



ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

# ANNUAL REPORT 2015



# Table of Content:

Foreword – Message from the Chairman	4
Organization of AAB	7
The Albanian Banking system in 2015 – Key figures	10
Legislative and Regulatory Changes	12
AAB Activities	15
■ Technical Committees	16
■ Other meetings	19
■ Financial Education	22
■ Forums, Workshops, and Trainings	25
■ Publications	31
Member Banks – Facts and Figures	32
AAB Financial Statements for 2015	34

# Foreword of the Chairman

**Dear reader:**

During 2015 the Albanian economy had the best performance since 2011. The first estimations for 2015 show a growth at 2.61% which although higher than the last few years, is still well below the country's potential. The growth was driven mainly by the construction, services sector and exports. In 2015, the total banking system assets continued to grow on annual basis but at a much lower pace of just 1.9% compared to 4.8% in 2014. The main reasons for the weak growth of the system assets were the limited investment opportunities as the demand for quality financing remained weak and the sharp decrease of the government securities rates.

The banking sector, despite the regional turmoil, has managed to be quite liquid and well capitalized. As it was expected, the Greek Crisis did not impact the deposit volumes in the country, as the total deposit volumes increased by 2.6% on annual basis reaching the level of 8 billion Euros in December 2015, confirming the trust of the customers for the Albanian banking system. Total loans volume in the banking system remained almost at the same level at 4,268 billion Euros in December 2015 compared to 4,247 billion Euros in December 2014. However, this level should not mislead; if we detract the appreciation of the Albanian Lek toward Euro, then total loans would contract by 1.5% in 2015. The weak demand mainly from Corporate & SE segments is the main reason behind the weak performance.

A significant positive development in the banking sector during 2015 is the continuous improvement of the NPL level. NPL's dropped to 18.2% of the total loans by the end of December 2015 as the new measures from the Bank of Albania are showing the effects. This is excellent news. The actual NPL level of the system was not reached since 2011. The Albanian Association of Banks expects the economy to accelerate to around 3.4% with support of FDIs, exports, eased monetary policy and the positive outcomes of structural reforms. The lending activity shall improve during 2016 as economic accelerates, while the stimulated monetary policy measures along with the much needed judiciary system reform shall increase the confidence of the private sector. The Association shall continue to play a key role in fostering the interests of its member banks and giving its contribution for the consolidation of the regulatory framework and investment climate in general.



Christian CANACARIS  
Chairmer





ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE



# AAB

## Executive Committee Members



Mr Christian CANACARIS  
CHAIRMAN  
Chief Executive Officer,  
RAIFFEISEN BANK ALBANIA



Mr Gazmend KADRIU  
DEPUTY CHAIRMAN  
Chief Executive Officer,  
UNION BANK



Mr Frédéric BLANC  
MEMBER  
Chief Executive Officer,  
SOCIETE GENERALE ALBANIA



Mr Periklis DROUGKAS  
MEMBER  
Chief Executive Officer,  
ALPHA BANK ALBANIA



Mr Seyhan PENCAPLIGIL  
MEMBER  
Chief Executive Officer,  
BANKA KOMBËTARE  
TREGTARE



Mr Bozhidar TODOROV  
MEMBER  
Chief Executive Officer,  
FIBANK ALBANIA

(AS OF JULY. 2016)

# SECRETARIAT

---



**Endrita XHAFERAJ**  
*Secretary General*  
*(AS OF APRIL 2016)*



**Brunilda KOSTARE**  
*Legal Adviser*



**Junida TAJAJ**  
*Operations Officer*



**Eftali PEÇI**  
*Communication Specialist*



**Marsela BULKU**  
*Administrative Assistant*

## Technical Committees

- |   |                                |    |  |
|---|--------------------------------|----|--|
| 1 | Bank Security Committee        | 6  | Internal Audit Committee                 |
| 2 | Cards Committee                | 7  | Legal Committee                          |
| 3 | Compliance Committee           | 8  | Public relations Committee               |
| 4 | Human Resources Committee      | 9  | Payment Systems Committee                |
| 5 | Information Security Committee | 10 | Treasury and Financial Markets Committee |

# MEMBERSHIPS

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

## 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)
- European Banking & Financial Services Training Association (EBTN)
- Financial Technology Transfer Agency (ATTF)

## National Memberships

- National Economic Council
- Tax Council
- ICC Albania
- National Labour Council
- Mountain Area Development Agency (MADA)





# ALBANIAN BANKING SYSTEM

## THE BANKING SECTOR IN GENERAL

**16**

BANKS TOTALLY  
PRIVATELY OWNED

**13** PRIVATE FOREIGN  
CAPITAL BANKS

**3** PRIVATE DOMESTIC AND  
FOREIGN CAPITAL BANKS

### TOTAL BALANCE SHEET:

ALL 1,318 billion 91.3% of GDP  
+ 1.9%  
INCREASE FROM 2014

### TOTAL DEPOSITS:

ALL 1,100 billion 71.8% of GDP  
+ 3.3%  
INCREASE FROM 2014

### EQUITY CAPITAL:

ALL 125.528 billion +13.1% INCREASE FROM 2014

### LIQUIDITY RATIO:

41.4%

### CAPITAL ADEQUACY RATIO:

16.04%

### NON PERFORMING LOANS (NPLS):

18.2%

4.6 PPT LOWER THAN 2014

## KEY FIGURES - 2015

	2014(%)	2015(%)
ROA	0.89	1.2
ROE	10.53	13.16



PROVIDING A MODERN AND EFFICIENT  
FINANCIAL INFRASTRUCTURE:

BANK OUTLETS AND AGENCIES:

500

CASH DISPENSERS (ATMs):

826

15 NEW ATMs ADDED  
DURING THE YEAR

POINTS OF SALES IN SHOPS AND BUSINESSES (POSs):

6,689

149 ADDED DURING THE YEAR

CREDIT AND DEBIT CARDS ISSUED:

936,177

8.6% MORE THAN 2014

TRANSACTIONS WITH CARDS:

VOLUME: 15,080,593 VALUE: 184.5 billion ALL

CARD TRANSACTIONS VALUE INCREASE FROM 2014

36%

INTERNET BANKING TRANSACTIONS:

VOLUME 1,404,052

12% HIGHER THAN 2014

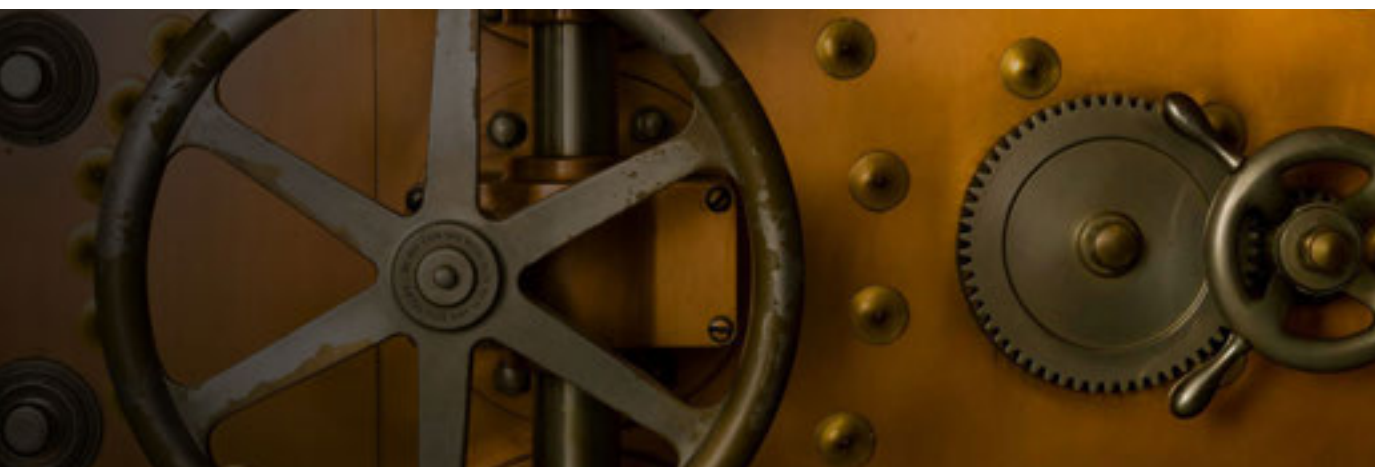
VALUE: 282.8 BILLION ALL

72% MORE THAN 2014

# CHANGES IN THE BANKING REGULATORY FRAMEWORK

---

The regulatory landscape in which banks operate in Albania continues to evolve, with a special focus on approximation and convergence with the EU regulations and best practices. The following session summarizes the main laws, bylaws and regulations amended or newly approved by the authorities during 2015, with an impact on the banking activity.



## REGULATIONS OF BANK OF ALBANIA

---

**April** - The Supervisory Council of Bank of Albania amended by the Decision No. 25, dated 01.04.2015, the Regulation on “For the minimum requirements of disclosing information from banks and foreign bank branches”. The amendments aim to enhance the transparency and to promote market discipline across the banking sector as well as to secure sustainability and credibility of the banking sector.

**July** - The Supervisory Council of Bank of Albania took into consideration the proposals of the banks through the Albanian Association of Banks, and approved at its meeting

of 1 July 2015 amendments to the Regulations “On the capital adequacy ratio” and “On the risk management from large exposures of banks”, according to which banks’ investments in the Albanian government debt securities in foreign currency, may be weighted for 50 per cent risk (instead of 100) and in calculating allowable exposures to the Albanian government for investments in foreign-currency securities, banks will benefit a reduction by 50 per cent. The new measures shall be into force for a 5 years period.

**July** - The Supervisory Council of Bank of Albania approved by the Decision No. 48, dat-

ed 01.07.2015, the new Regulation “On consumer loans and mortgage loans”. The new Regulation aims to lay down the standards on the content and way of providing pre-contractual and contractual information of consumer credit and mortgage credit to consumer, and the arrangement of consumer credit and mortgage credit.

**August** - In the process of reviewing the regulatory framework for the circulation of banknotes and coins, and mainly to support and implement the amendments of the Law “On the Bank of Albania”, Bank of Albania approved the draft Regulation No. 56 “For operations with funds in monetary values at the Bank of Albania”. This Regulation lays down rules and procedures on transactions with cash at the Bank of Albania.

**September** - The Supervisory Council of Bank of Albania approved the Regulation No. 67 “On internal Control Systems”, which revises the entire framework of rules for the organization, functioning and responsible structures of internal control systems in the banks and branches of foreign banks in Albania.

**November** - The Supervisory Council of Bank of Albania approved the new Regulation No. 82 “On the licensing, regulation and oversight of operators of payment systems and payments clearing houses”. It aims to ensure security, stability, soundness and efficiency of payment systems operators and payment clearing houses, through establishing criteria and principles for the licensing and supervising subjects who seek to carry out activities of the payment system and payment clearing houses.



## OTHER LAWS AND BYLAWS

---

### **Amendments to the Labor Code**

On 05.12.2015 the Parliament of Albania passed the Law no. 136/2015 “On some additions and amendments to the Law no. 7961, dated 12.07.1995, “Labor Code of the Republic of Albania”, as amended. The main changes consist on: temporary employment of foreign citizens; part-time employment; the introduction of the “temporary employment agency” annual leave and other leaves; working hours and the work during weekends or official holidays and overtime.

### **New Law “On the National Business Centre”**

On 26.11.2015 the Parliament of Albania approved the law No. 131/2015 “On National Business Center”. The Law aims to further facilitate doing business in Albania by offering the registration and licensing procedures through one institution, which will be the National Business Center. Upon establishment of the NBC, the National Registration Center and the National Licensing Center will cease to exist.

### **Amendments to law no. 9920, dated 19.5.2008 “On Tax Procedures in the Republic of Albania”**

On 23.9.2015 the Parliament has passed law no. 99/2015 “On some Amendments and Additions to Law no. 9920, dated 19.05.2008 ‘On Tax Procedures in the Republic of Albania’”. The Law introduces a series of amendments that concern taxpayers’ registration, documentation and penalties applicable in case of tax legislation breach, aiming to strengthen the measures against informal economy.

### **Law no. 55/2015 “On Strategic Investments in the Republic of Albania”**

On 28.5.2015 the Albanian Parliament approved the Law no. 55/2015 “On Strategic Investments in the Republic of Albania” as part of the initiative for facilitating and improving foreign and domestic strategic investments. The new Law aims to incentivize and attract strategic foreign and domestic investments, in sectors identified by it as strategic ones, by establishing special benefits, facilitating or accelerating administrative procedures to support and serve investors.

### **Amendments to law no. 10273, dated 29.04.2010 “On the Electronic Document”**

On 23.09.2015 the Parliament of Albania has passed Law no. 101/2015 “On Some Amendments to Law no. 10273, dated 29.04.2010 “On the Electronic Document”. The amendments on Law aim to improve the quality of public sector services and introduce the innovative technology of the hard copy.

### **New Law no. 107/2015 “On Electronic Identification and Trust Services”**

On 01.10.2015 the Parliament of Albania has passed law no. 107/2015, dated “On Electronic Identification and Trust Services”. The scope of this Law is to create the legal framework for electronic identification, electronic seals, electronic delivery service and authentication of websites in the Republic Albania, as well to enhance trust in electronic transactions in the internal market by providing a common ground for secure electronic interaction between citizens, businesses and public authorities.

## AAB ACTIVITIES



# TECHNICAL COMMITTEES & MEETINGS

---

The following section summarizes the main activities dealt with by the AAB's ten permanent committees in the year under review. In total, the AAB Technical Committees and the working groups created by them gathered in more than 55 meetings during 2015, to discuss and share experiences and concerns on both operational and legislative issues which were followed up by the AAB Secretariat throughout the year.

---

## Card Committee

In the 3 meetings organized throughout the year, the Card Committee members discussed on issues of common concern such as the collaboration with merchants; card fraud trends and actions to be undertaken by the banks; the initiation of a customer-oriented campaign to increase the cards transactions; and on the needs for trainings of banks' staff.

Regarding the trainings, the Committee supported the AAB Secretariat in discussing with VISA Business School and Master Card Academy for the possibility to organize on-demand trainings for Albanian banks in

Tirana. The fruitful collaboration resulted in a successful customized training on card fraud issues, with VISA Business School in Tirana, in October 2015.

Considering the shortage of information on cards transactions in the existing reports of Bank of Albania, the Committee supported the Secretariat to prepare a reporting template on card payments, which is delivered as an aggregated final report for the banking sector to all banks on quarterly basis.

---

## Bank Security Committee

The topics most discussed in the 5 meetings of the Bank Security Committee during the year were those regarding the implementation of the Regulation of Bank of Albania "On minimum security requirements in the banking and financial activities conduction premises", and the security problems related to the transportation of monetary values of banks by the Private Security Companies.

Two representatives of the Chairmanship of the Committee were members of the working group created by Bank of Albania (with the participation also of representatives by the Ministry of Interiors) that reviewed the above-

mentioned regulation to reflect the changes of the new approved law "On private service of physical security".

The service of such private companies was also at the basis of the discussions related to the transportation of the monetary values, which need better set standards both in terms of vehicles used by these companies, and in terms of the quality and quantity of escort members. The Committee members met with the representatives of the Private Security Companies for a better collaboration and for a solution towards improving the service standards.

The problems that banks face with regard to the transportation of the monetary values within the Airport were also discussed during the year, and followed up by a meeting of the Committee representatives with the managers

of the Tirana International Airport.

In June, the Committee elected the new Chairmanship and Mr Roland Tashi from Tirana Bank was re-elected Chairman of the Committee.

## Banks' Internal Auditors Committee

In the 2 meetings during the year, the Internal Auditors Committee followed up on the issues already discussed and shared with Bank of Albania during 2014, on the necessity of reviewing the regulation on internal control of banks, especially with regards to the planning and frequency of full internal audits. In this context, the Committee members supported the AAB Secretariat in gathering the issues of concern to be presented to the Bank of Albania, which took most of the suggestions into consideration in the new presented draft

regulation. The Committee gathered twice in July to discuss on the amendments proposed; one of the meetings was with the presence of Bank of Albania's representatives. This final regulation was approved by the Supervisory Council of the Bank of Albania in September.

In addition, the Committee supported the AAB Secretariat and the Albanian Institute of Internal Auditors (AIIA) to organize, for the first time in Tirana, a Forum of Internal Auditors, in June 2015.

## Compliance Committee

The Compliance Committee gathered in 5 meetings during the year under review to discuss on issues such as: the recent changes to the regulation "On Foreign Exchange Transactions" with regards to the difficulties on documentations to be submitted by customers when making international transfers; the concern of frequent and numerous blocking orders from local and central state institutions; the necessity of training for the Committee members and the bank's branches staff; etc., which have impacted the operational activities of the banks during the year.

Another issue discussed within the Committee and with the Ministry of Finance was that regarding a Common Reporting System to be implemented at a country level, for a standard reporting amongst tax authorities of European countries. The Committee members discussed also on the latest requirements and findings of the inspections from the Office of

the Data Protection Commissioner, following up with unified measures to meet such requirements.

In 2 of the meetings of the Committee of the year participated also the Director of the General Directorate for Prevention of Money Laundering (FIU), who stressed the importance and added value of the banks' efforts in the fight against money laundering and financing of terrorism at a national level. In this meetings it was also stressed the need for the collaboration of banks in the fight of the government against corruption.

In April, the Committee held the election for the new Chairmanship that resulted with the new Chairman of the Committee being appointed Mr Andin Jakova from ICB. Ms Dorian Larti from Societe Generale Albania, Mr Ndue Maluta from BKT and Ms Suela Dhima from Tirana Bank were elected as members of the Chairmanship of the Committee.



## Human Resource Committee

The Human Resources Committee has 2 regular meetings during the year and frequent communications and smaller groups meetings. The Committee members continued to report on semi-annual basis the data for the HR KPI Benchmark report which is processed by AAB with the support of BKT. This report has resulted an important tool for internal policies of each bank and includes indicators related to: Organization & Workforce Structure; Human Capital Engagement; Training & Development; Human Capital Impact; Health Care; Financial Results; etc.

The Committee is the main supporter and

contributor to the trainings organized by AAB for banks' employees during the year, a process which is increasingly improving.

During the year the Committee members have collaborated with other parties, such as Universities and Junior Achievement Albania for the development of internships in banks as well as contribution of banks' professionals as volunteers in the teaching process. The Committee has also provided comments and revising of relevant bylaws such as the National List of Professions presented by the National Agency of Education, Professional Trainings & Qualifications.

## Information Security Committee

The Information Security Committee held 3 meetings during the year where the members discussed on common concerns with regards to information security threats and possible measures for protection and prevention. The Chairmanship and members of the Committee supported the AAB Secretariat to host several important presentations such as: advancing tactics in hacking methods; improving efficiency and productivity through archiving services; mobile applications security – with real case studies, etc.

In addition, the Committee organized the

Fourth Annual Security Forum (in collaboration with the AAB Secretariat, the Bank Security Committee and the Kosovo Banking Association), which addressed issues on physical security, information security and fraud in the banking system.

One of the meetings of the Committee was solely dedicated to discussing and preparing aggregated comments of the banking sector to the new draft law on cyber security presented by the National Agency for Computer Security (ALCIRT). This Law aims at creating a solid regulatory framework in this regard.

## Legal Committee

The Legal Committee met quite frequently during the year, reflecting the numerous issues of a legal nature that banks had to deal with in many aspect of their activity. Main topics of discussion in the 11 meetings during the year, and further follow up by the Committee were:

The case of a Judge in Fier, who suspended three cases of execution of collateral from banks, and filed a request to the Constitutional Court for the abrogation of the changes made in 2013 to the Civil Procedure Code: The Committee advised AAB on its obligation and right to be involved in this case in the Constitution-

al Court represented by a Legal Studio. AAB request was approved by the Constitutional Court, the legal Studio that represented AAB won the case, and the changes in the Code that were pushed by the banks in 2013 are still in power.

The Committee members discussed amongst themselves and with representatives of Bank of Albania on several abusive procedures by private bailiffs in their requests to block and execute the accounts of third parties, aiming a unified approach by all banks. In this context the Committee discussed also on the Directives issued by the National Chamber of Private Bailiff issued to unify procedures of all private bailiffs to not recognize the interest calculated by banks after the issuing of the executive order, which were deemed in excess of the Chamber's competencies.

The Committee supported AAB Secretariat to address the Supreme Court in relation to banks' concerns with court practices that require/accept claims for re evaluation of the collateral and that do not recognize as debtor's obligation the accrued interest calculated by banks after the issuing of the executive order.

The Committee discussed with the Executive Committee members and then circulated ideas on a proposal by AAB for possible changes to the Civil Procedure Code and other legal initiatives for the reduction/resolution of NPLs solutions. The final proposals were sent to Bank of Albania, Ministry of Finance and other national and international authorities, and included necessary amendments to: the Civil Procedure Code; the Civil Code; the Law "On the registration of the immovable properties"; the Law "On securing charges"; and the law "On tax procedures".

The Committee met twice to discuss on draft law "On bankruptcy" and provide relevant comments to the working group and Ministry of Justice. In this context the Committee members presented the stance of the banks in the

roundtable organized by the IFC and the Ministry of Justice on 28 August, where the Draft Law on Bankruptcy was discussed with relevant stakeholders.

The Committee gathered in September to discuss and prepare an opinion to be presented to the General Directory of Prevention of Money Laundering, regarding the latter's stance on banks' accepting not audited financial statements when granting loans. Following up on that the Authority clarified that, while banks are operating as per rules and regulations set by Bank of Albania in their lending activity, they should be aware of the typologies that may be related to tax evasion and make sure to prevent them.

During October, the Committee returned on the issues of concern banks are facing with the execution on the amounts in the accounts of third parties as per bailiff orders. In such regards, AAB addressed the Bank of Albania with the request for amendments to its Guideline "On execution of the amount in bank account", which was followed up with a meeting of representatives from the Committee and from the Legal Department of Bank of Albania where an agreement was reached for the changes to be made.

Another issue of concern were the necessary changes to the Law on Securing Charges, which was amended in 2013 creating operational difficulties for the banks, and addressed repeatedly during the last years to the Ministry of Economy and Bank of Albania. Considering this was added as one of the measures in the Action Plan for the reduction of NPLs, the Committee members followed up with a letter and a technical meeting with representatives of the Legal Department of the Ministry of Economy in December.

In the meeting organized in December, the Committee held its election and approved the amended Regulation for the functioning of the Committee. Chairwoman of the Committee was re-elected Ms Veronika Prifti, from BKT.

Ms Ledia Plaku, from Intesa Sanpaolo Bank and Ms Albina Hasanaj from Societe Generale were elected as members of the Chairmanship.

## PR and Communication Committee

The AAB Committee on Public Relations and Communication was established upon decision of the AAB Executive Committee, in January 26, 2015, and held 3 meetings during its first year of existence. The aim of the Committee is to support and provide guidance to AAB Secretariat for an efficient communication with media and the public, for the consolidation of the image and reputation of the Albanian banking sector, especially in a period of major challenges for the banking industry. The Committee contributed on the creation of the AAB Communication (Crisis Manage-

ment) Plan approved by the EC members. During August the Chairmanship of the PR Committee assisted the Secretariat in organized media activities (more information under “Social Events” session of the report). Upon the presentation by the ICC Albania of the Sustainable Development Goals (SDGs) that United Nations (UN) member states will use to frame their policies over the next 15 years to promote peace, prosperity and environmental protection, the members of the Committee agreed to follow up in each individual bank to support the SDGs implementation.

## Payment Systems Committee

The Payments System Committee gathered during the year in 2 regular meetings and 1 meeting of a working group created within the Committee for the discussion of issues related to the implementation of the changes in the Regulation “On Foreign Exchange Transactions”. Regarding the latter, the working group met with representatives of Bank of Albania in order to clarify pending issues and comments, resulting in an explanatory letter sent by Bank of Albania to all banks.

The Committee members discussed also on the new draft law “On the licensing, regulation and oversight of operators of payment systems and payments clearing houses” presented by Bank of Albania in September 2015. AAB Secretariat gathered banks’ comments

and queries for further clarification of definitions which were sent to Bank of Albania and further elaborated by its representatives that attended the meeting of the Committee in November.

Other issues discussed by the Committee members during the year were: the possibility of unifying the approach of banks regarding investigation commissions for transfer orders; and the action plan agreed upon by the National Committee on Payment Systems at its first meeting, for the improvement of the payments systems including the unification of the payments order forms in banks; development of intrabank direct debit; encouraging the settlement of foreign currency transfers within the country, etc..

## Treasury and Financial Markets Committee

The Treasury and Financial Markets Committee had 3 meetings during the year, one of which requested specifically by Bank of Albania, to discuss the new survey developed by its Monetary Policy and Research Departments, aiming to improve the analytical and research process of the monetary indicators' performance in Albania.

The Committee members contributed in improving the draft questionnaire. The Committee members discussed during the year on the

necessity of a unified / master agreement for trading derivative instruments (Forwards and Swaps) among banks in Albania. After considering other experiences of mother banks originating from Europe, a working group was created within the Committee, which drafted a first version of an agreement that will be revised by all members of the Committee as well as by the Legal Committee, before being ready to be signed (non mandatory) by the banks.

# OTHER TECHNICAL MEETINGS

## With Bank of Albania

There were frequent meetings with representatives of Bank of Albania and AAB Technical Committees or other ad-hoc groups during the year, to discuss on several regulative initiatives, for amendments to existing or new regulations such as: the new regulation "On Consumer and Mortgage Loans for Individuals"; the Regulation "On credit risk administration in banks and branches of foreign banks"; Regulation "On the licensing, regulation and oversight of operators of payment systems and payments clearing houses". In addition, there were meetings and discussions regarding other initiatives:

Upon request from AAB, Bank of Albania has undertaken an initiative to **create a Price Index of Real Estate Properties** in Albania. For such purpose, in March there was a meeting at AAB premises between representatives of risk and loan workouts departments

of banks and BoA to discuss on a questionnaire to be reported by banks. The participants in the meeting finalized a questionnaire, which includes information on residential properties mortgage of new loans granted by banks, with a quarterly frequency. Meanwhile, banks committed to provide the information they have for the past 5 years, in the format each bank has it in their systems.

In the frame of the developments undertaken by the Bank of Albania, regarding the **expansion of the information reported currently in the Credit Registry** and more specifically on reporting of information for the loans under court proceedings, restructured and sold loans, representatives from both parties discussed in December, on new requirements for reporting and clarified related issues. The new reporting will be implemented on April 2016.

## On Fiscal Legislation

### VAT on financial services

In view of the latest changes to the Law on VAT and the new respective Guideline, AAB started organizing meetings between CFOs of banks since February, to discuss on the accounting treatment of financial services that used to be exempted from VAT.

The necessity for clarification was followed up with meetings and written communications between AAB and CFOs with the Deputy Minister of Finance, and further on with the Director of Fiscal Policies at the Ministry, especially with regards to the exemption from VAT for the financial services provided to banks from non-residents (such as Cards, SWIFT, Reuters/Bloomberg, ebanking, etc).

The communications continued through the year resulting in a written response by the Ministry of Finance and Tax Authority that specifies that for services, VAT should be applied in the reverse charge scheme, but no exhaustive answer is given on services such as Master/Visa/Amex cards, ATMs or online banking.

### On Income Tax

Banks' representatives gathered in August to discuss a new draft law "On income tax" presented by the Ministry of Finance to the Tax Council, of which AAB is member. The main concerning changes presented in the draft were the recognition for tax purposes of loan loss provisioning and write offs of bad loans, which would bring the situation back to BoA provisioning recognition and impossible conditions for write off recognition.

After the meeting and upon the AAB Executive Committee decision the AAB Secretariat created a working group of 5 banks' CFOs and 2 independent fiscal experts in order to prepare concrete proposal and relevant rationale for the formulation of the articles of the Law with larger impact on banks, to submit to the Ministry of Finance.

In the meeting of the Tax Council in November, the Ministry of Finance presented the legislative changes to be included in the fiscal package 2016.

## Action Plan for the Reduction of NPLs

Following up on the meetings between banks' representatives with the Head of Supervision Department and other representatives of Bank of Albania, and then with the Governor and Minister of Finance, in March and April, to discuss on possible regulatory and other measures, to be undertaken by Bank of Albania and other Institutions, with the aim to reduce the NPLs, AAB prepared a list of proposals for both regulatory and legislative amendments in this regards. In June, an Inter Institutional working group was created as per the joint de-

cision of the Prime Minister and governor of bank of Albania, under the lead of the Deputy Minister of Economy. AAB was a member of this working group along the Ministry of Finance, Ministry of Justice, and International Financial Institutions such as the IMF, World Bank, and IFC.

There were several meetings of the working group from July to November, that set up an Action Plan of measures to be undertaken in terms of amendments to Laws such as: the Civil Procedures Code; the Law "On the reg-

istration of immovable properties”; the Law “On securing charges”; the law “On tax procedures”; as well as Bank of Albania’s regulations, such as: Regulations “On Administration of Credit Risk”, “On Capital Adequacy Ratio”; the treatment of repossessed collaterals; the write off of bad loans; etc.

In November, the AAB Legal Committee reviewed and prepared comments on the draft amendments prepared by the Ministry of Justice, as per the Action Plan, to the: Civil

Procedure Code; the Law on Private Judicial Bailiff Service; and on the Law on Immovable Property Registration, as well as proposed additional amendments to the Civil Code. All the above amendments are proposed with the aim clarify as many as possible of the controversial articles and dispositions that are used in the courts for dragging the processes of obligatory execution, in order to regulate the process of execution and ensure a safer and more controlled lending process, in terms of collaterals.



# FINANCIAL EDUCATION

## THE MONEY WEEK

The nationwide events for financial education awareness took place this year between 9 and 13 March 2015. AAB collaborated with the Ministry of Social Welfare and Youth, in organizing several educational activities on finances for children and youth. This week of March marked both the European Money Week and the Global Money Week: the European Money week is organized for the first time by the European Banking Federation (EBF) while the Global Money Week is initiated by Child & Youth Finance International (CYFI).



**9 March** - The first activity that launched the Money Week was a Financial Talk between Bankers and teenagers (15-18 years old) on "Smart Financing", especially on banking products and applications that can be used by them, and were presented by Mr Erion Maxhari, FIB Bank, and Mr Arjan Berberi, Raiffeisen Bank. The activity was organized at the Tirana Youth Center Premises.



**10 March** - Students of the Economic High School of Tirana visited the premises of a branch of BKT. The main scope of the visit was to explain them on how a bank branch operates. During the same day were organized two Open Lectures with the Economics Students Club. The seminars were delivered respectively from Mr Elvin Meka, Chief Editor of Bankieri Magazine that lectured the topic on "Bank's Interest rates" and Ms Artiola Agalliu, Head of Risk Department from Union Bank that introduced to the audience the "Loan Categories, focusing on Non Performing Loans".

**11&12 March** - In collaboration with Puppet Theatre was staged the play "Çufo Piglet learns to save", for 7-9 years old children from different schools in Tirana. About 200 children attended the show that explains them the importance of saving.



**13 March** - In collaboration with the UET was organized a competition with Economics students "If we were bankers". The winners were rewarded from Tirana Bank with individual debit cards. The AAB Secretariat launched at the beginning of the week a Financial Quiz and "Consumer Loans" at AAB's YouTube and FaceBook pages, and the winners were awarded with gift books "Historical View of Banks in Albania".





## Informative Videos

AAB launched a video series project entitled “My Bank”. This project aims to provide details and simple information for a sound financial behaviour to the new and existing banking customers. The project includes the realization of videos with different topics, mainly focusing on retail. The videos are accessible on the AAB web page, YouTube and Facebook page. During the year 2015 the following videos were published:

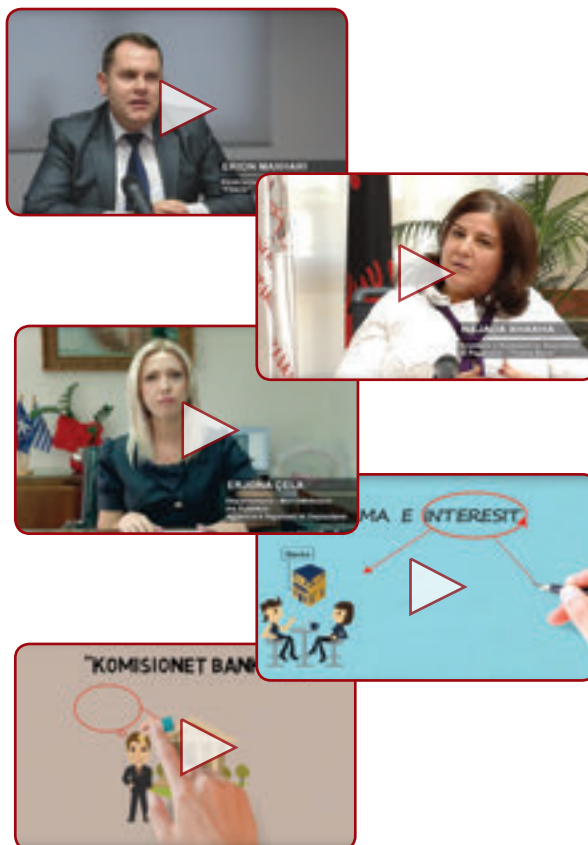
“Banking Cards”

“Payment Methods”

“Mortgage Loan”

“The interest rate”

“Banks Commissions”



## Informative Brochure

In order to improve the transparency and level of information given to the customers before entering in a consumer loans contract with a bank in Albania, AAB in consultation with the Office for Consumer Protection, published the informative brochure entitled “Consumer Loan”. This brochure, along with the commercial banks’ guidelines, will provide the consumers with the necessary information to better handle their finances.



# FORUMS, WORKSHOPS AND TRAININGS

## — Forums

### **2<sup>nd</sup> SWIFT Compliance Forum in Albania**

May 5, 2015 - AAB hosted the 2<sup>nd</sup> Swift Forum - Compliance Albania, with the support of SWIFT Austria. The presentations and discussions in the forum focused on topics of evolution and trends in financial crime compliance regulation, best practices for securing quality, assurance and efficiency in AML, sanctions and KYC compliance. The event was attended by 40 representatives of Payments and AML Department of member Banks, Bank of Albania, and the Anti Money Laundry agency in Albania.



### **1<sup>st</sup> Forum of Internal Auditors in Albania**

June 18, 2015 - AAB and the Albanian Institute of Internal Auditors (AIIA) organized the 1<sup>st</sup> Annual Internal Audit Forum which focused on the development and state of the internal audit profession in the Albanian banking sector. It was attended by internal auditors and CEOs / Senior Management representatives of banks in Albania, representatives from Bank of Albania, Ministry of Finance, Central Bank of Kosovo, international companies of consultancy, and financial institutions and professional organizations in Albania and Kosovo.



### **4<sup>th</sup> National Forum on Banking Security**

November 26, 2015 - AAB, organized for the fourth consecutive year the National Forum on Banking Security, with the participation of several state institutions such as Bank of Albania, General Directorate of State Police, National Security Computer Agency (ALCIRT); National Authority for Electronic Certification (NAEC); Commissioner on Data Protection, as well as private companies which provide services or products to the banking sector with regard to security. The Kosovo Banking Association was an active partner of the event and presented an overview of the trends and developments in recent years, regarding both physical and cyber attacks against banks in Kosovo.



## — Workshops

### **Clarifying the amendments in the Fiscal Legislation: 19, 20 January and 24 February**

AAB organized two workshops on the updated Fiscal Legislation, which came into force in January 2015. The workshops were organized in cooperation with the Tax Authority and Social Insurance Institute, and were attended by Human Resources and Finance Departments' specialists of member banks.



### **Seminar on “Elaboration of personal data of employees in the banking sector”:**

**4 March**

The seminar was organized by AAB in collaboration with the Office of the Commissioner for Personal Data Protection. Representatives of banks' Human Resources departments attended the seminar and discussed various problems faced by the banking system in the framework of the implementation of the Law on personal data protection.



### **Workshop provided by Deloitte on VAT for banks:**

**12 March**

Due to the large impact of the new law on VAT in the banking industry and the high interest amongst the banks, Deloitte organized at AAB premises a dedicated seminar, for CFO's and accountants of member banks. Deloitte's VAT Experts presented and discussed the changes that the new Law and the relevant Instruction bring on banks' daily business.



### **Regional Seminar on better implementation of AML regulatory framework:**

**26 June**

AAB in cooperation with the General Directorate for Prevention of Money Laundering (FIU) organized in Vlorë, a regional seminar for employees of the branches of banks in south of Albania. The seminar was lead by Mr Ndue Maluta, member of the Chairmanship of the AAB Compliance Committee and Head of Risk Group at BKT, and Mr Agim Ismaili representing GDPML, and gathered 36 banks' branch employees of Vlorë, Berat, Fier, Gjirokastra, and Lushnje.



# TRAININGS

---



<b>Topic</b>	<b>Date</b>	<b>Training Partner / Trainer</b>	<b>Target Audience</b>
Leadership Skills	24-25 March	Smart Banking Payment Systems Technologies	Middle management
Credit Collection Skills and Techniques	26-27 March	Smart Banking Payment Systems Technologies	Middle management
Audit Report Writing	26-27 March	Albanian Institute of Internal Auditors	Banks' internal auditors
HR Strategic Management	1-2 April	Austrian Institute of Excellence	HR Senior Managers
Corporate Restructuring	21-22 April	Austrian Institute of Excellence	Senior Managers
Risk Management	23-24 April	Austrian Institute of Excellence	Senior Managers
Operational Risk	17-18 June	BACEE	Directors, Senior Managers, Auditors, Senior Executives
Best Practices and Challenges in Debt Collections and Basel II/III	24 June	PROFILE	Senior Managers
Payment and Cash Management	16-17 September	SWIFT AUSTRIA	Swift users and operations
Product Development	21-22 September	Smart Banking Payment Systems Technologies	Senior Specialists
Leading from Where You Are	21-22 September	Lincoln Centers	Managers, Department Directors
Excellence in Sales	22-23 September	Austrian Institute of Excellence	Sales Managers

e	Brief Description	No. of participants from banks
	Leading versus Managing; how to improve your leadership shkills, motivation, individual determinants of behaviour, etc..	10
	Focus on the fundamentals of credit collections and the dynamic collections team and the organization aspects for an effective collection.	10
ors	To make auditors understand the importance of developing informative and persuasive documents and writing them clearly and concisely.	11
,	Teaching how to think strategically every day as part of the HR planning process	10
	Overview of bank corporate financing facilities, managing corporate exposures and corporate insolvency, the methods and techniques used by banks in dealing with distressed corporate debt.	10
	The integration of the credit risk management into the overall bank's organization, life cycle of a loan, with several case studies on manufacturing and trading companied and tourism.	8
	Key areas for high quality risk managemnet, especially in risk analysis and assessment, risk reporting and the use and presentation of risk indicators, and the management for major exposures.	16
	Collections Strategies & Best practices, from Empirical Approach to Risk Based Collections. Credit Risk, Best Practices for project implementation.	9
	Payment and Cash Management skills and techniques - using FIN messages.	12
	Stage Gate Process for new product development; Critical success factors at project level; The Impact of the Right Climate and Culture for Innovation and the Role of Senior Management; Product Life Cycle strategies.	6
ent	To help the participants understand how they lead and how they can lead others better while contributing to their organization.	8
	To refine sales planning techniques, build leadership skills and become more powerful decision makers, motivators, communicators, and counsellors.	11

<b>Topic</b>	<b>Date</b>	<b>Training Partner / Trainer</b>	<b>Target Audience</b>
Fraud detection and prevention	1 - 2 October	Albanian Institute of Internal Auditors	Internal Auditors, Fraud examiners, Fraud officers, Compliance officers,
Fraud Prevention	13 - 15 October	VISA Business School	Anti-fraud specialist
Back Office Operations	21-23 October	ATTF Luxembourg	People working in financial services
Basel II and beyond	2 - 4 November	ATTF Luxembourg	Top and medium level executives; officers involved in the risk management, asset liability management
Business Communications: The Art of Conversation	5 - 6 November	Lincoln Centers	Middle Management
Win-win negotiations	12 - 13 November	Lincoln Centers	Individual contributors, senior-level executives responsible for business negotiations.
Strategic Leadership and Effective Governance	23-24 November	Austrian Institute of Excellence	High level Management
Using Scoring While Managing Risk	24-25 November	Smart Banking Payment Systems Technologies	Middle Management
HR Management	9-11 December	ATTF Luxembourg	HR Senior Specialist

Topic	Brief Description	No. of participants from banks
Fraud issuers,	To help participants enrich their knowledge on all different types of fraud and updated regulatory fraud frameworks.	20
	To provide an in-depth look at the latest tools, information, and best practices that today's issuers and acquirers need to better manage fraud risk, reduce associated fraud losses, and improve profitability.	24
	A blend of theory and practice where the participants performed exercises based on realistic situations in the back office.	17
el & t	To provide with strong knowledge of key aspects of the evolution on the Regulatory Capital Measurement following new Basel rules.	19
t	To introduce to participants skills for more effective communication with customers and business associates.	8
ors to res, ness	Focused on widely agreed-upon foundational concepts of negotiations, as well as tactics for conducting tough negotiations.	9
ent	To utilize the Leadership Predictive Index Behavioural Profile™ self-assessment to determine their natural leadership style and learned how to influence without authority situational leadership.	13
t	To provide an overview of credit scoring and automation of credit decision processes and to take a deep dive into how leading institutions are using analytics to be smarter, faster and as a result, have happier customers.	9
ts	To review the concepts, many practical exercises and discussions with participants on their current HR challenges	17



# SOCIAL ACTIVITIES

## Activities with media representatives

**September** - In the framework of building bridges of communication with the media, aiming the creation of an adequate environment and strengthening effective collaboration, AAB organized a working breakfast between the Executive Committee members and media representatives. During this informal meeting, guests discussed about the power of media on the public opinion and on relevant issues concerning the banking sector.



**October** - AAB organized in Vlora a two days activity, designed as training and entertaining trip, with 13 economic journalists, who had the chance to broaden their understanding of financial and banking issues thanks to the presentations and discussions with representatives from BKT, FIBank, Tirana Bank and Procredit Bank. The second day of the activity followed with a boat trip to Sazan and Karaburun, in a friendly environment where journalists and bankers had further opportunities to elaborate on economic and banking issues.



## Farewell and welcome reception

**May** - welcoming reception for the new coming CEOs of NBB Bank Albania – Mr Ioannis Agathos, Tirana Bank – Mr Dritan Mustafa, and United Bank of Albania – Mr Muhamed Prlja.



**October** - farewell reception in honor of Mr Luc Beiso, who left the position as Chief Executive Officer of Crédit Agricole Albania Bank and welcomed to the Association the new coming CEO, Mr Andi Ballta.

## Year End Dinner

**December** - The Year End Dinner, which was attended by member banks' Directors and representatives, special guests by Bank of Albania such as the Governor, Deputy Governor, Director of Supervision Department and Chief of Cabinet, the Director of the Deposit Insurance Agency, and the members of the Editorial Board of BANKIERI magazine.



# PUBLICATIONS

## CSR Report 2014 – Banking for Society

AAB published for the first time a report entitled “CSR Report 2014 – Banking for Society”, aiming to present some of the contributions for health, social, educational, environmental, cultural and sportive projects, undertaken by banks during 2014 in the framework of CSR, and hoping to inspire more such initiatives in the future. This AAB publication was promoted during a ceremony held at Hotel Rogner on 15 June 2015, attended by personalities in the economic and banking system, politics, businesses and foreign representations in Albania.



## AAB Annual Report 2014

The AAB Annual Report 2014, published in June, enclosing the main developments and activities of the Association during year 2014.

## 14<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup>, and 17<sup>th</sup> Editions of Bankieri Magazine

AAB Secretariat delivered in January, April, July and October of 2015, the new editions of BANKIERI magazine. The publications were delivered throughout the year to the targeted audience amongst banks, state institution, foreign organizations in Albania and abroad, the media and other banking associations in the region. The magazine is accessible and downloadable online at AAB website and social network (LinkedIn, Face book, Twitter).

## Statistics

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

## Monthly Newsletters

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



## MEMBER BANKS - FACTS AND FIGURES

Bank	Shareholders' Structure:	Country of origin	Assets	Loans	Investment in government Securities
 ALPHA BANK	Alpha Bank AE (100%)	Greece	504,306	260,745	97,125
 AMERICAN BANK OF INVESTMENTS	Tranzit Shpk (100%) - NCH Capital Group	Albania-USA	192,481	72,536	41,041
 BANKA KOMBETARE TREGATARE	Calik Finansal Hizmetler A.S. 100%	Turkey	2,501,426	840,256	1,020,183
 CREDINS bank	Individuals and ASC Union 58,42% B.F.S.E Holding BV 16,82% Other (less than 5% of shareholding)	Albania Netherland Albania	1,043,448	628,029	138,967
 CREDIT BANK OF ALBANIA BANKA E KREDITIT E ALBANIJE	Al-Kharafi Group (100%)	Kwait	15,015	2,222	679
 First Investment Bank	Fibank AD 100%	Bulgaria	123,397	45,149	53,448
 INTERNATIONAL COMMERCIAL BANK rëndësi kanë vlerat	ICB Financial Group Holding (100%)	Switzerland	68,153	29,926	29,926
 INTESA SANPAOLO BANK Albania	Intesa Sanpaolo S.p.A. (100%)	Italy	1,030,211	327,797	335,620
 NBG Bank	National Bank of Greece S.A. (100%)	Greece	284,026	214,323	37,878
 ProCredit Bank	ProCredit Holding AG & Co. KGaA 100%	Germany	254,714	163,379	17,380
 Raiffeisen BANK	Raiffeisen SEE Region Holding GmbH - 100%	Austria	2,110,711	832,464	526,236
 SOCIETE GENERALE ALBANIA	Societe Generale - 88,64% Minority Shareholders - 11,36%	France Albania	533,784	299,603	145,654
 TIRANA BANK	Piraeus Bank (98.83%) Ioannis Tzivelis (1.17%)	Greece	593,399	269,549	148,802
 UNIONBANK	Unioni Financiar Tirane (UFT) Sh.p.k (86,65%) European Bank for Reconstruction and Development (EBRD) 9,87% Individuals (3,48%)	UK Albania	278,017	121,414	99,968
 Banka e Bashkuar e Shqiperise United Bank of Albania	Islamic Development Bank (86.7%) Ithmaar Bank (4,63%) Dallah Albaraka Holding Co. (2,32%) Business Focus SDN BHD (1,47%) Saudi Brother Commercial Co. (0,58%) Individuals (4,31%)	Saudi Arabia Bahrain Bahrain Malaysia Saudi Arabia Saudi Arabia	45,632	16,847	2,175
 VENETO BANCA GRUPPO VENETO BANCA	VENETO BANCA S.P.A. 100%	Italy	190,031	116,100	4,144

Equity Capital	Deposits	Net Profit	No. of outlets	No. of employees	No. of ATM	No. of Cards Issued	Debit Cards	Credit Cards	No. of POS	E-banking	Mobile Banking	E-commerce
83,819	401,546	(12,008)	40	427	54	80,534	72,619	7,915	1,310	YES	YES	NO
15,155	166,434	(19,392)	19	252	30	11,375	10,675	700	-	YES	NO	NO
268,997	2,036,619	45,691	89	1,285	148	279,951	241,539	38,412	3,748	YES	YES	YES
86,697	899,849	958	56	739	60	102,821	99,188	3,633	530	YES	YES	YES
9,602	4,299	384	2	28	-	-	-	-	-	NO	NO	NO
13,333	107,148	1,828	9	126	30	31,076	27,476	3,600	-	YES	NO	NO
10,928	50,364	(787)	6	92	6	2,272	2,272	NO	-	NO	NO	NO
141,554	865,691	16,063	32	567	49	80,944	80,944	-	561	YES	YES	NO
59,813	193,123	702	27	293	36	25,930	25,467	463	-	NO	NO	NO
36,472	207,900	1,122	22	309	59	37,886	37,055	831	457	YES	NO	NO
215,538	1,799,098	12,860	89	1,406	194	217,807	194,191	23,616	1,347	YES	YES	YES
61,769	433,396	1,777	39	395	60	38,001	38,001	-	-	YES	YES	NO
108,973	464,357	(24,153)	39	422	71	90,506	86,509	4,037	245	YES	YES	NO
25,418	230,320	2,722	29	349	39	30,206	27,783	2,423	-	YES	YES	NO
10,917	34,235	215	6	74	-	-	-	-	-	NO	NO	NO
22,080	155,424	(7,566)	15	130	16	12,523	12,137	386	112	YES	NO	NO

Audited Data according to IFRS, as of 31.12.2015 (1EUR=137.28ALL) (in thousands of EUR)



# AAB FINANCIAL STATEMENTS

---

FOR THE YEAR ENDED ON 31 DECEMBER 2015

## STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2015	31 December 2014
<u>ASSETS</u>			
Current Assets			
Cash on hand and at banks	4	9,325,817	14,571,268
Prepaid expenses	5	1,246,430	1,065,692
<b>Total current assets</b>		<b>10,572,247</b>	<b>15,636,960</b>
Non-current Assets			
Fixed assets, net	6	723,870	810,693
<b>Total non-current assets</b>		<b>723,870</b>	<b>810,693</b>
<b>TOTAL ASSETS</b>		<b>11,296,117</b>	<b>16,447,653</b>
<u>LIABILITIES</u>			
Payable accounts	7	934,462	626,645
<b>Total current liabilities</b>		<b>934,462</b>	<b>626,645</b>
<b>Net assets</b>		<b>10,361,655</b>	<b>15,821,008</b>
<b>TOTAL LIABILITIES</b>		<b>11,296,117</b>	<b>16,447,653</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 2015	31 December 2014
<b><u>INCOME</u></b>			
	<b>8</b>		
Membership fee		33,000,000	33,000,000
Training fees		4,032,055	876,406
Interest Income		7,885	11,398
<b>Total income</b>		<b>37,039,940</b>	<b>33,887,804</b>
<b><u>EXPENDITURES</u></b>			
Depreciation	<b>6</b>	(170,238)	(201,379)
Losses from disposal of fixed assets	<b>6</b>	(10,851)	-
Administration and general expenses	<b>9</b>	(29,506,273)	(25,343,844)
Training expenses	<b>10</b>	(4,020,423)	(988,207)
Donations & Contributions	<b>11</b>	(8,758,141)	-
Exchange Loss / Gain	<b>13</b>	(33,367)	313
<b>Total expenditures</b>		<b>(42,499,293)</b>	<b>(26,533,117)</b>
<b>Excess /deficit of income over expenditures</b>		<b>(5,459,353)</b>	<b>7,354,686</b>
Net assets at the beginning of the year		15,821,008	8,466,322
<b>Net assets at the end of the year</b>		<b>10,361,655</b>	<b>15,821,008</b>

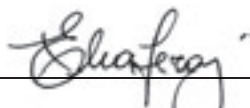
The statement of income and expenditure is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 4 to 12.

## STATEMENT OF CASH FLOW

	Notes	31 December 2015	31 December 2014
<i>Cash flow from operating activities</i>			
<b>Excess /deficit of income over expenditures</b>		<b>(5,459,353)</b>	<b>7,354,686</b>
Adjustments for:			
Depreciation	6	170,238	201,379
Losses from disposal of fixed assets	6	10,851	-
Interest Income (current accounts)		(7,884)	(11,398)
Payments for prepaid expenses	5	(180,740)	(86,689)
Receivable accounts		-	22,394
Proceeds for payable accounts	7	307,817	194,220
Interest received (current accounts)		7,884	11,398
<b>Cash from operating activities</b>		<b>(5,151,187)</b>	<b>7,685,990</b>
<i>Cash flows from investing activities</i>			
Purchase of fixed assets	6	(94,265)	(157,560)
<b>Cash from investing activities</b>		<b>(94,265)</b>	<b>(157,560)</b>
<b>NET INCREASE IN CASH</b>		<b>(5,245,452)</b>	<b>7,528,430</b>
<b>Cash on hand at banks at the beginning of the year</b>	4	14,571,268	7,042,838
<b>Cash on hand at banks at the end of the year</b>	4	<b>9,325,816</b>	<b>14,571,268</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 31.03.2016 and signed by:



**Endrita XHAFFERAJ**

**Secretary General**

**Albanian Association of Banks**



**Elvira TARTARI**

**Finance Department Manager**

**ProCredit Bank Albania**



### **1. Background information**

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

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

### **2. Basis of preparation**

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 realized 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:

	<b>In %</b>
Furniture	<b>20</b>
Electronic equipment	<b>25</b>

#### **3.3 Foreign currency translation**

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

#### **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:

<b>In ALL</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Cash on hand	25,038	29,546
Cash at banks	9,300,779	14,541,722
<b>Total</b>	<b>9,325,817</b>	<b>14,571,268</b>

AAB has current accounts in ALL at 3 banks: namely BKT, Union Bank, and Veneto Banka, and one account in EUR at BKT. Cash at banks is composed as follows:

<b>In ALL</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
ALL Account at BKT	7,664,239	11,867,421
ALL Account at Union Bank	1,124,321	1,585,337
ALL Account at Veneto Bank	469,816	771,546
EURO Account at BKT	42,403	317,418
<b>Total</b>	<b>9,300,779</b>	<b>14,541,722</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 604,240 that is respective of the months January to July 2016; a prepaid invoice of travel and accommodation carried out in January 2016; prepayments for annual subscriptions mainly internet and domains hosting and maintenance (both for the AAB official website, and for the webpage on auctions), and prepaid health insurance for the AAB staff members for ALL 196,630, as shown below:

<b>In ALL</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Membership Fee Prepaid to BACEE	604,760	604,240
Prepaid Travel and accommodation	103,386	
Internet Subscription at ABCOM	9,785	11,060
Domain Hosting / Maintenance	51,710	23,232
Health Insurance at SIGAL UNIQA GROUP	196,630	147,000
Rent Guarantee	280,160	280,160
<b>Total</b>	<b>1,246,430</b>	<b>1,065,692</b>

**6. Fixed assets**

Fixed assets are composed as follows:

<b>In ALL</b>	<b>Furniture</b>	<b>Electronic equipment</b>	<b>Total</b>
<i>Cost</i>			
At 31.12.2014	<b>1,993,958</b>	<b>1,161,916</b>	<b>3,155,874</b>
Additions for year 2015	66,980	27,285	94,265
Reductions for year 2015	(107,013)	(15,980)	(122,993)
<b>At 31.12.2015</b>	<b>1,953,925</b>	<b>1,173,221</b>	<b>3,127,146</b>
<i>Accumulated depreciation</i>			
At 31.12.2014	<b>1,484,252</b>	<b>860,928</b>	<b>2,345,180</b>
Charge for the year 2015	91,054	79,184	170,238
Reductions for year 2015	(97,595)	(14,547)	(112,142)
<b>At 31.12.2015</b>	<b>1,477,711</b>	<b>925,565</b>	<b>2,403,276</b>
<i>Net carrying value</i>			
<b>At 31.12.2014</b>	<b>509,705</b>	<b>300,988</b>	<b>810,693</b>
<b>At 31.12.2015</b>	<b>476,214</b>	<b>247,656</b>	<b>723,870</b>

**7. Payable Accounts**

Payable Accounts are composed as follows:

<b>In ALL</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Membership Fee payable to EBF	411,840	
Income Tax Liabilities	227,628	236,135
Health and Social Insurance Contributions	171,680	146,538
Utilities	68,068	50,127
Withholding tax	37,499	-
Unreceived Invoices (energy, water)	17,747	193,845
<b>Total</b>	<b>934,462</b>	<b>626,645</b>

**8. Total Income**

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 share of each Member Bank's assets on the total assets of the banking system (proportionate fee), with a minimum value for the fees set to ALL 1.000.000.

The income from training fees is composed of the fees received by the member banks for the training courses organized by AAB for banks' employees. All the income made from training goes for the expenditure necessary for the organization of such trainings.

**9. Administration and general expenses**

Administration and general expenditures for years 2015 and 2014 are composed by:

<b>In ALL</b>	<b>2015</b>	<b>2014</b>
Personnel Expenses	11,460,953	11,357,540
Other administrative expenditures	18,045,320	13,986,304
<b>Total</b>	<b>29,506,273</b>	<b>25,343,844</b>

Personnel Expenses are shown below:

<b>In ALL</b>	<b>2015</b>	<b>2014</b>
Salaries & Bonuses	9,852,053	9,752,665
Health and Insurance Contributions	1,068,640	1,015,675
Health Insurance at SIGAL	540,260	589,200
<b>Total</b>	<b>11,460,953</b>	<b>11,357,540</b>

Other administrative expenditures are as follows:

<b>In ALL</b>	<b>2015</b>	<b>2014</b>
Promotion & Internet	5,064,957	3,788,968
Utilities	4,204,361	4,682,475
Organizational costs	3,315,462	1,966,437
Consulting services	1,938,247	-
Office expenses	1,757,302	1,664,255
Membership Fees	1,679,200	1,393,338
Bank commissions & fees	75,671	60,995
Local taxes	10,120	10,120
New Premises Expenses	-	419,716
<b>Total</b>	<b>18,045,320</b>	<b>13,986,304</b>

**10. Training expenses**

The expenses made for the organization by AAB of trainings for banks' employees during year 2015 amounted to ALL 4,020,423, and included lecturer fees and costs for their travel and accommodation; training rooms and catering costs; costs for printing training material, etc.. All these expenses were covered by the training fee gathered from member banks.

### 11. Donations & Contributions

There were 2 significant expenditures during 2015 that were unbudgeted for as shown below:

<b>In ALL</b>	<b>2015</b>	<b>2014</b>
Donation to the flooded areas in south Albania	6,000,000	-
Support to the publicity campaign of the Government anti informality	2,758,141	-
<b>Total</b>	<b>8,758,141</b>	

In both cases, the undertaking of these expenditures by AAB was done upon approval of the Assembly of Members.

### 12. Exchange Losses

Losses from the change in exchange rates during year 2015 amounted at ALL 33,367.



