



ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

# ANNUAL REPORT 2013





ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

**SKY TOWER**

**Rr. "Ibrahim Rugova"**

**Nr. 5, Ap 9/3**

**Tirana, Albania**

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## MESSAGE FROM THE CHAIRMAN

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Dear Stakeholders:

The Albanian banking system grew by 4 per cent in 2013, while the total loans outstanding fell, for the first time, by 2 per cent. Non-performing loans continued their upward trend, albeit at a much slower rate, and we closed the year with an NPL ratio of 23.5 per cent. Despite the gloomy business indicators, however, the system remained liquid and well capitalized.

There is a general feeling that the worst might be over. The country passed the parliamentary elections and the change of government rather smoothly and peacefully. The greatest achievement of the new government is the agreement with the IMF, which, together with the World Bank and EU, will provide the much needed long-term financing that will revitalize the economy. We are already feeling the positive impact of the repayment of the government debt in arrears, for instance.

The IMF programme also stipulates several reforms, which are welcome by the banking community, as well as increased corporate and personal income taxes, which are not. The tax increases were supposed to be accompanied by better tax management which is yet to come along. Majority of the banks in the country, which are exemplary taxpayers by any account, are at some sort of dispute with the tax authority either at administrative or judicial level. This is nonsensical and we hope reason will prevail sooner rather than later.

Training remained a focal issue for the Association during 2013 and it should do so also in the coming years. Not only do all the banks need better bankers, but also training is one of the few uncontentious issues that all the banks can contribute to and benefit from.



Admittedly, the Association has failed in establishing a strong and independent executive function to manage its affairs. It is still run by an executive committee composed of the chief executives of some of the member banks. This creates issues of conflict of interest and full time dedication. I remain optimistic, however, the Association will resolve this problematic very soon. It will only be through an independent, professional, and accountable executive function that the AAB will be stronger, and the voice of the banks will be heard and the rights defended.

In closing, I would like to thank my colleagues at the Assembly, the Secretariat and the staff of the AAB for their contribution.

A handwritten signature in black ink, appearing to read 'Seyhan Pencabliligil'. The signature is stylized and fluid.

Seyhan PENCABLIGIL  
Chairman

# AAB ORGANIZATIONAL CHART



# AAB EXECUTIVE COMMITTEE (AS OF MAY 2014)



Mr Seyhan PENCABLIGIL  
Chief Executive Officer,  
Banka Kombëtare Tregtare  
Chairman



Mr Ioannis KOUGIONAS  
Chief Executive Officer,  
Banka NBG Albania  
Deputy Chairman



Mr Frédéric BLANC  
Chief Executive Officer,  
Societe Generale Albania  
Member



Mr Christian CANACARIS  
Chief Executive Officer,  
Raiffeisen Bank Albania  
Member



Mr Periklis DROUGKAS  
Chief Executive Officer,  
Alpha Bank Albania  
Member



Mr Bozhidar TODOROV  
Chief Executive Officer,  
First Investment Bank –  
Albania  
Member

# AAB MEMBERSHIPS

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

- i. International Memberships
  - EUROPEAN Banking Federation (EBF)
  - INTERBALKAN Forum of Banking Associations
  - Banking Association for Central and Eastern Europe (BACEE)
  - OECD International Network on Financial Education (INFE)
- ii. National Memberships
  - National Economic Council
  - Tax Council
  - ICC Albania
  - National Labor Council
  - Mountain Area Development Agency (MADA)





# THE ALBANIAN BANKING SECTOR IN 2013

2013 was a difficult year for the Albanian economy that slowed down significantly. The banking activity reflected the economic challenges and was characterized by decreased lending and higher NPLs. Nevertheless, other important indicators of financial health improved during 2013. Thus, the financial profit showed growth, while the indicators of capitalization and liquidity were significantly above the minimum regulatory requirements.

The banking sector continues to have the main role in the financial intermediation in Albania, and its structure has remained unchanged in 2013, with 16 banks totally privately owned, and prevalence of foreign banks headquartered in EU countries.

The business volume of the banking sector increased during 2013, albeit at lower rates compared to previous years, as a result of slower increase in deposits and decrease in lending.

At the end of 2013, the total assets of the banks were ALL 1,234 billion, representing 90.5 per cent of the GDP, with an annual growth of 3.9 percent. The increase in assets was mainly the result of banks' activity in the interbank and government debt securities markets.

## Performance indicators of the Albanian Banking System

Indicator	2011	2012	2013
Total assets (billion ALL)	1,120.2	1,187.9	1,234.3
in % of GDP	84.6%	89.4%	91.1%
Total Deposits (billion ALL)	924.1	991.7	1,025.6
in % of GDP	69.8%	73.3%	75.7%
Credit to Economy (billion ALL)	566.2	577.8	567.2
in % of GDP	42.8%	42.7%	41.8%
Shareholders' Equity (billion ALL)	97.3	101.8	103.3
ROE (in %)	0.8	3.8	6.4
ROA (in %)	0.1	0.3	0.5

Source: Bank of Albania

On the funding side the main factor remain the deposits, which account for 82.1 per cent of the total liabilities of the banking sector. Despite the moderate economic activity in the country, deposits increased by 3.4 percent during 2013, compared to 7.3 per cent during 2012, reaching at ALL 1,026 billion at the end of the year.

The deposit expansion was supported both by the increase in retail deposits, and in corporate deposits. In fact, the corporate deposits increased by 5.9 per cent during 2013 while they declined during year 2012.

## DECREASED LENDING AND HIGHER NPLs

The lending growth slowed down during the first quarter of 2013, while it showed negative figures in the second quarter, showing a decrease in the loan portfolio of 1.8 per cent at the end of the year. Bank credit was concentrated in the corporate sector representing 73 per cent of loans in 2013, amongst which the large business have the largest share of 43 per cent. Banks continue to face weak demand because of the uncertainties about short-term economic developments in the Albanian economy. Both businesses and consumers were reluctant to operate in such uncertainty, and banks lacked good financeable projects.

The nonperforming loans continued to grow during 2013, although with a much slower pace compared to previous years, occupying 23.5 per cent of the total loan portfolio of the system by the end of December 2013 compared to 22.5 per cent at the end of 2012. Part of the cause for the statistical increase in this figure is also the decrease of the total loans figure in 2013.

The financial result of the banking system for year 2013, as calculated based on Bank of Albania financial reporting standards accounted for ALL 6.6 billion. Income from interest has continued to decrease, following the decrease in interest rates, while income from other activities has increased becoming the second most important source of income (representing 33 per cent of total income).

## STRONG CAPITAL AND LIQUIDITY INDICATORS

The Albanian banking system remained well capitalized, thus able to withstand the challenging economic realities both internally and internationally. Throughout the year, banks increased more their capital than their risk weighted assets, resulting in the improvement of the capital adequacy ratio for the system at the level of 17.96 per cent at the end of 2013 compared to 16.2 per cent at the end of 2012, while the minimum regulatory required ratio remained 12 per cent.

Banks had strong liquidity indicators during 2013, well above the regulatory ratios imposed by Bank of Albania. At the end of the year, the systems' ratio of liquid assets to short-term liabilities was 34.7 per cent for all the currencies (42.7 per cent for the domestic currency and 27.5 per cent for foreign currencies) while the regulatory limits were at the levels of 25 per cent for all currencies and 20 per cent for each currency.

## NETWORK AND SERVICE DELIVERY

Although a difficult year in many aspects, 2013 did not witness any significant shrinking of the banking activity in terms of or services and facilities provided to the clients.

### Network of Banks

Indicator	2011	2012	2013
No. of banks outlets & agencies	553	556	549
No. of ATMs	805	823	822
No. of POSes	5,126	5,307	5,668
No. of Cards	731,851	768,982	805,560
debit	693,958	719,809	741,128
credit	37,893	49,173	64,432
No of Internet Banking Transactions	187,431	236,215	323,676

Source: Bank of Albania, AAB

The positive trend of the numbers of credit & debit cards associated with the increase in banking products and internet banking transactions continued during 2013. At the end of 2013, the number of customers' accounts grew by 7.1 per cent, compared to the 3 per cent growth in 2012. During this year the number of customers' accounts accessible from Internet doubled compared with 2012.

Out of the 16 banks in the country 14 offer card-issuing, while 7 banks are active in both issuing and accepting card transactions (through POS devices). During 2013 only, the number of cards in circulation increased by 5 per cent, while the number of POSes increased by 7 per cent. Card transactions increased in 2013 with around 7.7 per cent in terms of the number of transactions and around 5.4 in terms of their volume.

In terms of home/internet banking, services offered by banks have been increasing, since their first introduction in 2005. Actually 12 out of the 16 banks in the system offer internet banking, 6 of them have undertaken already or are undertaking mobile banking, while there are also other services offered such as MultiCash, SMS banking, and collaborations with the non-bank mobile payments companies in the country. In 2013, the number of transactions performed through home banking increased by 37 per cent. The value of transactions has decreased, showing also a shift of the type of customers that use these services, from companies to individuals.

# CHANGES IN THE BANKING REGULATORY FRAMEWORK



## REGULATIONS OF BANK OF ALBANIA

A package of measures by Bank of Albania

“On licensing, regulation and supervision of operators of national card payment schemes”

“On capital adequacy ratio”

“On the prevention of money laundering and terrorist financing”

01



## LAWS AND BYLAWS APPROVED BY THE PARLIAMENT

“On some amendments in the Civil Procedure Code of the Republic of Albania”

“On payment systems”

“On amendments to the Law “On securing charges””

02

During year 2013 there were many important amendments to the regulatory and legislative framework that impacted the activity of banks. The Authorities undertaken most of them with the aim of boosting lending to the private sector and resolving issues related to the increasing nonperforming loans in the economy.

## I. REGULATIONS OF BANK OF ALBANIA

On 27 March 2013, the Supervisory Council of the Bank of Albania approved a **package of measures** intended to encourage lending by the banking system, that included changes to three main regulations, namely:

- Changes to the Regulation “**On Capital Adequacy Ratio**” consist in two parts: first, the reduction (to zero) of the risk coefficients applied to new loans in case banks will increase lending within the band of 4%-10%. This measure enables banks to increase their lending activity without the need for injecting additional capital. Second, the increase of the risk coefficient (at 100%) for the investments foreign currency assets with non-residents.
- Changes to the Regulation “**On credit risk management**” foresee that the new category of restructured loans shall be weighted with 10 % risk, and the period of reclassification of the restructured credit is reduced from 9 months to 6 months. This measure aims to facilitate the sound restructuring of loans to borrower with temporary difficulties in repaying their obligations, and to ease the capital burden that accompanies restructuring.
- Changes to the Regulation “**On liquidity risk management**” were mainly a correction of the indicators of liquidity, into earlier levels of the ratio of liquid assets to short-term liabilities at the minimum level of 20% for all the currencies, and 15% calculated separately for ALL and foreign currencies.

On 26 June 2013, the Supervisory Council of the Bank of Albania approved by Decision No. 42 the Regulation “**On licensing, regulation and supervision of operators of national card payment schemes**”. This Regulation seeks to guarantee the security, stability, well-functioning and efficiency of a national card payment schemes as an integral element of low-value payment system, by establishing the criteria and procedures for licensing national card payment schemes operators in Albania and regulating the supervision of such operators.

On 31 July 2013, the Supervisory Council of the Bank of Albania approved by Decision No.48 the new Regulation “**On capital adequacy ratio**”. This Regulation lays down the criteria and rules for the calculation of the capital adequacy ratio, and the minimum of capital adequacy ratio, in accordance with the BASEL II and EU Capital Requirements Directive IV. Banks shall ensure that the capital adequacy ratio, calculated according to the criteria laid down in this Regulation, shall not be less than 12%.

On 28 August 2013, the Supervisory Council of the Bank of Albania approved the Decision No. 55 “On amendments in the Regulation **“On the prevention of money laundering and terrorist financing”**”. These amendments were made in the context of the need of reflection to the changes made to the law **“On the prevention of money laundering and terrorist financing”** in terms of fulfilling the recommendations of the Committee of the Council of Europe’s MONEYVAL. They consist in changes to the articles that regulate the procedures and documentation for identifying clients for the purposes of preventing money laundering and terrorism financing, the responsible structures of entities, the reporting to the Authorities, etc..

During the year Bank of Albania approved several Regulations regarding the efficient **circulation and handling of coins and banknotes**, with immediate impact on banks’ activity, namely:

- Decision No. 15, dated 13.02.2013, for the approval of the Regulation “On the authenticity checking and criteria for recycling of Albanian Lekë banknotes”.
- Decision No. 41, dated 26.06.2013, for the approval of the Regulation “On Albanian banknotes and coins suspected as counterfeit”;
- Decision No. 49, dated 31.07.2013 for the approval of the Regulation “On the suspected counterfeit euro and other foreign banknotes and coins”;
- Decision No. 57, dated 11.09.2013, for the approval of the Regulation “On exchanging damaged Albanian banknotes and coins”;
- Decision No. 82, dated 16.12.2013 “On an amendment to the Regulation ‘On the authenticity checking and criteria for recycling of Albanian Lekë banknotes’”. The amendment consisted in the adoption of banknotes handling machines installed prior to the entry into force of the Regulation, to meet the requirements stipulated therein.

## II. LAWS AND BYLAWS APPROVED BY THE PARLIAMENT

On 18 April 2013, the Parliament of the Republic of Albania adopted the Law No 122/2013 **“On some amendments in the Civil Procedure Code of the Republic of Albania”**. The AAB has been deeply involved in the consultation process by gathering and conveying the comments and suggestions of the banking system to the draft changes presented by the Ministry of Justice, and lobbying with the Ministry and the respective Parliamentary Commission for taking them into consideration. The most important amendments, impacting the activity of banks were the changes in the articles of the Code which are directly linked with the foreclosure of banks’ executive titles that aims at raising the collateral enforcement effectiveness, such are: the abolishment of the courts right to intervene in the enforcement mechanism of foreclosing an executive title, such as the bank loan, for which an executive order has been already issued; the increase of the transparency during

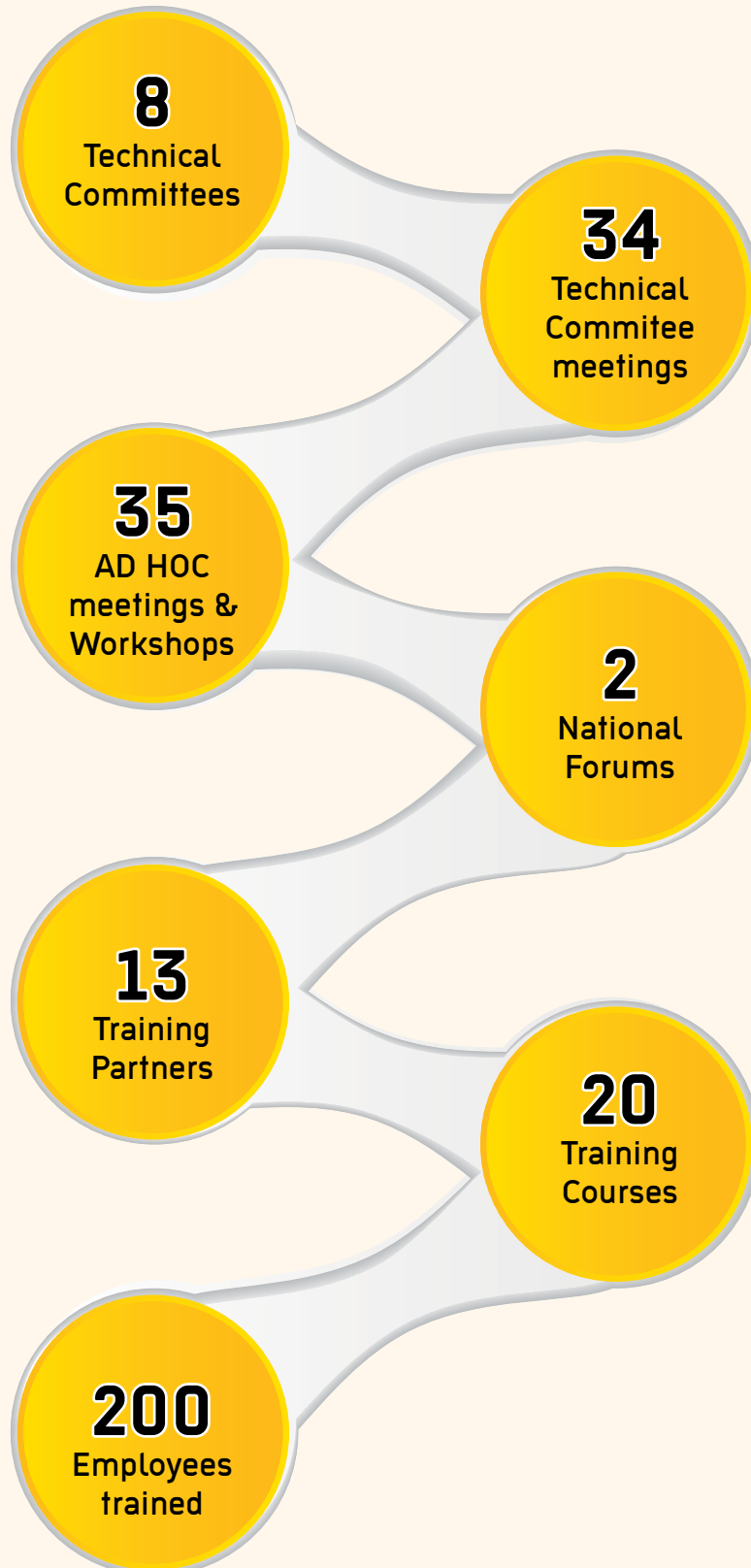
the auction process; and establishing of a procedural deadline for the complains against bailiff's procedures.

On 29 April 2013, the Parliament of the Republic of Albania adopted the Law No. 133/2013 **"On payment systems"**. The law lays down the main standards on licensing, regulation and oversight of important components of Albania's domestic payment system, and the rules for the protection of the systems. Bank of Albania, in performing its tasks laid down in this law, shall cooperate with any domestic and/or foreign authority, in order to exchange information, coordinate activities, or other cooperation agreements, as it deems necessary.

On 29 April 2013, the Parliament of the Republic of Albania adopted the Law **"On amendments to the Law "On securing charges"**. These changes have abrogated the concepts of collateral, terms which have not been regulated in the Law on the Payments System, creating thus a gap regarding the legal framework under which banks proceed with these types of properties offered as collateral. AAB has addressed the Ministry of Economy and Bank of Albania with the request of the correction of this gap.

On 28 December 2013, the Parliament of the Republic of Albania adopted the Law No. 177/2013 **"On some amendments to the Law No. 8438, "On income tax", as amended"**. The amendments to this Law consist in important changes to the level and collection of income tax, such as the increase the tax on profit to 15%. Another important amendment in the Law, impacting directly the banking activity, was that on loan provisioning of banks that shall be recognized as per the IFRS / IAS standards.

# AAB ACTIVITIES





## I. TECHNICAL COMMITTEES

The following section summarizes the main business dealt with by the AAB's eight committees in the year under review. In total, the AAB Technical Committees and the Working groups created by them gathered in 34 meetings during 2013, to discuss and share experiences and concerns on both operational and legislative issues which were followed up by the AAB Secretariat throughout the year.

### I. ANTI CARD FRAUD COMMITTEE

The Committee strengthened further this year the relations and collaboration with Master Card and Visa, especially with the presence of the later in the meetings of the Committee. This collaboration was also important in the organization by AAB and the Anti Card Fraud Committee of the third consecutive Albanian National Card Forum on 17 May 2013, which this year focused not only on card fraud but also on card business and development and innovations in this field.

One of the issues discussed by the Committee was the creation by Bank of Albania for the first time, of the regulatory framework of a national card scheme, adding input to the consultation process undertaken by BoA in such regards.

During the year the Committee shared information and discussed, both in meetings and through online forums, on cases or attempts to fraud in the banks' ATMs, and collaborated with the AAB Bank Security Committee to identify the best ways to address this cases with the Police, for the proper investigation and prosecution of the existing cases, and prevention of similar attempts in the future. Issues for discussions were also situations created in the activity of online usage of cards, or e-commerce.



## ii. BANK SECURITY COMMITTEE

At the beginning of the year the AAB Bank Security Committee discussed on the work plan for year 2013 and elected the new Chairman, Mr Roland TASHI, Physical Security Coordinator at ProCredit Bank Albania. The Committee supported AAB Secretariat in organizing the 2nd National Forum on Banks Security, which took place in May at Hotel Tirana International. The forum aimed to raise awareness on banks' security in terms of management and trainings.

During the period of elections for the central Government in Albania and the following months, the Committee members collaborated to increase security level and measures in the respective banks. They organized meetings with the Heads of Police Departments and some of the directors of the Physical Security Protection Companies in the district of Fier and Vlora to collaborate and prevent the criminal trends during the summer season.

The Committee followed during the year the preset agenda of meetings, both of its members and with other parties, and participated to trainings organized by AAB.



## iii. BANKS' INTERNAL AUDITORS COMMITTEE

During year 2013 the Committee increased collaboration with the Albanian Institute of Internal Auditors (AIIA), both through the training organized in this field and through the creation of possibilities for banks' internal auditors to learn more on the CIA (Certified Internal Auditor) exams that now the Institute can organize in Albania. Many internal auditors of the banks have already become members of AIIA and are applying for the exams.

#### **iv. COMPLIANCE COMMITTEE**

The AAB Compliance Committee (CC) during the year has discussed and given opinions on the normative acts drafted and approved by Bank of Albania on the prevention of money laundering, as well as on the issues related with the implementation of some regulation approved from the Bank of Albania.

The Committee reached a good collaboration by the end of the year with the General Directorate of Local Taxes and Tariffs in Tirana Municipality, in easing up the process of execution by banks of blocking order in taxpayers' accounts, through the electronic delivery of information and blocking orders.

Following up on the good cooperation set with the General Directorate of Prevention of Money Laundering, the Compliance Committee has had several communications with this Institution, as well as two round tables where participants have discussed on concrete issues and concerns related to the ongoing work on money laundering prevention.

The Committee has had also in focus this year the implementation of FATCA project in Albania, and especially on the approach to be undertaken towards this project by all member banks.

#### **v. HR COMMITTEE**

The Committee met each quarter of year 2013. One of the main objectives for year 2013 was the development of the HR function at the individual banks. The Committee met in March with representatives of PWC Romania to discuss on new techniques for the development of the HR profession in the banking industry in Albania. The participation at the Salary Survey organized by Hay Group for the second year was an achievement of the Committee.

AAB organized in April a meeting of the Committee with representatives of Bank Albania regarding the implementation of the regulation "On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators", whereby participants clarified some specific articles of the regulation.

In order to improve the capacity building function of AAB the Committee approved a new training procedure to be respected by all banks with regards to trainings organized by AAB.

In November the Committee undertook the initiative of creating an HR KPI benchmark database including the key workforce metrics & banking benchmarks. This database serves to the participating banks as a mean of comparison of their HR performance with the systems' benchmark, and supports the HR departments in each bank to set new HR strategies. This process was managed by the AAB Secretariat with the support of BKT HR Department and the contribution of all members.

## **vi. INFORMATION SECURITY COMMITTEE**

The Information Security Committee had several meetings during the year, of all its members as well as with other parties. The director of PROTIK Center (an ICT Resource Center) had a presentation in one of the meetings where the center was introduced together with the possibility of cooperation between the Center and the Committee.

In April the members elected the new Chairman of the Committee, Mr Akil Ndrenika IT Security Officer at BKT, and discussed on the implementation of the newly approved guideline “On regulation of relations between the controller and processor in case of delegation of data processing and the use of a specific agreement in cases of this delegation”. Supported by the Committee, AAB Secretariat organized a successful IT Security training facilitated by INFIGO.

Considering that Business Continuity Management issue is on the Supervising Authority agenda in its inspections, the Committee met in October to discuss and share experiences regarding the issue helped by a very practical presentation of Raiffeisen Bank. Another topic of interest that was discussed in that meeting was that on Cryptography presented by Veneto Banka.

## **vii. LEGAL COMMITTEE**

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## **viii. PAYMENT SYSTEMS COMMITTEE**

During 2013, the Committee discussed on operational issues regarding the payment systems, both with representatives of Bank of Albania, and with other foreign experts. By the beginning of the year the Committee discussed and contributed with comments on the draft “Reporting methodology for payments instruments” presented by the Payments Department at Bank of Albania.

AAB Secretariat organized with the Payment System Committee a meeting with representatives of the European Swift Alliance (ESA) to discuss on recent developments and innovation in the SWIFT services and products, as well as the relevance of banks participating in the ESA network.

Another interesting meeting was that of the Payment Systems Committee with representatives of SIA Company, a technological company created by Bank of Italy and Italian Banking Association, which introduced the services that the company offers to improve the payment systems infrastructure.

## II. OTHER TECHNICAL MEETINGS

AAB added to the better communication between its member banks and the Supervisory and other State Authorities by organizing meetings and forums for discussions and consultation. During the year, AAB organized **33 ad hoc meetings and 2 workshops of banks' representatives with authorities** such as Bank of Albania, Ministry of Finance, General Directorate of Local Taxes and Tariffs at the Municipality of Tirana, General Directorate for Prevention of Money Laundering, Office of the Commissioner for Personal Data Protection, World Bank Experts, etc..

### I. AAB – BANK OF ALBANIA

The meetings organized with Bank of Albania's representatives were as follows:

**BASEL II - Ad Hoc Group Meetings** - The Ad Hoc group on BASEL II created by AAB and BoA with participants of several member banks had set out a schedule of meetings for seven weeks, every Thursday and Friday, at the AAB premises, to discuss the draft regulation on Capital Adequacy. Upon termination of the regular meetings by May 2013, AAB organized a last meeting only amongst the banks' representatives, where they finalized their suggestions for changes on the draft, which were officially sent by AAB to BoA, stressing the need for the postponement with at least one year of the implementation deadline of the regulation. The regulation was approved by the Supervisory Council at Bank of Albania on 30 July 2013, and shall enter into force on 31.12.2014.

The Ad Hoc group continued to meet in October 2013, to discuss on the reporting tables within CoRep and Fin Rep. The group discussed with practical examples all the reporting tables on credit risk, market risk, operational risk and securitizations.

**BoA's package of measures** - Banks and BoA discussed during the first quarter of 2013, both at a high managerial level and at a more technical one, on the proposed set of measures aiming to stimulate lending. The AAB Executive Committee members, as well as the technical representatives of banks expressed their views and arguments, verbally and in written, regarding the proposed measures as well as proposed further ones. The main disapproval of banks was in regards to the increase of the risk coefficient for investments of banks outside the country, as expected to have little or no effect in the lending growth. Further proposals from AAB were: taking into account of the value of physical collateral for loan provisioning, liberalization of lending to the Albanian Government in foreign currency, and better and incentivizing regulatory framework for the sale of NPL portfolio.

**New Instructions on handling banknotes and coins** – In June and August, AAB organized 2 meetings with experts from the Issuing Department at Bank of Albania to discuss on the new Instructions drafted and approved by BoA on banknotes and coins (see session "Regulations of Bank of Albania"). BoA's representatives presented the new Office of National Centre for Analysis that was set up for the implementation of the regulatory framework on the control of authenticity of banknotes. The centre will have a central role on the fight for the detection, prevention and protection from counterfeit banknotes. Most of the

comments made by banks were taken into consideration in the final approved instructions, and member banks got a clearer picture of the related forthcoming procedures.

**New reporting methodology to Bank of Albania** - AAB organized in May a meeting with CFOs and Financial Departments' representatives of all bank to inform them on the proceedings of BoA's project on changing the reporting methodology to IFRS, which is co-founded by AAB and FSVC. Participants discussed on the first draft prepared from Deloitte (the consulting firm selected to design the new methodology). The new draft of the reporting methodology was tested with two banks. Bank of Albania is expected to finalize the draft methodology and consult it with the banks before approving it.

**ii. AAB – GOVERNMENT**

AAB members met in July 2013 with the Prime Minister Mr Edi Rama, the Governor and other high representatives of Bank of Albania, in a special meeting hosted by AAB at Hotel Sheraton Tirana. Banks addressed a list of immediate reforms and specific legal issues impacting the well-functioning of the banking sector in Albania. The AAB Secretariat prepared afterwards a memo that was sent to Mr Rama's cabinet, as well as to the World Bank Office in Tirana.

The Chairman of AAB, has had the opportunity to express the systems' concerns in two of the meetings of the National Economic Council, which is a forum that institutionalizes the dialog between the Government and the enterprises, members of which are the Prime Minister, the Governor of the Bank of Albania, entrepreneurs, experts from the IMF and World Bank as well as of other foreign experts assisting the Albanian government. AAB is a permanent member of this Council.



### iii. AAB – WORLD BANK

AAB organized a meeting in January where World Bank' experts informed banks on the project on Corporate Financial Reporting Enhancement (CFREP). This project, administered by the World Bank Centre for Financial Reporting Reform (CFRR) and funded by REPARIS program, was programmed to improve the framework for corporate financial reporting in Albania by assisting in designing and implementing reforms to Albania's legal framework for accounting and auditing. Main purpose of the meeting was to include banks in this project, as the major users of financial statements. Member banks discussed regarding the quality of the financial statements presented by the clients demanding financing.

The AAB Chairman and Secretary General have met frequently during the year with teams from the World Bank, in missions in Tirana for the assessment of the financial sector progress and outlook, in view of the preparations for a new agreement with the Albanian Government in the form of a Financial Sector Modernization Development Policy Loan. They have conveyed in these meetings the concerns and developments in the banking sector in Albania.

### iv. AAB – GENERAL DIRECTORATE OF MONEY LAUNDERING PREVENTION (GDPML)

AAB organized 2 Roundtables with all members of the AAB Compliance Committee, representatives from the GDPML, and representatives from the Bank of Albania, in May and September 2013. These workshops aimed at improving the reporting from banks in the context of the Prevention of Money Laundering and Terrorism Financing, and the increasing of the reporting of suspicious transactions, as well as enhancing the quality and analysis on such reports. In both meetings, participants brought practical cases and discussed on specific technical problems encountered in banks' reporting and on the best ways to address them in the future.





#### **v. AAB – GENERAL DIRECTORATE OF LOCAL TAXES AND TARIFFS, MUNICIPALITY OF TIRANA**

AAB Secretariat organized a meeting of the Compliance Committee with the representatives and the General Director of the General Directorate of Local Taxes and Tariffs at the Municipality of Tirana, to discuss on possible solutions to facilitate and accelerate communication between this Directorate and commercial banks. The parties agreed in easing up the process through the electronic delivery of information and blocking orders of taxpayers banking accounts, considering the problems with the mailing system, and the burden on banks from manual entry of the data. They agreed on specific electronic formats for the dissemination of information and the representatives of the Municipality committed to fill in more accurate information on individual debtors and entities.

#### **vi. AAB – OFFICE OF THE COMMISSIONER FOR DATA PROTECTION**

AAB organized a meeting in April 2013 with the Commissioners' Office for Data Protection to discuss on the problems that banks have face with regards to the implementation of FATCA, and requested an interpretation of the obligations and limitations of banks in Albania to comply with the gathering and reporting of data as required by the FATCA project.



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### III. FINANCIAL EDUCATION

AAB is committed to the development of adequate projects on financial education. In the world we live in, it is very important for individuals, from childhood, to receive sufficient information and training in the basic elements of a financial culture. These should enable them to take more competent decisions according to their needs and objectives throughout their life. In this regard, AAB has undertaken some activities with a focus on children and youth.

**March, 2013** – AAB and Bank of Albania, in collaboration with the Ministry of Education, organized an activity entitled “**The importance of Financial Education**”, at the premises of the Economic High School in Tirana, in the framework of the “**Global money week**”. This is an international event dedicated to the education of the youth with the concepts of saving, banking, banking products and financial tools, that this year was joint also by AAB.

**May, 2013** – AAB in cooperation with Bank of Albania, prepared a brochure on Credit Cards and their usage including information on banking cards, interests rates, transparency standards and advices on the appropriate use of cards through internet. The material was presented at the National Card Forum, advertised in the AAB website and magazine and delivered to member banks main branches.

**June, 2013** – In view of the collaboration between AAB and the European University of Tirana (UET) and of the Financial Education Campaign, Ms Endrita Xhaferaj, AAB Secretary General and Ms Najada Xhaxha (Tirana Bank), Head of the AAB Payments Systems Committee, delivered two seminars for students, on banking and operational issues, as part of the curricula of graduating bachelor in Banking and Finance. Following up, from June 24 until July 01, AAB organized tours of the same students in some of the banks' branches in Tirana, as part of their practical learning. The banks which welcomed the students were: Alpha Bank, BKT, Credins Bank, FIBank, Intesa San Paolo Bank, NBG Bank Albania and United Bank of Albania.

**November, 2013** – AAB in the framework of its commitment to financial education, in collaboration with Bank of Albania, made possible for the academic year 2013-2014 the free distribution of 2500 copies of the new educational package on financial education “**1,2,3...Çufo piglet learns to save**”, which is dedicated to the scholars frequenting the I, II, and III class of elementary schools. AAB Secretariat was engaged to deliver the package to 9 schools in Tirana and presented it at the premises of the elementary school “Fan S. NOLI”.



## IV. AAB TRAININGS AND WORKSHOPS

AAB Secretariat in collaboration and with the support of **13 training partners**, organized during 2013, **20 training courses** for more than 200 member banks' employees. The collaboration with BACEE succeeded again this year thanks to the well-known trainers Dr. Paul Gauci and the member of ICC Banking Commission, Mr Pavel Andrie. New partnerships with the Financial Engineering Institute on Banking and Insurance and the Albanian Institute of Internal Auditors were very promising for AAB in meeting its goal to improve the quality of trainers, both local and international. Other important partners were Deloitte Albania, FSCV, Partners Albania, etc..

### Training course on "Credit Risk Management"

**February 20-22, 2013** - In collaboration with Financial Engineering Institute on Banking and Insurance, AAB organized a three days training course to provide a comprehensive overview of how to build a successful credit risk management by using the most up to date credit risk identification, measurement, control and mitigation. The training was moderated by Mr. Ilir Hoti and attended by 12 Credit risk departments' representatives of 7 member banks.

### Training course on "Customer Care, Selling and Negotiation Skills"

**February 26-27, 2013** - The two day course lectured from Mr Paul Gauci focused on the best practice issues relating to customer care, selling and negotiation skills. It was attended by 14 participants from 6 member banks.

### Training course on "Leadership Best Practices"

**February 28 - March 01, 2013** - The two-days training program for managers and team leaders, led by Mr Paul Gauci, was attended by 14 participants from 6 member banks. The main objective of the course was to enhance their leadership, communication, motivation and team-building skills enabling better team effectiveness and results.

### Training course on "Business Continuity Management"

**6-7 march, 2013** - The training course developed from Deloitte Albania included an overview of BCM Program and stages, and addressed issues focused on plan creation and documentation, Business Impact Analysis (BIA); availability and recovery strategies; training and awareness; and maintenance and continuous improvement of BCM Program.

### Seminar on the recommendations of FATF and training of the reporting entities

**6-7 march, 2013** - AAB Secretariat cooperated with the Twinning Project 'Support to Anti-Money Laundering & Financial Crimes Investigation Structures in Albania' at the General Prosecution to make possible the participation of 26 representatives from 16 member banks at the seminar on the recommendations of FATF for the reporting entities, organized at the General Prosecution premises.

### Training course on “Train to train”

**27-28 March, 2013** – AAB, in collaboration with Partners Albania, organized a training course on: “Train the trainers”. The program covered in several sessions, topics such as: learning principles, training planning and organization and training management and delivery.

### Workshop on “Improving of electronic connection among the beneficiaries”

**April 5, 2013** – AAB facilitated the participation of Banks IT officers in the workshop organized from the General Prosecution in the frame of twinning project on “Support to anti-money laundering and financial crimes investigations structures” This activity was moderated by experts of European Community and addressed the best practices in the cooperation between competent Albanian authorities..

### Training on “Presentation skills in English”

**April 15, 2013** – AAB organized a one day course in how to present effectively and confidently in English aiming at teaching to be able to speak with confidence in front of an audience. This interactive training course was moderated by Mr Andy Zdan-Michajlowicz.

### Training course on “Information Security Management”

**May 14-16, 2013** – AAB organized a three days training course on Information Security Management. The objectives of this tailored program were to inform the participants on basic security concepts, qualitative and quantitative risk management process etc..

### Training on “Valuation of Immovable Properties”

**May 22-23, 2013** – AAB in collaboration with Deloitte Albania organized a two day course on the valuation of immovable properties. The course, attended by 15 persons from 6 banks, intended to provide the participants with the initial knowledge about how to ask for a valuation assignment and how to review a valuation report submitted by values.

### Workshop on the Renewable Energy Program (BREP)

**May 28, 2013** – IFC and AAB organized a workshop for local commercial banks as a part of a broader IFC’s Balkan Renewable Energy Program (BREP). The main objective was to introduce to banks the potential for investments into renewable energy projects in Albania, as well as the most characteristic risks associated with such projects.

### Training on “Basel III with regard to liquidity”

**June 13, 2013** – AAB in collaboration with FSVC Program organized a training presented by two experts of the Danish Central Bank. Some of the topics of the trainings were: the intention of Basel III Liquidity Framework Definition and purposes of liquidity coverage ratio; Basel III implementation in the EU; the Danish experience with Basel III; etc..

### Training on “Basel II Implementation in Albania”

**June 21, 2013** – Ernst & Young organized a one day seminar for Bank of Albania regarding the implementation of Basel II in Albania. AAB made possible the participation of 20 banks’ representatives on this seminar.

### Workshop on “IAS / IFRS in banks”

**September, 20, 2013** - AAB in collaboration with FSVC Program organized a workshop on “IAS / IFRS in banks” presented by: Mathew Macellaro and Rita Ilisson, which covered accounting rules related to credit risk management, IFRS vs. Basel II provisioning, Financial Leasing and Factoring, and Foreclosed and Distressed Assets.

### Workshop on Private Banking

**October 4, 2013** - AAB in cooperation with Luarasi University organized a one day workshop on “Private Banking”. The seminar was led by Prof. Roberto Ruozi, ex rector of Bocconi University and other financial sector experts.

### Training on “Trade Finance Operations”

**October 7-9, 2013** - The three days training led by the Mr Pavel Andrlé, Secretary to the Banking Commission of ICC Czech Republic, organized for the second time in 2 years, was specifically designed to address the current situation in the global economics – the shift towards traditional means of payment as the most secure payment instruments as the payment risks and uncertainty escalate.

### Training on “Guarantees and Receivables”

**October 10-11, 2013** - The two days training led by Mr Andrlé focused on the practical usage of the new rules, main issues, and changes to various techniques of receivable financing such as factoring and forfeiting.

### Training on “Payment Card Industry Data Security Standard (PCI DSS)”

**October 24-25, 2013** - The training seminar was facilitated by Dr Abiola Abimbola Ph.D., a PCI DSS Qualified Security Assessor with extensive years of experience in the information security compliance industry. It aimed at providing in-depth understanding of PCI DSS implementation.

### Training on “Auditing the treasury function - a practitioner’s guide”

**November 11-12, 2013** - AAB in collaboration with AIIA organized a practical training on the bank auditing profession that course provided a constructive perspective on auditing of the treasury function. 9 banks’ representatives attended the training course.

### Workshop on “Raising awareness on bank security”

**November 20, 2013** - AAB Secretariat, supported by the AAB Bank Security Committee and Intesa San Paolo Bank, organized a workshop addressed to banks’ security staff with the purpose of raising awareness on bank security. The workshop was attended by 16 banks’ security employees.

## V. AAB PARTICIPATIONS AND SOCIAL ACTIVITIES

**36<sup>th</sup> and 37<sup>th</sup> EBF Associates Meeting** – AAB attended to the 36<sup>th</sup> European Banking Federation Meeting of the Associates held in June in Skopje, Macedonia (FYROM) represented by the Operations Specialist, Ms Junida Katroshi Tafaj, and the 37<sup>th</sup> meeting organized in Brussels, Belgium in December, represented by the Secretary General.

**Financial Fair 2013 in Pristine, Kosovo** - The Secretary General and Operations Officer of AAB participated at the Financial Fair 2013 organized in September by the Kosovo Bankers Association, in Pristina. The event is one of the most important economic events that brings together specialists from the financial sector, international financial institutions, local and international businesses, associations and business groups, as well as personalities from the economic scene and society civil to discuss financial sector in Kosovo.

**Meetings with the EU Delegation in Albania** –The AAB Chairman, Mr Pencabliligil, and Vice Chairman Mr Kougionas, participated in the consultative meeting organized in April by the EU Delegation with representatives of local and foreign businesses, in the framework of the ongoing preparations for drafting the 2013 Annual Progress Report on Albania, where they presented issues of concern for the banking sector.

Several CEOs of the banks and the Secretary General of the Albanian Association of Banks participated in the following meeting with the Ambassador of the EU Delegation to Albania, Mr Ettore Sequi, where the Albania 2013 Progress Report was presented, in October 2013.

**Roundtable on “The review of the translation process of international financial reporting standards in Albanian”**- AAB supported the National Accounting Council to organize a roundtable in November, on the process of the translation of International Financial Reporting Standards. AAB General Secretary and representatives from 7 banks’ participated at the roundtable and the latter committed to become part of the IFRS / IAS translation and reviewing process in the future.

### **Farewell Receptions**

During 2013, AAB organized farewell receptions in honor of two ex CEOs that departed from their banks and Albania, and welcomed the new appointed directors.

- **August 20, 2013** - on the occasion of Mr Hubert De Saint Jean leaving his position as the General Manager of Société Générale Albania, AAB organized a Farewell Reception, where it also welcomed Mr Frederic Blanc as the new CEO of the bank and member of the Association.
- **September 27, 2013** - AAB hosted a Farewell Reception in honor of Mr Alexander Resch, who left the position of CEO at Intesa SanPaolo Bank Albania and welcomed to the Association the new coming CEO, Mr Silvio Peddrizzi.

### **Visit from the Kosovo Banking Association to AAB**

Representatives of the Kosovo Banking Association visited the Albanian Association of Banks, in August, in a first official meeting between the two associations, as a starting point for a closer cooperation between the two institutions.



## NEW YEAR DINNER

AAB organized in December the annual Gala Dinner for the celebration of End Year festivities. Directors and other representatives of member banks, the Governor Mr Ardian Fullani, other guests from Bank of Albania, and members of the Editorial Board of Bankieri Magazine participated in the dinner. Special guests at this dinner were the Ambassador of the EU Delegation in Albania Mr Ettore Sequi as a keynote speaker, and Mr Nadeem Ilahi, Chief of IMF Mission in Albania.



# MEMBER BANKS – FACTS AND FIGURES

AUDITED DATA ACCORDING TO IFRS, AS OF 31.12.2013, IN THOUSANDS OF EUR (1 EUR = 140.2 ALL)

Bank	Shareholders' Structure:	Country of origin	Assets	Loans	Equity Capital	Deposits
 <b>ALPHA BANK</b>	Alpha Bank AE (100%)	Greece	583,563	247,568	82,404	480,992
 <b>BKT</b> BANKA KOMBETARE TREGTARE	Calik Finansal Hizmetler A.S. (100%)	Turkey	1,944,016	643,856	156,180	1,565,146
 <b>CREDINS bank</b>	Individuals and ASC Union(78%)	Albania	767,526	480,288	69,956	654,752
	B.F.S.E. Holding BV (19.25%)	Netherland				
	SIFEM AG (2.75%)	Switzerland				
 <b>CBA</b> CREDIT BANK OF ALBANIA BANKA E KREDITIT TE SHQIPERISE	Al-Kharafi Group (100%)	Kuwait	1,308	1,851	7,233	3,659
 <b>CRÉDIT AGRICOLE</b>	IUB Holding (100%)	France	217,622	151,705	31,469	135,704
 <b>Fibank</b> First Investment Bank	Fibank AD (100%)	Bulgaria	121,707	46,423	10,059	109,890
 Banka Nderkombetare Tregtare International Commercial Bank	Financial Group Holding A.G.	Switzerland	65,544	20,275	11,202	48,649
 <b>INTESA SANPAOLO BANK</b> Albania	Intesa Sanpaolo S.p.A. (98.61%)	Italy	992,793	363,139	128,384	818,123
	Società Italiana per le Imprese all'Estero S.p.A. (1.39%)					
 <b>NBG Bank</b>	NBG Group S.A. (100%)	Greece	316,184	204,029	57,449	245,429
 <b>ProCredit Bank</b>	Procredit Holding (100%)	Germany	287,874	163,979	33,479	231,399
 <b>Raiffeisen BANK</b>	Raiffeisen SEE Region Holding GmbH (100%)	Austria	2,072,507	912,961	212,714	1,757,385
 <b>SOCIETE GENERALE ALBANIA</b>	Societe Generale (88.64%)	France	499,256	268,336	56,169	404,343
	Minority shareholders (11.36%)	Albania				
 <b>TIRANA BANK</b>	Piraeus Bank (98.83%)	Greece	724,538	313,804	133,792	560,847
	Tzivelis Ioannis Greece (1.17%)					
 <b>UNION BANK</b>	Unioni Financiar Tirane (UFT) Sh.p.k (85.66%)	Albania	233,072	101,614	18,050	194,265
	European Bank for Reconstruction and Development (EBRD) (10.62%)	UK				
	Edmond Leka (1.86%)	Albania				
	Niko Leka (1.86%)					
 <b>UBA</b> United Bank of Albania Banka e Bashkuar e Shqipërisë	Islamic Development Bank (86.70%)	Saudi Arabia	44,249	10,626	10,302	33,725
	Ithmaar Bank (4.63%)	Bahrain				
	Dallah Albaraka Holding Co. (2.32%)					
	Business Focus SDN BHD (1.47%)	Malaysia				
	Saudi Brother Commercial Co. (0.58%)	Saudi Arabia				
	Individuals (4.31%)	Albania				
 <b>VENETO BANKA</b> GRUPPO VENETO BANCA	Veneto Banca S.p.A. (100%)	Italy	160,488	99,976	32,831	121,038

Net profit	No. of outlets	No. of employees	No. of ATMs	No. of Cards Issued	Debit	Credit	No. of POSes	Internet Banking	Mobile Banking	E-commerce
(103)	42	395	58	52,147	46,499	5,648	1,194	Yes	No	No
28,555	84	1,161	132	214,753	187,601	27,152	2,936	Yes	Yes	Yes
1,925	47	619	56	62,082	59,479	2,603	34	Yes	No	Yes
(813)	2	29	0	0	0	0	0	No	No	No
(3,071)	20	259	36	18,983	18,021	962	0	Yes	No	No
844	9	122	28	27,517	24,989	2,528	0	Yes	No	No
340	7	85	7	3,619	3,619	0	0	No	Yes	No
7,003	31	533	55	68,994	68,994	N/A	616	Yes	No	No
602	27	265	35	30,421	29,760	661	0	No	No	No
(1,193)	30	452	62	48,157	46,938	1,219	434	Yes	No	No
31,813	102	1,417	195	234,083	208,891	25,192	1,423	Yes	Yes	Yes
2,909	42	399	63	22,332	22,332	0	0	Yes	Yes	No
(10,865)	53	466	83	83,918	79,831	4,087	271	Yes	Yes	No
491	29	306	40	34,732	33,383	1,349	0	Yes	Yes	No
(434)	6	75	0	0	0	0	0	No	No	No
540	15	126	16	5,988	5,797	191	0	Yes	Yes	No

# AAB FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON 31 DECEMBER 2013



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## STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2013	31 December 2013
<b>ASSETS</b>			
Cash on hand and at banks	4	7,042,838	7,647,176
Prepaid expenses	5	698,843	574,421
Receivable accounts	6	302,554	293,250
<b>Total current assets</b>		<b>8,044,234</b>	<b>8,514,846</b>
Non current Assets			
Fixed assets, net	7	854,513	1,022,823
<b>Total non current assets</b>		<b>854,513</b>	<b>1,022,823</b>
<b>TOTAL ASSETS</b>		<b>8,898,747</b>	<b>9,537,669</b>
<b>LIABILITIES</b>			
Liabilities to Banks	8	-	-
Payable accounts	9	432,425	796,859
<b>Total current liabilities</b>		<b>432,425</b>	<b>796,859</b>
<b>Net assets</b>		<b>8,466,322</b>	<b>8,740,810</b>
<b>TOTAL LIABILITIES</b>		<b>8,898,747</b>	<b>9,537,669</b>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 4 to 12.

## STATEMENT OF INCOME AND EXPENDITURE

	Notes	31 December 2013	31 December 2012
<b>Income</b>	10		
Membership fee		33,001,000	33,001,000
Other income		6,576,113	7,636,431
<b>Total income</b>		<b>39,577,113</b>	<b>40,637,431</b>
<b>Expenditures</b>			
Depreciation	7	(249,130)	(234,363)
Management and general expenses	11	(39,563,458)	(40,859,450)
Exchange Loss	12	(39,013)	(27,982)
<b>Total expenditures</b>		<b>(39,851,601)</b>	<b>(41,121,795)</b>
<b>Excess /deficit of income over expenditures</b>		<b>(274,488)</b>	<b>(484,364)</b>
Net assets at the beginning of the year		8,740,810	9,225,174
<b>Net assets at the end of the year</b>		<b>8,466,322</b>	<b>8,740,810</b>

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 4 to 12.

## STATEMENT OF CASH FLOW

	Notes	31 December 2013	31 December 2012
<i>Cash flow from operating activities</i>			
<b>Excess /deficit of income over expenditures</b>		(274,488)	(484,364)
Adjustments for:			
Depreciation	7	249,130	234,363
<b>Cash from operating activities</b>		<b>(25,298)</b>	<b>(250,001)</b>
<i>Cash flows from investing activities</i>			
Payments for prepaid expenses	5	(124,422)	(23,511)
Receivable accounts	6	(9,304)	(293,250)
Purchase of fixed assets	7	(80,820)	(295,600)
Receipts from banks for short term liabilities	8	-	(16,097)
Proceeds for payable accounts	9	(364,493)	485,398
<b>Cash from investing activities</b>		<b>(579,039)</b>	<b>(143,060)</b>
<b>NET INCREASE IN CASH</b>		<b>(604,338)</b>	<b>(393,061)</b>
<b>Cash on hand at banks at the beginning of the year</b>	4	7,647,176	8,040,236
<b>Cash on hand at banks at the end of the year</b>	4	<b>7,042,838</b>	<b>7,647,176</b>

The statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 4 to 12.

The financial statements of Albanian Association of Banks have been issued on 21.03.2013 and signed by:

  
**Endrita XHAFERAJ**  
 Secretary General  
 ALBANIAN ASSOCIATION OF BANKS

  
**Lindija ELEZI**  
 Chief Financial Officer  
 INTERNATIONAL COMMERCIAL BANK



## NOTES ON THE FINANCIAL STATEMENTS

### 1. Background information

The Albanian Association of Banks (AAB) was established on 15 April 1999. The Registered Office of the AAB is located at Blvd. “Dëshmorët e Kombit”, Kullat Binjake, Kulla I, Kati 6, A.3, Tirana, Albania.

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

### 2. Basis of preparation

The accounting books and registrations of AAB are made on an accrual basis.

### 3. Summary of significant accounting policies

#### 3.1 Recognition of revenue and expenses

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

#### 3.2 Fixed assets

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided on a written down value basis to allocate the cost of property and equipment over their estimated useful lives. Depreciation is charged starting from the month following the month of acquisition at the following annual rates:

	In %
Furniture	20
Electronic equipment	25

#### 3.3 Foreign currency translation

The AAB measurement and presentation currency is the ALL. All contribution and the majority of transactions are carried out in ALL. Transactions in foreign currency are translated in ALL at the rate of exchange of Bank of Albania, of the day the transaction is carried out.

#### 3.4 Taxation

AAB is a not-for-profit association, so it is excluded from income tax in Albania. AAB is subject to withholding tax, personal tax on income, and social security contributions.

#### 4. Cash on hand and at banks

Cash on hand and at banks is composed as follows:

In ALL	31 December 2013	31 December 2012
Cash on hand	398,294	5,673
Cash at banks	6,644,544	7,641,502
<b>Total</b>	<b>7,042,838</b>	<b>7,647,176</b>

Cash at banks is composed as follows:

In ALL	31 December 2013	31 December 2012
ALL Account at BKT	5,188,420	5,292,090
ALL Account at Union Bank	618,247	287,555
EURO Account at BKT	772,917	1,760,882
ALL Account at Veneto Bank	64,960	300,975
<b>Total</b>	<b>6,644,544</b>	<b>7,641,502</b>

#### 5. Prepaid Expenses

Prepaid expenses are mainly composed by the membership fee of AAB to the Banking Association of Central and Eastern Europe (BACEE) for the amount of ALL 531,137, and other prepayments for annual subscriptions, as shown below:

In ALL	31 December 2013	31 December 2012
Membership Fee Prepaid to BACEE	531,137	520,633
Subscription at Financial Times	-	42,964
Internet Subscription at ABCOM	11,074	10,824
Domain Hosting (aab.al)	8,431	
Health Insurance at SIGAL UNIQA GROUP	148,200	
<b>Total</b>	<b>698,843</b>	<b>574,421</b>

#### 6. Receivables

The receivable accounts at the end of year 2013 were composed of training fees payable by the member banks for the participation of their staff members in the trainings organized by AAB during December 2013, as shown in the table below:

In ALL	31 December 2013	31 December 2012
Membership Fee Q4 2012 - Procredit Bank	-	293,250
Training Fee - Alpha Bank Albania	50,288	
Training Fee - Fibank Albania	50,313	
Training Fee - NBG Bank Albania	50,313	
Training Fee - ProCredit Bank	50,313	
Training Fee - Tirana Bank	51,013	
Training Fee - Union Bank	50,313	
<b>Total</b>	<b>302,554</b>	<b>293,250</b>

## 7. Fixed assets

Fixed assets are composed as follows:

<b>In ALL</b>	<b>Furniture</b>	<b>Electronic equipment</b>	<b>Total</b>
<b>Cost</b>			
At 31.12.2012	<b>1,966,078</b>	<b>1,092,323</b>	<b>3,058,401</b>
Additions for year 2013	8,990	71,830	80,820
Reductions for year 2013	-	(140,907)	(140,907)
<b>At 31.12.2013</b>	<b>1,975,068</b>	<b>1,023,246</b>	<b>2,998,313</b>
<b>Accumulated depreciation</b>			
At 31.12.2012	<b>1,245,751</b>	<b>789,827</b>	<b>2,035,578</b>
Charge for the year 2013	131,414	86,385	217,798
Reductions for year 2013	-	(109,576)	(109,576)
<b>At 31.12.2013</b>	<b>1,377,165</b>	<b>766,636</b>	<b>2,143,801</b>
<b>Net carrying value</b>			
<b>At 31.12.2012</b>	<b>685,790</b>	<b>275,796</b>	<b>1,022,823</b>
<b>At 31.12.2013</b>	<b>597,903</b>	<b>256,610</b>	<b>854,513</b>

## 8. Liabilities towards banks

At the end of 2013 AAB had no liabilities towards banks.

## 9. Payable Accounts

Payable Accounts are composed as follows:

<b>In ALL</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Income Tax and Insurance Contributions	266,075	252,387
Utilities	65,675	481,112
Withholding tax	24,957	6,378
Unreceived Invoices (energy, water, heating)	75,718	56,982
<b>Total</b>	<b>432,425</b>	<b>796,859</b>

## 10. Income

Income received during 2013 and 2012 are as follows:

<b>In ALL</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Membership fee from Member Banks	33,001,000	33,001,000
Income from the Donation	-	-
Other revenues	6,576,113	7,636,431
<b>Total</b>	<b>39,577,113</b>	<b>40,637,431</b>

Based on the Decision No. 6, dated 31.05.2011, of the AAB Assembly of Members member banks pay different amounts of fees, in proportion to the of each Member Bank assets on the total assets of the banking system (proportionate fee), with a minimum value for the fees set to ALL 1.000.000.

Other income is mainly composed by fees of trainings organized by AAB.

## 11. Administration and general expenses

Administration and general expenditures for years 2013 and 2012 are composed by:

In ALL	31 December 2013	31 December 2012
Personnel Expenses	10,329,521	8,618,048
Other administrative expenditures	29,233,937	32,241,402
<b>Total</b>	<b>39,563,458</b>	<b>40,859,450</b>

Personnel Expenses are shown below:

In ALL	31 December 2013	31 December 2012
Salaries	8,348,468	7,290,857
Health and Insurance Contributions	865,659	750,796
Bonuses	671,394	576,395
<b>Total</b>	<b>9,885,521</b>	<b>8,618,048</b>

Other management and administrative expenditures are as follows:

In ALL	31 December 2013	31 December 2012
Utilities	5,420,068	5,250,971
Expenses for trainings to Member Banks	6,273,000	10,186,838
Organizational costs	4,544,251	5,284,014
Promotion & Internet	4,706,957	7,231,518
Office expenses	1,525,394	1,412,173
Consulting services	6,628,891	2,744,217
Bank commissions & fees	125,255	121,552
Local taxes	10,120	10,120
<b>Total</b>	<b>29,233,937</b>	<b>32,241,402</b>

## 12. Exchange Loss

Losses from the change in exchange rates during year 2013 amounted at ALL 39,013.

## AAB PUBLICATIONS AND PRESS RELEASES

### 6<sup>th</sup>, 7<sup>th</sup> 8<sup>th</sup>, and 9<sup>th</sup> Editions of BANKIERI Magazine

The Secretariat delivered in January, April, July and October of 2013 four new Editions of BANKIERI Magazine. It was distributed to the banking community, all state institution, public and private Universities, foreign organizations in Albania and abroad, media and other banking associations in the region. Both Albanian and English versions of BANKIERI are available for the general public at the AAB website.

### Statistics

AAB published in its website the unaudited financial data on banking system's main indicators according to IFRS Standards, as well as aggregated data for the whole system. The quarterly statistics was accompanied by a press release distributed to the media.

### Annual Report

AAB Secretariat prepared and delivered the 2012 AAB Annual Report, by end of July 2013. The AAB financial accounts for year 2012 were audited, by Fibank Albania, based on the rotation amongst banks following the alphabetic order.

### Monthly Newsletter

The Secretariat sent out monthly Newsletter of AAB activities, dedicated to bankers, both at a management and senior level.

### List of Press Releases issued by AAB during 2013

**February 6, 2013:** *Albanian Association of Banks (AAB) appoints the new Chairman and the new three members of the AAB Executive Committee*

**February 18, 2013:** *Banking system's developments*

**March 20, 2013:** *Albanian Association of Banks, Bank of Albania and Ministry of Education organized in the frame of global week on financial education, the activity "The importance of Financial Education"*

**April 25, 2013:** *The positioning of the banks and AAB on the regulatory and legislative measures on lending and NPLs.*

**May 17, 2013:** *3rd Albanian National Card Forum*

**May 22, 2013:** *Banking system's developments – March 2013 Statistics*

**May 24, 2013:** *Roundtable on "The improvement of reporting from banks in the context of the Prevention of Money Laundering and Terrorism Financing"*

**May 28, 2013:** *Removing the obstacles to growth of the renewable energy sector in the Western Balkans*

**May 31, 2013:** *AAB organizes the 2nd National Forum on Bank Security*

**November 12 2013:** *Banking System's Developments – Statistics September 2013*

**November 20, 2013:** *On Financial Education – "1,2,3...Çufo piglet learns to save" package*

