedestrian movement;
- Continuous communication, through social networks and official website of the bank, radio and TV, to suggest customers to use bank's alternative channels, against physical appearance at branches;
- Substituting many physical services with online ones;
- The Executive Board of the bank holds continuous meetings, even through video conference, to ensure a rapid and effective decision-making process, regarding any new proposals related to increasing security measures for employees and supporting any customer demand, which are the main focus of the bank, during this period.



CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



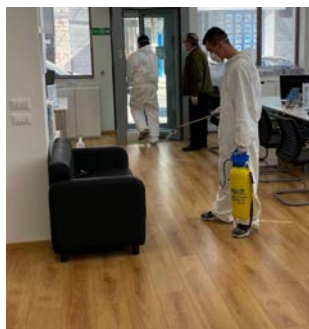
CSR

Let's stop the violence and exploitation of girls and women! This was the message, "Vatra" Center conveyed, through the public awareness -raising activity, held on March 9th, in Vlora, on the occasion of International Women's Day, supported by ABI Bank.



MEASURES TAKEN ABOUT PREVENTING COVID-19 OUTBREAK, AND PROTECTING BANK STAFF AND CLIENTS

- The Crisis Management Group was activated which, in cooperation with its members (senior bank executives), drafted a work plan that is variable based on each stage of the pandemic progress (maintaining operational activity with reduced staff, staff rotation and creating necessary conditions to work from home).
- Application of increased security measures, especially for those who have direct customer relations, ranging from supplies with hand sanitizers, protective masks and gloves, creating a security distance between bank employees and customers, to managing customers' flow, in order not to create overcrowding at branches, thus breaching the physical distance.
- Placing hand sanitizers in all common areas.
- Using alcohol and chlorine-based solutions in daily cleaning of premises and increasing the frequency of cleaning in common areas/surfaces.
- Disinfecting air conditioner filters (periodically), as well as disinfecting all bank premises, by spraying with disinfectant solution against viruses.
- Regular communication for customers, through branch announcements, through official website and social platforms, to keep them informed in real time with any information related to:
 - Measures taken by the bank to increase their security, during the time of receiving the service;
 - Changes in customer service schedules at the branch;
 - Products and Services, which would eliminate going to the branch, or reduce the time spent at the branch premises.
- Awareness campaign on several websites: "Stay at Home! Flatten the Curve".
- Producing and launching, in collaboration with "Fiks Fare" comic show, an awareness spot about for social distancing.
- As General Sponsor of National Theater of Opera and Ballet, ABI Bank supported the project: "Opera at home".
- Sponsor of the digital online teaching platform: "School me".
- Interview by Mr. Andi Ballta, CEO of ABI Bank, as part of the campaign to provide customers with ABI Bank support in restructuring their loans, according to the Bank of Albania's guidelines.



CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



CSR

Through the continuous collaboration with Universiteti Ismail Qemali Vlorë, BKT chose to be closer to the students with donating book for the library of Humanity Faculty.

Banka Kombëtare Tregtare support institutions that provide service to the community for these purposes we funded ASHK Vlorë, by donating office furniture in order to improve working conditions.



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

Creating specific landing pages, banners, and articles to inform clients about measures taken, guidelines to avoid further spread of COVID-19 (banking from home), updating all the customers about branch open schedule and publishing important announcement for customers.

Social Media (Facebook, Instagram, LinkedIn, YouTube): Some of our posts: Educational post about coronavirus and how to prevent further spread of it; Use digital channels and pay with MasterCard Contactless to avoid further spread of COVID-19; Post to use digital channels for banking transactions to prevent further spread of the virus; video "Use the bank from home".

TV: video spot "Use the bank from home!".

Notifications via Email to clients and staff, encouraging the use of our digital channels.

ATM Announcements informing customers to use digital channels and Cards & Branch open schedule

Push notification to inform customers, in order to use of our digital channels, use cards and information about branch open schedule.

Branch- Printed Announcement to use digital channels and to inform clients about the branch open schedule.

The HR department has also shared information and guidance of WHO and ISHP for all staff on how to protect and prevent further spread of COVID-19.



CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



CSR

Credins Bank supported:

- Shkodra Regional Hospital, by buying hospital equipment.
- "Avni Rustemi" 9-year school, by providing computers for the computer lab.
- The Albanian Science and Engineering Fair (ASEF) 2020, organized on February 15 and 22nd, at "Turgut Ozal" College, where 1,700 students attended it and 1,000 projects were presented.
- The Office of the Commissioner, in cooperation with "Hermann Gmeiner" ICT Vocational High School, on the occasion of Personal Data Protection Day, by organizing a competition on "Youth and privacy", with works in the field of Information and Communication Technology (ICT).
- Tirana Economic Forum, a high-level meeting of the most influential leaders in Albanian and international politics, business and intellectuals, to address the key challenges facing Albania and the world.
- Uplift Albania, a bi-monthly activity, where over 50 start-ups from 6 countries in the region and 9 different industries applied.
- Gjirokastra Regional Hospital, by donating some computers and improving the infrastructure.
- Kamza Municipality, in designing and producing information brochures for the 2020 fiscal package.
- Mat Municipality, by donating various equipment for the municipality's office.
- Lushnja Education Directorate, with computer equipment.
- The Red Cross Elbasan Branch and O.SH.K.SH.D, by donating office equipment.
- Korça Holy Mitropoly, by covering the expenses for restoration of the Mitropoly premises.
- Albanian Postal Service - Mat Branch, by donating various office equipment to increase the quality of service.
- "Sofra Tiranase 2020", on the 100th Anniversary of Tirana as capital, with the presence of the most famous artists of Albanian folk music.
- ADISA office in Gjirokastra, by organizing the event for disabled children.



MEASURES TAKEN ABOUT PREVENTING COVID-19 OUTBREAK, AND PROTECTING BANK STAFF AND CLIENTS

- ATMs and bank branches have been continuously disinfected.
- All employees were immediately provided with masks and gloves.
- Hand sanitizers were placed at all branch entrances for all customers.
- Customers have been asked to wear masks while entering the bank, to increase care for themselves and bank's staff.
- Elevated measures have been taken to increase hygiene in the bank's premises, through frequent cleaning with disinfectant elements.
- A thermometer has been installed that measures the temperature at the entrance of Head Office, for staff and customers.
- Employees have been asked to wash their hands regularly, according to relevant instructions.
- Notice of measures are placed at the entrance of each branch, which must be observed by customers, according to WHO guidelines, such as: distance, staying outside in the fresh air to avoid queues inside the bank, etc.
- Measures have been taken to protect bank's staff from the spread of COVID-19, by closing some branches, but guaranteeing the provision of services to nearby branches. Some bank employees are working from home, thus never interrupting their work functions.
- Staff who show symptoms have been asked to self-isolate and follow relevant protocol.
- Customers are recommended to use alternative channels, such as: Credins Online and ATM, to complete banking services, to avoid contact with staff and other customers.

CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



CSR

On January 25th Fibank organized a **staff retreat** where many important activities used to enhance social relations and define roles within teams. This team building also included trainings of various departments.

Fibank's March annual tradition starts with the sponsoring of the **Bulgarian National Day**, on March 5th, organized by the Bulgarian Embassy. This year's reception was held at Plaza Hotel with many special distinguished guests, such as: H.E. Rumen Radev, President of the Republic of Bulgaria, H.E. Ilir Meta, President of the Republic of Albania, including all foreign accredited ambassadors in Albania and other distinguished personalities from politics, business and art.

International Women's Day at Fibank! The management's surprises for its women colleagues were recycled gift boxes, as a token of appreciation, hard work and continuous dedication for Fibank!



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

- Maximum reduction of staff,
- Ongoing disinfection of premises,
- Marked 1.5m distance inside branch services with the note "Keep Distance!",
- Clients were advised accordingly to respect service timing by kindly waiting outside of the branch.
- Has encouraged its customers to use ATMs for cash withdrawals & E-banking for all services that do not require physical presence at the bank
- Introduced a 24h Debit and Credit Cards issuance.

Social Media initiative #Unerrineshtepi

Fibank started a social media fun family game #fotofamiljaremegazmore #unerrineshtepi, where it encourages participants to bring funny pictures from their home settings during this home isolation period. This social media game was introduced, in light of recent events, in order to promote (stay at home) messages, including Fibank Cash Check rewards for the winning participants.



CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



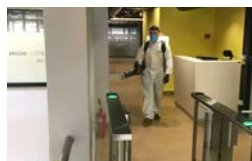
CSR

- **January 24th: International Education Day.** On this day, the bank sent to all colleagues a awareness raising postcard on the role of education in society.
- February 21st: International Language Day. On this day, the bank distributed, via e-mail, awareness raising messages to clients on social networks and staff.
- EESTEC, the student organization, organized a conference on February 26th, with the theme: **"Addressing educational challenges: The role and impact of ICT in the future of labor market & education."** In this conference, youngsters were acquainted with challenges and opportunities, presented by the Albanian employment market, in the ICT sector.
- On January 21st, the bank signed an agreement with University of Epitech, where it will provide **Student Loans** with preferential interests and favorable conditions for all students who want to study at this university.
- On January 30-31st, EBRD, in collaboration with Frankfurt School of Finance & Management (FSFM), organized seminars for Women in Business, with the topic: **"How to manage your finances and improve your business with the help from the bank"**, where Intesa Sanpaolo Bank Albania's **Product Package for Women in Business**.
- The Board of Directors of Intesa Sanpaolo Bank Albania, following the timely approval **"Support Plan for people affected by the Earthquake"**, accepted all applications for funding, for December 2019 - January 2020 period, from clients affected by the earthquake.



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

- During the first moments of the pandemic spread in Europe, proper information was sent to the employees for taking protective measures, even before the first confirmed cases in Albania were identified.
- All business trips, outside and inside Albania, were canceled, from the first moments of the pandemic outbreak in the neighboring countries.
- Hand sanitizers for Head Office and all branches were distributed, during the first days of March.
- All employees traveling back from COVID-19 affected areas stayed at home, for at least 14 days.
- All Head Office staff, equipped with personal computers from the bank, that could work remotely are instructed and advised to use flexible work from home.
- All bank committees, or business meetings, which require physical staff meeting, are held through the use of possible methods of distance or written communication.
- Mandatory absence from work (except flexible work from home) for anyone who has significant respiratory or flu symptoms, even mild flu.
- Mandatory absence from work (other than flexible housework) for anyone who has had "close contact" with people classified as "suspected or confirmed" with COVID-19 by Health Authorities.
- Gloves and masks distributed in all branches/structures, for staff responsible for handling money and customer service.
- "Yellow stripes" were placed, in front of staff desks in contact with customers, to mark a required distance.
- Protective glass is installed in all counters that provide customer service, to avoid direct contact.
- Disinfection of premises in the Head Office, branches and ATMs by specialized companies.
- All customers and bank staff should have their temperature measured, before entering the branch. If the temperature is higher than 38 degrees Celsius, entry is denied.



CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



CSR

- On the occasion of March 21st: **"World Day of Down Syndrome"**, Raiffeisen Bank supported for the seventh year in a row the foundation "Down Syndrome Albania", in its "Colorful socks" (Lots of socks) campaign. This campaign helps children with Down Syndrome, to benefit from better therapeutic services.
- As part of the International Day of Safe Internet, Raiffeisen Bank, in cooperation with the National Authority for Electronic Certification and Cyber Security (AKCESK) presented the project: **"Children Orientation and Education in the Use of the Internet"**. Through this project, it was possible to build the #CyberCorner for visitors of "Hamit Beqja" library in the capital. The project aims to raise awareness about the safety of children on the Internet and their training in the use of e-services (electronic services).



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

- Raiffeisen Bank has taken all necessary measures to disinfect all branches and ATMs to protect its customers and employees and thus to ensure a full continuity of banking services.
- Customer service staff is equipped with all necessary security tools and all measures have been taken to respect the safety rules for customers, when entering the branch, as well as to maintain a distance of 1.5 meters with clients and service staff.

Provision of banking services

Raiffeisen Bank, following the measures taken by the Albanian Government regarding free hours for citizens during the day, has operated with a limited number of branches throughout the country, as well as with reduced schedules. Key banking operations have been carried out through these branches. Also, the 24/7 self-service areas and ATMs were operational, throughout the network.

Digital platforms

In order to avoid unnecessary visits to branches, in the framework of preventive measures against coronavirus, Raiffeisen Bank has provided its customers with Raiffeisen-ON, the digital platform, through which bank transactions, transfers, or payments can be made from home. At the same time, the use of Raiffeisen Bank's debit or credit cards offer the possibility of contactless purchase, by limiting the use of coins and banknotes. For any other information, the virtual assistant RONA assists customers, by answering any questions in Messenger, Viber, and WhatsApp.



ÇORAPET SHUMËNGJYRËSHE TË 21 MARSIT, DITËS BOTËRORE TË SINDROMËS DOWN.
 Bëhni dhe ti përkrahni fëmijët ndërgjegjësues dhe kontribues për shërbimet terapeutike të fëmijëve me sindromën Down.

MASA PËR BËRË: 19-20.5	MASA PËR FËMIJË: 21-26	MASA PËR FËMIJË: 27-28.5	MASA PËR FËMIJË: 29-36	MASA PËR TË RRIJTURË: 37-45	MASA PËR TË RRIJTURË: 46-49
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Çorapet janë 90% pamirë, 10% ngjyrë dhe 1% elastikë.

Porosoni çorapet tuaja duke telefonuar në
069 56 06 269 dhe 069 34 43 345
 Dërguesit në adresë për porosi: më së pari, shërbime nga ne.

nga data 21 SHKURTIT - 21 MARSIT ÇORAPET RINDO TË ÇLIRI EDNE TËK DËDAN
 "MARTË E REKËLË", TËK MË E KUVANËS, NË BËTTA PËR BASHKËTËT TË "MIRËSIA E AMALGAMAT".

Partnerët: **OSI** (Drejtoria e Sigurimit të Shtetit), **21mars** (Dita Botërore e Sindromës Down), **Raiffeisen BANK** (Banka e Albanisë)

500 lekë/pa

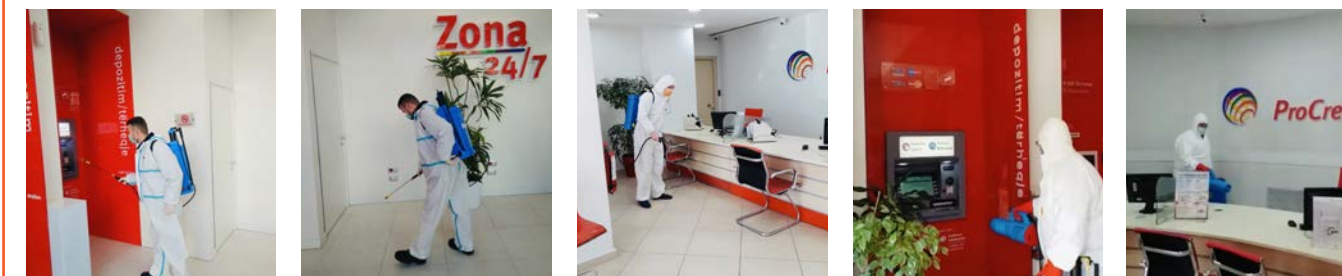


CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

- Disinfection of bank premises and equipment, in 24/7 Zones.
- Equipping staff with masks, gloves and disinfectants.
- Meetings are organized for clients, so that queues are avoided. Meanwhile, electronic services are promoted, since routine transactions, such as: transfers or other actions, are not offered at all in branches for years, but only through e-banking.
- Practical instructions through social networks.



CSR

Helping people affected by the earthquake: OTP Bank provides accommodation for 7 families in Manza. The wonderful colleagues at OTP Bank Albania and its clients, who decided to give a hand in relieving the lives of those affected by earthquake of November 26th, entrusted OTP Albania Bank with the use of funds and the implementation of a practical project. OTP Bank Albania, after assessing the situation and opportunities, decided to accommodate 7 families in Manza, one of the most affected areas by the earthquake. Florian Binaj, the well-known artist, joined the OTP Bank Albania initiative.



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

Bashkë do ia dalim!

TI MUND TË NDIHMOSH NË FRENIMIN E PËRHAPJES SË KORONAVIRUSIT!

Rekomandojmë bankën nga distanca!

- përdorni online/mobile banking
- përdorni kartat tuaja bankare në vend të parave cash
*kartat mund t'i dezinfektoni!
- përdorni kartën tuaj contactless (pa pin) për blerje deri në 4,500 lekë
- përdorni bankomatet për tërheqje të parave në vend të degës
- kufizoni kontaktin me monedha dhe kartmonedha

Nëse vini në degë:

- mbani distancën e duhur nga klientët e tjerë
- shkoni menjëherë në shtëpi ose izolohuni nëse ndjeni shqetësimet ose simptoma gripi
- shmangni shtrëngimin e duarve, përqaqimet dhe puthjet
- kur kolliteni apo teshtini, mbulon gojën dhe hundën me gropëzën e bërrylit ose shami letre



Ju lutemi respektoni të gjithë udhëzimet e personelit të sigurisë.



Për çdo informacion/ ndihmë në lidhje me degët tona dhe shërbimet e ofruara, ju lutemi vizitoni faqen tone të internetit www.otpbank.al ose kontaktoni Qëndrën e Shërbimit të Cilësisë 0800 4848.

CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN

TIRANA BANK

CSR

On January 30th, 2020, Tirana Bank supported Tirana Economic Forum, the most important economic activity in the country, held in Tirana.

The Bank made its contribution to Shkodra Regional Hospital, by sponsoring the purchase of photographic films, during the most problematic period with a high influx of viruses in the country.

Tirana Bank participated in the HoReCa Fair, which was organized at Expo City on March 4-6th, 2020. HoReCa is the most important specialized exhibition in Albania, focusing on Hospitality and Tourism.



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

- The staff was fully equipped with protective measures (masks, gloves, sanitizer).
- All working premises, branches and ATMs, were disinfected.
- Continuously reminding everyone, staff or client, to maintain the recommended distance, operating through all communication channels in digital and information media near branches;
- Promoted the awareness campaign, under the message: #stayathome, use of Winbank Online Platform.
- It enabled a large part of the employees to continue the daily work process at home, while the rest of the staff working with reduced timetable, thus responding to the announcements and measures taken by the Albanian Government.
- Under the slogan: "Here for you", Tirana Bank regularly continued to promote, through all digital media channels, informative videos, increasing awareness in compliance with authorized rules, by avoiding queues at bank branches, obtaining online banking services, use of debit and credit cards, etc.

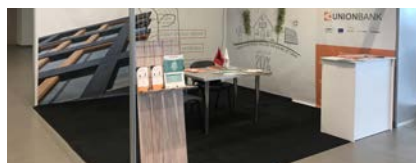


UNIONBANK

CSR

Union Bank attended the fair: "Construction, Architecture and Urban Planning 2020", which was organized in Expcity, from February 20-22nd, 2020. Union Bank was the only participating bank, specifically presenting the Savings+ loan, which is dedicated to all individuals who wish to make investments in their homes, aiming to increase efficiency and save energy.

During January, Union Bank organized a ceremony for handing over the trophy: "The best football player during the Euro 2020 Qualifiers" to Mr. Odise Roshi, the player of the Albanian National Football Team. The event was organized in the premises of the Albanian National Football Team Museum, near "Air Albania" Stadium. Odise Roshin was selected as the best footballer during these matches, from its own public vote on the official Union Bank Facebook page.



CSR ACTIVITY & COVID- 19: INFORMATION AND MEASURES TAKEN

INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

- Care for staff and customers at Union Bank has been the primary concern these days. Providing a prudent service during this period has been achieved through the application of a number of precautions; equipping all banking facilities with sanitizers, masks, gloves, maintaining distances between employees, placing plexiglass protectors on service desks, floor signals for customers, managing customer entry to prevent high numbers, requests to them for disinfection, publication of TV care elements, or printscreens on any work computer.
- Periodic disinfection of all branches and ATMs has been performed in every city where the bank is present, as well as the Head Office premises.
- For staff at risk, due to age, or health conditions, the bank has instructed them not to show up for work, the staff who has traveled abroad was requested to self-quarantine, and many parents were forced to stay at home children care.
- In order to minimize the staff in branches, less staff has been active, both in branches and in the Head Office, thus enabling the testing of working in distance. The bank has been working with 50% of the staff in the Head Office and branches, by continuing to provide all services required, during this period. All measures have been taken to provide continuous service in all Union Bank branches.



CSR

Assistance provided by UBA Bank shareholders, during the situation created by COVID-19. UBA Bank, in cooperation with EUROSIG as shareholder, started the campaign to distribute aid to families which are in economic difficulties, due to the situation created by Covid-19. Referring to the tradition of UBA Bank, the shareholder of UBA Bank granted a financial donation of EUR 50,000, of which EUR 30,000 for the Government, in support of the medical staff of infectious diseases in Tirana and districts, and EUR 20,000 to Tirana Municipality, for families in financial difficulties.

The EUROSIG, INSIG and UBA Bank Group continued to distribute 12,000 food aid packages to several municipalities.



INFORMATION ABOUT COVID-19 AND MEASURES TAKEN TO PREVENT THE SPREAD OF IT

- The Business Continuity Management Committee (BCM), discussed possible plans and scenarios for business continuity, according to Business Continuity Management, in cases of staff shortages.
- Frequent communications were conducted with all staff, with relevant instructions about preventive measures.
- Hand sanitizers are placed for customers, at the entrance to all branches. Sanitizers, masks and gloves are distributed for use by employees in each branch.
- In this context, it was also requested to obtain information about staff, or their families, who have returned from trips from the affected countries and their self-quarantine for 2 weeks has been required. At the same time, the staff is given the opportunity to work remotely from home and flexibility for parents who have children without the possibility of care from others.



#QENDRONESHTEPI

winbank

Me winbank nga Tirana Bank,
bën gjithçka nga rehatia e shtëpisë!

www.tiranabank.al



TIRANA BANK

KËTU PËR JU

AAB ACTIVITIES

On January 23rd, the AAB presented the second part of the study **“Customer confidence and perception in banks and the banking sector”**.

On January 29th, the **Albanian Network for Financial Education (ANFE)** organized its 8th meeting, under the auspices of the AAB. The meeting focused on financial education strategy and initiatives.

Open lecture on “The new model of banking”

On January 16th, Mr. Spiro Brumbulli, AAB Secretary General, delivered the open lecture: **“The New Model of Banking”**. This lecture was attended by the students of Bachelor study program in “Finance-Accounting”, at “Aleksandër Moisiu” University, Durrës.

On February 11th, 2020, was held the **Assembly of Members meeting**,

where the main topic was the update of the Association’s organization. The members decided also to extend, up to the end of year 2020, the mandate of Mr. Silvio Pedrazzi as member of AAB Executive Committee and AAB Chairman, and the mandate of Mr. Maltin Korkuti as member of AAB Executive Committee and AAB Vice Chairman.

Following the AAB Assembly Meeting, the AAB Secretariat hosted the AAB Annual Dinner. A special farewell greeting was extended to Mr. Gazmend Kadriu, on the occasion of completion of his mandate as the CEO of Union Bank.

The AAB organized a **working breakfast with representatives of visual and print media**, in the context of strengthening working relations and continuous improvement of communication between the two sectors.



TRAININGS

AAB organizes trainings January - March 2020

- **Training on Digital Finance (R)evolution**, organized by AAB and ATTF Luxembourg on January 30-31st.
- **Agile Project Management**, organized in cooperation with the Austrian Institute of Excellence, on February 26- 27th.
- **Retail Banking, new distributions channels and e-banking**, organized by AAB and ATTF Luxembourg on March 2-4th.
- **Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP): A risk based review**, organized by AAB and the Albanian Institute of Internal Auditors (AIIA) on March 9-10th.



