



ALBANIAN ASSOCIATION OF BANKS
SHOQATA SHQIPTARE E BANKAVE

ANNUAL REPORT

2019



ALBANIAN ASSOCIATION OF BANKS
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Albanian Association of Banks

Official Offices: Rr. "Ibrahim Rugova", Sky Tower 9/3, Tirana

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MESSAGE FROM THE CHAIRMAN

Dear Reader,

You are holding in your hands the latest publication of the Albanian Association of Banks: The Annual Report 2019. Besides already assigned as a regulatory obligation for all non-profit organizations to publish their performance report, this report is a standard requirement of AAB to communicate with the public and any other stakeholder interested in the activity of our Association. Transparent, open, professionals!

- » 2019 marked the 20th anniversary of the foundation of AAB. As such, our 20th anniversary logo was visible in any of our outputs throughout the entire year. The organization of a conference on sustainable development followed the celebrations of the 20th anniversary, making this event even more complete and memorable!
- » AAB acted in full solidarity as regards the two natural disasters caused by the earthquakes by late May in the Korça District and the deadly earthquake of November 26th in Durrës, where 51 people lost their lives. AAB's contribution was 10 million ALL and 200 thousand Euros, respectively!
- » The banking industry is the most trustworthy sector compared to all other sectors and institutions in the country. This finding is confirmed by the survey conducted by IDRA at national level.
- » AAB, in cooperation with the Bank of Albania, drafted and adopted the lending revival platform.
- » In the framework of financial education, AAB organized a business trip in Turin, Italy, with 20 participating journalists from various media, to get informed on the latest banking developments.
- » AAB participated in the European Money Quiz, where the Albanian team was ranked 7th and EBF honoured AAB with a special awarding cup.
- » Furthermore, in cooperation with VISA and Mastercard, two awareness raising campaigns on the use of cards were organized.
- » Aiming to provide the best trainings for the employees of the banking industry, AAB organized 23 trainings, in cooperation with 10 partners, where 365 employees were trained. For the first time, these trainings were conducted in cities other than Tirana.

You can find the more detailed list by going through this publication. Moreover, what is worth highlighting is that AAB, thanks to its eminent and professional activities, representation at expert level in every meeting or event, has further increased its social visibility to the wide public and has turned into the reliable voice of the banks when it comes to relations with local public institutions and reputable international institutions.



2019 was a successful year, full of self and collective reflections. 20 years is enough to demand differently, adopting to novel developments and at a different pace.

For these reasons, we decided to amend the statute and organization of AAB, for which we will be working on during 2020.

AAB will always be an open, cooperative and impactable-value non-profit organisation where anyone can always refer to, at any time.

Enjoy your reading!

Sincerely,
Silvio Pedrazzi
Chairman

A handwritten signature in black ink, which appears to read 'Silvio Pedrazzi'. The signature is written in a cursive, flowing style. It is positioned to the right of the typed name and title.

ORGANIZATIONAL STRUCTURE

Assembly of Members*

The Assembly is the highest decision-making body of AAB. Only the duly designated representative(s) of the members may attend the Assembly of Members meetings.

At the end of 2019, the Assembly of Members comprised of 12 members. The following list details AAB member banks and the Assembly of Members:

Alpha Bank Albania / Georgios Papanastasiou, Chief Executive Officer

American Bank of Investments / Andi Ballta, Chief Executive Officer

Banka Kombetare Tregtare / Seyhan Pencabligil, Chief Executive Officer & Board Member

Credins Bank / Maltin Korkuti, Chief Executive Officer

First Investment Bank Albania / Bozhidar Todorov, Chief Executive Officer

Intesa Sanpaolo Bank Albania / Silvio Pedrazzi, Chief Executive Officer

Procredit Bank Albania / Agan Azemi, Member of Management Board
Mirsad Haliti, Member of Management Board

Raiffeisen Bank Albania / Christian Canacaris, Chief Executive Officer

OTP Bank Albania / Bledar Shella, Chief Executive Officer

Tirana Bank / Dritan Mustafa, Chief Executive Officer

Union Bank / Gazmend Kadriu, Chief Executive Officer

United Bank of Albania / Muhamed Prlja, Chief Executive Officer

* As of December 2019

EXECUTIVE COMMITTEE MEMBERS*



Silvio PEDRAZZI

Chairman

Chief Executive Officer

Intesa Sanpaolo Bank Albania



Maltin KORKUTI

Deputy Chairperson

Chief Executive Officer

Credins Bank



Andi BALLTA

Member

Chief Executive Officer

American Bank of Investments



Georgios PAPANASTASIOU

Member

Chief Executive Officer

Alpha Bank Albania



Dritan MUSTAFA

Member

Chief Executive Officer

Tirana Bank

The members of the Executive Committee are elected by the Assembly of Members for a two-year term. It is composed by five members, three of which are elected from the first six banks with the highest share on the total assets of the banking sector, and the other two members are elected among the remaining member banks.

Members having completed their term of office may be re-elected.

* As of December 2019

SECRETARIAT

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

- Implementation of the decisions of the Assembly.
- Ensuring that members get notified on the resolutions of the Assembly of Members and the Executive Committee and that these resolutions are duly executed.
- Fulfilment of the duties assigned by the Executive Committee.
- Representation of the Association at governmental bodies, the Court and third parties (upon due authorizations), both at national and international level.
- Implementation of the annual budget and business plan.
- Drafting of information to be released by the Association and its submission to the Executive Committee.
- Supervision of the AAB accounts and cooperation with the Auditor.
- Drafting and signature of the AAB financial statements.



Spiro BRUMBULLI
AAB Secretary General

Mr. Spiro Brumbulli is currently holding the position of the AAB Secretary General.

TECHNICAL COMMITTEES AND CHAIRPERSONS*

- Bank Security Committee – Bajram Ibraj, Intesa Sanpaolo Bank Albania
- Cards Committee – Erion Maxhari, First Investment Bank Albania
- Compliance Committee – Markelian Riska, Intesa Sanpaolo Bank Albania
- Human Resources Committee – Valbona Zeneli, Raiffeisen Bank Albania
- Information Security Committee – Dritan Gucaj OTP Bank Albania
- Internal Audit Committee – Dorida Stambolla, Raiffeisen Bank Albania
- Legal Committee – Veronika Prifti, American Bank of Investments
- Public Relations Committee – Lutjana Konomi, First Investment Bank Albania
- Payment Systems Committee – Najada Xhaxha, Tirana Bank
- Treasury and Financial Market Committee – Suela Totokoci, Intesa Sanpaolo Bank Albania
- Risk Management Committee – Elona Bollano, Banka Kombetare Tregtare
- Information Technology Committee – Alketa Lamce, Intesa Sanpaolo Bank Albania

* As of December 2019



AAB MEMBERSHIPS

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

International Memberships

- European Banking Federation (EBF)
- Banking Association for Central and Eastern Europe (BACEE)
- INTERBALKAN Forum of Banking Associations

National Memberships

- National Economic Council
- Tax Council
- Economic Council of Tirana Municipality
- ICC Albania
- National Labour Council
- National Payment System Committee

HIGHLIGHTS OF AAB ACTIVITIES IN 2019

- The Assembly of Members held 3 meetings and the Executive Committee held 4 meetings.
- The 2017-2019 3-year business plan, which was set up for the first time, was successfully delivered. One of the strategic pillars of this business plan was Restoring Reputation.

The result of survey carried out by IDRA Research & Consulting in November 2019 ranks the banking industry as the most trustable sector!

- AAB celebrated its 20th Anniversary.
- The Conference on “Banks for Sustainable Development” was organized.
- With the contribution of AAB representatives, two proposals formalized during the National Payments Systems Committee: remote opening account (opening account without physical presence) and the need of a national financial education strategy. These proposals are also part of the Action Plan for Credit Growth with Bank of Albania.
- The platform with Bank of Albania for lending revitalisation.
- First part of the Survey on banks confidence and banks products and services (scheduled in two waves) was conducted.

- Participation for the second time at the European Money Quiz (ranking 7th).
- 7 workshops organized.
- Further development of the multi-channel media for public communication.
- Trip with 20 economic journalists in Turin (Italy) on their financial education and training.
- Two campaigns (with Visa and MasterCard) about cards' use.
- 23 trainings, 365 bank employees; collaboration with 10 partners.
- The first-time training in Albanian language in other cities. 113 banking employees trained in Fieri, Lezha, Korça, Gjirokastra.
- Months of safe cash transportation toward the Rinas Airport because of the improvements of measures after the robbery event inside the airport. A strong reaction of AAB after the last robbery in TIA, which made a difference on the reaction of the Ministry of Interior and the Bank of Albania on the issue.
- Contribution by 10 million ALL to Korça Prefecture and 200 thousand EUR to the Government, supporting families damaged by the earthquakes.
- **Excellent relationships with all public institutions** (Ministry of Finance and Economy, Bank of Albania, Albanian Deposit Insurance Agency (ADIA/ASD), Commissioner for Information and Data Protection, Competition Authority, National Authority on Electronic Certification and Cyber Security (AKCESK/NAECCS), Financial Intelligence Unit (FIU) etc.) and with private organizations. Furthermore, high appreciation from international organizations, like EBF and BACEE.

In September, the AAB Chairman, Mr. Silvio Pedrazzi launched a donation of 10 million ALL dedicated to the repair of damages caused from the earthquake striking our country months ago. Through this donation, the AAB provided financial support and joined the Civil Emergency Solidarity Fund in support of the affected residents for coping with the earthquake damages caused to the village of Qafëzes in Korça.

In December, standing in solidarity with the situation caused by the devastating earthquake of November 26th, the AAB General Assembly of the Association decided to donate the amount of 200,000.00 EUR (two hundred thousand), depositing such a sum in the special account opened and managed by the Albanian Government. This amount was supplementary to all the other contributions donated by individual Members of the Association based on their own rules and policies.

The Albanian Association of Banks, in support to all those who donated their contributions or assistance to support the people affected by earthquake, in full cooperation with the Ministry of Finance and Economy and the Bank of Albania, announced that for every transaction, whether in cash or transfer, in ALL or foreign currency, in the accounts "Voluntary Contributions, Emergency", banks operating in Albania charged zero fees and commissions.



20 YEARS OF AAB

A highlight for 2019 was the AAB's 20th anniversary celebrations. To celebrate the anniversary, two events were held in Tirana, in May:

- The 20th anniversary celebration ceremony of AAB establishment.
- The Conference on "Banks for Sustainable Development".

The 20th anniversary celebration ceremony of AAB establishment.

The AAB had the honour of hosting many personalities including representatives from various ministries, Bank of Albania, World Bank, UNDP, EBRD, European Investment Bank, European Banking Federation, national and international financial institutions, regional bank associations, representatives of non-profit organizations, universities and the media. The present Minister of Finance and Economy, Ms. Anila Denaj, and the Minister of State for the Protection of Entrepreneurs, Mr. Eduart Shalsi also attended the event. Representatives of foreign organizations and partners, with whom AAB has established fruitful cooperation over the years, also honoured this anniversary ceremony.

Mr. Silvio Pedrazzi, Chairman of AAB and CEO of Intesa Sanpaolo Bank Albania welcomed the participants and thanked them for their participation in the event. Following, Mrs. Anila Denaj, Minister of Finance and Economy, Ms. Maryam Salim, permanent Representative of the World Bank in Albania and Mr. Istvan Lengyel, Secretary General, Banking Association for Central and Eastern Europe (BACEE), delivered their welcoming speeches.

In her speech, Minister Denaj praised the valuable contribution of the banking system in Albania to the economic growth of the country, being an important means for promoting savings of Albanians, but also for the growth of the domestic economy through lending. The Minister emphasized the necessity of returning credit to the expected level, as "credit enhancement is a necessity not only for the country's economic and sustainable development, but also as a key activity for banks themselves".



The evening continued under a festive atmosphere with music, congratulations, and greetings among the guests.

Mr. Lengyel awarded AAB with a Certificate on behalf of BACEE for its successful co-operation.

Thanks to special contributions from AAB Chairmen, such as: Seyhan Pencabligil, Christian Canacaris, Periklis Drougkas, Ardian Fullani, Edvin Libohova, Gazmend Kadriu, Libero Catalano and current Chairman Silvio Pedrazzi, AAB is today one of the most organized, professional and well-structured non-profit organization in Albania.

The conference on “Banks for Sustainable Development” took place on May 14th, in Tirana. This conference was attended by representatives from member banks. In addition, representatives from the Ministry of Finance and Economy, Bank of Albania, World Bank, UNEP FI, European Bank for Reconstruction and Development (EBRD), European Investment Bank, European Banking Federation, regional bank associations, representatives of non-profit organizations, academic circles and the media attended the conference.



FACTS AND FIGURES 2019

BANKING SECTOR IN ALBANIA



GDP increased by 2.9%



The capital adequacy ratio increased to 18.3% compared to the regulatory requirement of 12%



Resident deposits marked 70.4% of GDP



Unemployment rate was reduced to 11.2% compared to 12.3% in 2018



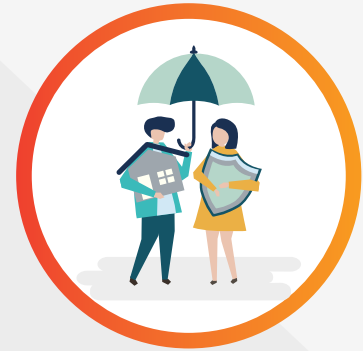
Total deposits reached ALL 1,215 billion or 5.3% higher than in 2018



Business loans portfolio amounted to ALL 335.9 billion or 4.9% higher than in 2018



Housing loans portfolio amounted to ALL 116.8 billion or 6.7% higher than in 2018



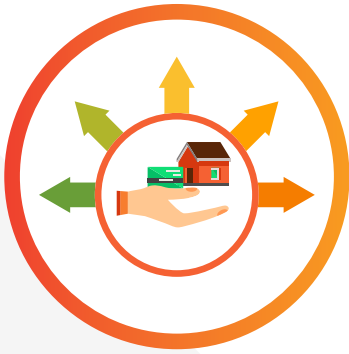
Consumer loans portfolio amounted to ALL 50 billion or 7.7% higher than in 2018



Private sector loans are estimated at about 36.5% of the GDP, or 1.2 percentage points higher than last year



About 66% of business loans are channelled into investment financing



The ratio of loans in ALL to total loans increased to 48.7% or 1.5 percentage points higher than last year



For the first time in the last 10 years, the non-performing loans indicator decreased to one-digit: 8.4% compared to 11.1% at the end of 2018



Total number of customer accounts in banks: 2,984,912



Number of Online Banking transactions: 3,623,642 or 24% more than last year



Online Banking transactions' amount: 960 billion ALL or 8.4% more than last year



Current accounts with internet access 441,591 or 10.5% more than a year ago



Number of payment cards: 1,206,410



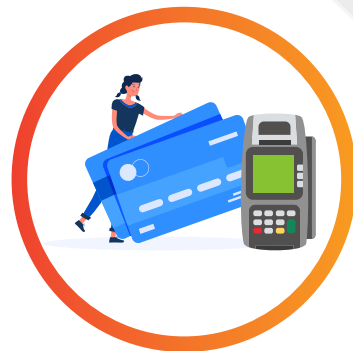
Number of ATMs: 707



Number of POS: 11,195 or 2,469 more than last year



Number of POS card payments: 5 million



Value of card payments in POS: 26.2 billion ALL

MAIN PILLARS OF AAB

AAB business plan includes five main pillars strategic objectives that support realizing vision, mission and purpose of the Association.

- ✓ **Regulatory framework improvement & Collaboration with authorities**
- ✓ **Banking transformation**
- ✓ **Training & development of banking employees**
- ✓ **Financial education**
- ✓ **Communications, public relations and advocacy**

REGULATORY FRAMEWORK IMPROVEMENT

During 2019, with the assistance of the Secretariat, the banking sector has been involved in the consulting process for several draft laws, some of which were subsequently adopted by the Assembly of the Republic of Albania, as follows:

- Law on “Automatic Exchange of Financial Accounts Information”, which aims at implementing the Common Reporting Standards drafted and adopted by the Global Forum on Transparency and Exchange of Information for Tax Purposes, where Albania is party to.
- Law “On some amendments and additions to Law no. 9917, dated 19.5.2008, “On the prevention of money laundering and the financing of terrorism”, as amended. These amendments reflected the technical recommendations made in the framework of the 5th Round of the Evaluation conducted for Albania by the MONEYVAL Committee of the Council of Europe.
- Law “On some amendments and additions to Law no. 157/2013, “On measures against the financing of terrorism”, as amended. This Law reflected the technical recommendations made in the framework of the 5th Round of the Evaluation conducted for Albania by the MONEYVAL Committee of the Council of Europe.
- Law no. 34/2019 “On the administration of seized and confiscated assets”, which aims at providing the legal provisions on the competences of the Agency for the Administration of Seized and Confiscated Assets, as well as the strengthening of its role.
- Draft Law “On Collective Investment Enterprises”, which aims to further improve and develop the legal and regulatory framework for the investment funds sector, and securities and bonds.
- Draft law “On Capital Markets”, which aims at further increasing the potential for the development of capital markets, providing opportunities of economy financing, opening doors to investors to obtain better profits, increase opportunities for intermediaries, increase the profitability of capital markets infrastructure.

- Draft law “On financial markets based on distributed ledger technology”, which regulates the remote conduct of secure economic transactions between two parties, without the need of any intermediaries or third parties acting as reliable guarantors.
- Draft Laws within the 2020 Fiscal Package: (i) Draft Law “On Invoices and Turnover Monitoring System” (fiscalization) and its implementing bylaws, which aim to reduce the grey economy and to include many individuals currently working in the black market in the system; (ii) Draft Law “On some additions and amendments to law no. 9920, dated 19.5.2008 “On tax procedures in the Republic of Albania”, as amended.

THE REGULATORY FRAMEWORK OF THE BANK OF ALBANIA

AAB has been highly engaged in the consulting process for the draft regulations of the Bank of Albania, which were subsequently adopted by the BoA’s Supervisory Council, as follows:

- Amendments to the regulation “On licensing and exercising banking activity of banks and branches of foreign banks in the Republic of Albania”, which mainly consist of anticipating additional requirements of the Bank of Albania for applicants, during the licensing process, related to integrity of shareholders/partners.
- Amendments to Regulation “On the Prevention of Money Laundering and Terrorist Financing”.
- Amendments to Regulations “On consolidated supervision” and “On supervision of electronic banking transactions”, which aim to further strengthen the requirements of the supervisory authority for entities, for a better risk management of money laundering and terrorist financing.
- Amendments to Regulation “On the regulatory capital of the bank”, which aligns the requirements of the Bank of Albania for capital ratio in compliance with the requirements of Basel III.
- New Regulation “On the liquidity coverage ratio”, which complements the applicable regulatory framework for liquidity risk management and defines the requirements for banks on the establishment of a liquidity reserve under stressful liquidity conditions.
- New Guideline “On bank stress tests”, which defines the requirements and methodologies on performing stress tests by banks, as part of their risk management process.
- Amendments to Regulation “On the management of credit risk by banks and branches of foreign banks”, which are in line with the above-mentioned new regulation and which aim to strengthen the classification criteria and provisioning of restructured loans, after January 1st, 2021.
- Regulation “On out-of-court treatment of distressed borrowers by banks”, which aims to encourage the treatment of distressed borrowers, through a structured and efficient cooperation between banks.
- Regulation “On macroprudential capital buffers”, which defines and announces the use of capital conservation buffer, countercyclical capital buffer, capital buffers for systemic banks and systemic risk buffers, as instruments of macroprudential policy.

COLLABORATION WITH AUTHORITIES

Round Tables

On December 6th, a roundtable was co-organized with the International Finance Corporation (IFC) and with the support of SECO. Under the theme **Revitalizing lending and reducing NPLs**, this activity was carried out following the co-ordination of the work on the implementation of the “Platform for revitalization of credits” agreed between the Bank of Albania and AAB.

Subsequently, discussions focused on identifying actions that help reduce credit risk and establish better conditions for credit growth. The Head of Supervision Department at the Bank of Albania, Mr. Deniz Deralla and IFC Advisor, Mr. Ervin Mete participated.

The platform with concrete goals for revitalizing lending in the Albanian economy engages the Bank of Albania and the banking system with the aim of promoting lending.





BANKING TRANSFORMATION

Conferences

The conference on **“Banks for Sustainable Development”** took place on May 14th, in Tirana and gathered together reputable international institutions, national policymakers and financial institutions to discuss recent developments on a broad array of topics on sustainable development. In the framework of the awareness of society and banking industries for a sustainable development at the conference, members of the regional banking associations attended.

The conference proceedings were opened by Mr. Silvio Pedrazzi, Chairman of AAB and CEO of Intesa Sanpaolo Bank Albania. Also, in the opening session of the conference participants were welcomed by the Governor of the Bank of Albania, Gent Sejko.



The conference was organized in two panels.

The first panel was moderated by Mr. Seyhan Pencabligil, CEO and Board Member, Banka Kombetare Tregtare, and focused on the role and responsibilities for a sustainable future. Mrs. Puleng Tumelo, Ndjwili-Potele, Banking Project Coordinator, UNEP FI introduced the “Principles for Responsible Banking: A vehicle for driving lending that contributes to sustainable development”. Mr. Dejan Vasiljev, principal economist, EBRD, focused on sustainable finance and growth.

Mr. Sebastien de Brouwer, Chief Policy Officer, European Banking Federation, EBF, elaborated on the role of banks in sustainable finance and the European perspective. Mr. Alessandro Bragonzi, EIB representative for Albania, Kosovo and Northern Macedonia, brought the experience of how the EIB group finances a sustainable future. Banks in the challenging world of financial intermediation was introduced by Mr. Milan Mirjanic, Associate Partner of McKinsey



During the second panel of the conference, participants addressed the banking challenges in the region under the moderation of Mr. Sebastien de Brouwer, Chief Policy Officer, European Banking Federation, EBF. More concretely, Mr. Pierfrancesco Gaggi, Head of International Relationship, Italian Association of Banks, ABI, presented the development of the banking sector for strengthening the recovery. Mr. Vladimir Vasic, Secretary General of the Association of Serbian Banks, brought Serbia's experience on the NPL market and increased lending, and Mrs. Charikleia Apalagaki, Secretary General of the Hellenic Bank Association, presented the view on governance and the balance between effectiveness and security in Greece. The consolidation of the Albanian banking sector was introduced by Mr. Silvio Pedrazzi, Chairman of AAB and CEO of Intesa Sanpaolo Bank Albania, who closed the proceedings of this conference.





Projects

During September, the Working Group established for the **Credit Bureau Project** gathered twice to discuss on the Request for Proposal (RFP) prepared by AAB Secretariat. In addition, the AAB Information Security was gathered to discuss on minimum security requirements that were included to the RFP.

On November 14th, the AAB Chairman, Mr. Silvio Pedrazzi met with the Governor Mr. Sejko. The meeting had a particular focused on the Credit Bureau project.

On December 3rd, the AAB Chairman, Mr. Silvio Pedrazzi along with the AAB Secretary General, Mr. Spiro Brumbulli organized a meeting with World Bank representatives, where discussed the possibilities of providing technical assistance and to support the establishment of the Credit Bureau.

Workshops

On June 12th, the AAB and the Facilitation, an IT services and software entity focused in providing full-fledged services in the Banking and Financial Services vertical, co – organized a workshop on **Open Banking & PSD2** (the revised Payment Services Directive). In view of the PSD2 Directive of the EU, the workshop aimed at building understanding on the new banking environment that Open Banking revolution will create. Representatives from the commercial banks, Facilitation and RedHat companies attended the workshop.

On September 24th, AAB, in cooperation with European Fund for Southeast Europe, Development Facility (EFSE DF) and RisiAlbania, organized the workshop **“Improving access to financial services for agribusiness”**, attended by representatives of commercial banks, consulting services providers and agricultural entrepreneurs. This activity was part of AAB’s activity in implementing the financial education strategy.

On October 24th, the AAB, collaborated with VISA, organized a workshop with the presence of two VISA CEMEA experts, Mrs. Anzhela Kashperuk, Solutions Manager, and Mr. Srdjan Tutoric, Sr. Account Manager, Visa. This workshop **on Card Business Portfolio** focused on important topics, such as: 3DS mandates; How banks can increase E- Comm business; The process of absorbing VBN publications; Product processing mandate roadmap. Both experts shared their experiences and knowledge with the participants.

On October 29th, the AAB, with the support of European Fund for Southeast Europe, Development Facility (EFSE DF), organized the workshop on **“Hack for Life”**. The month of October marked the kick-off of the European Cybersecurity Month (ECSM), coordinated by the European Union Agency for Cybersecurity (ENISA). The 2019 campaign focused on different themes addressing the need for behavioural change and identifying opportunities to help users recognize the risks of new technologies. AAB has been promoting Cyber Security Awareness for the past four years and has organized forums and activities during October.





On November 6th, the AAB in collaboration with SWIFT, organized a **SWIFT Payment controls event** with the attendance of swift experts, Mrs. Gizem Tansu, ICA. Financial Crime Compliance Initiatives – EMEA. High level representatives from Payments Operations and IT Departments of the AAB member banks, attended the event to discuss and share knowledge about fraud prevention and recent incidents in the region.

Greenback Academy Workshop

On December 18th, 2019 the Albanian Association of Banks (AAB) cooperated with the World Bank and the Bank of Albania (BoA) and jointly launched the Greenback Academy in Albania. This initiative marked the beginning of the capacity building component of Project Greenback, implemented by the World Bank in Albania in the context of the Remittances and Payments Program funded by the Swiss Secretariat of Economic Affairs (SECO).

The first **Greenback Academy workshop** brought together client-facing staff members from all financial institutions in Berat. AAB enabled the participation of 20 member banks' representatives. The lessons learned from the first edition will be applied to a standardized training module that the World Bank is preparing for this purpose. AAB and BoA will streamline this module into existing training programs for every financial institution in Albania.

Workshops with State Institutions

On January 29th, the State Police, with the support of the European Council and in collaboration with the AAB, organized a meeting on public-private cooperation for **fighting cybercrime and online crime proceeds**. The meeting aimed to raise awareness on cyber threats, potentials risks, vulnerability and consequences, provide information on new trends and cyber-criminal activity in the country, as well as finding solutions for working together to prevent and detect cybercrime through strengthening existing cooperation. Representatives of Prosecutor's Office, Cybercrime and Financial Investigation Units at State Police, National Agency of Information Society, Financial Intelligence Unit (FIU), National Authority for Electronic Certification and Cyber Security, banks, and ISPs attended the meeting.



TRAINING & DEVELOPMENT OF BANKING EMPLOYEES

IN-HOUSE TRAININGS:

- 23 trainings
- 365 banks employees
- Collaboration with 10 Partners

Topic: Selling financial services and managing client relationships

Date: February 11th - 13th

Partner: ATTF

Participants: 22

Description: The course organized provided the participants with a good understanding of the selling techniques aiming to sell services and products to client and to manage client relationship effectively. The training was conducted by Mr. Alex Kloos, an ATTF expert.





Topic: International Arbitration: the road for expanding international business

Date: February 28th and March 1st, 2019

Partner: ICC Albania

Participants: 3

Description: The two-day seminar was designed for all in-house counsel, legal practitioners, (prospective) arbitrators and academics interested in the field of (international) arbitration.

Topic: Workshop on NPLs disposal process and financial restructuring

Date: March 12th

Partner: PwC Albania and Kosovo

Participants: 20

Description: Different aspects and analysis of the current situation on disposal of Non-Performing Loans (NPLs) and best practices in financial restructuring services.

Topic: Sales capacities and sales management

Date: March 12th-13th & March 26th- 27th

Partner: Austrian Institute of Excellence (AIE)

Participants: 30

Description: The training targeted regional employees. Delivered in Albanian language and organized in Fier.

Topic: Conflict management and problem solving

Date: March 19th - 20th

Partner: Austrian Institute of Excellence (AIE)

Participants: 13

Description: The training targeted regional employees. Delivered in Albanian language and organized in Lezha.

Topic: Training on Agile Business Transformation

Date: April 1st - 2nd

Partner: Austrian Institute of Excellence (AIE)

Participants: 14

Description: The training course provided the participants with the tools and skills needed to ensure the organizations thrive - even in the face of adversity.

Topic: Sales capacities and sales management
Date: April 9th – 10th
Partner: Austrian Institute of Excellence (AIEx)
Participants: 17
Description: The training targeted regional employees. Delivered in Albanian language and organized in Korça.

Topic: Motivating and leading a successful team
Date: April 17th – 18th
Partner: Austrian Institute of Excellence (AIEx)
Participants: 16
Description: The training targeted regional employees. Delivered in Albanian language and organized in Fier.

Topic: Training on Retail Banking and new distributions channels and e-banking
Date: May 6th – 8th
Partner: ATTF Luxembourg
Participants: 18
Description: This three-day training provided a general overview of the distribution strategy in Retail Banking, the combining of different distribution channels and the transformation needed to succeed.

Topic: Training on Leadership teams
Date: May 20th – 21st
Partner: Austrian Institute of Excellence (AIEx)
Participants: 15
Description: The training focused on creating authentic structure of the team: composition of the team, size of the team and designing a leadership team.

Topic: Motivating and leading a successful team
Date: May 8th – 9th & 29th – 30th
Partner: Austrian Institute of Excellence (AIEx)
Participants: 24
Description: The training targeted regional employees. Delivered in Albanian language and organized in Lezha and Korça.





Topic: How to increase Internal Audit Director's value to the organization

Date: May 22nd -23rd

Partner: Albanian Institute of Internal Auditors (AIIA)

Participants: 14

Description: The workshop emphasized the necessity for Internal Audit Directors to improve and develop skills and competences in areas such as the ability to establish and maintain strong connection with the stakeholders.

Topic: International Trade Compliance

Date: June 18th

Partner: ICC Albania

Participants: 2

Description: The workshop aimed to inform the participants about the different forms of trade compliance like tariff classification, export controls and embargoes in order to minimize possible risks and costs for the company.

Topic: Understanding and Auditing Cybersecurity

Date: June 20th - 21st

Partner: Albanian Institute of Internal Auditors (AIIA)

Participants: 8

Description: The two-day training that aimed to introduce the emerging cybersecurity risks and challenges as well as problems and solutions for understanding and auditing cybersecurity in the digital world. The training focused on fundamental challenges of cybersecurity, how to assess cybersecurity maturity and identify vulnerabilities; how to effectively mitigate cybersecurity risks; which is the main role and main tasks of IT security professionals, internal auditors and other relevant actors in this context. It was attended by participants from member banks.

Topic: Basics of International Documentary Trade Finance Banking for Back Office

Date: June 25th – 26th

Partner: ICC Albania and EBRD

Participants: 27

Description: The workshop arranged for local banks. The topics covered were related to Back Office Operations, such as synchronizing transactions with client import-export sales contracts on cash covered basis (deposit) and clean basis (other security), drafting and signing documentary transaction agreements, processing and completing transactions with SWIFT message exchange and standards of checking of submitted documents with the documentary instruments.

Topic: Technical Security and Running the Track Tool

Date: June 9th

Partner: Tirana International Airport

Participants: 25

Description: This training is a mandatory course for all officers that enter the airway during the daily operational working hours.

Topic: Sales capacities and sales management

Date: June 25th – 26th

Partner: Austrian Institute of Excellence (AIEx)

Participants: 12

Description: The training targeted regional employees. Delivered in Albanian language and organized in Gjirokastra.

Topic: Treasury Audit

Date: September 24th – 25th

Partner: Albanian Institute of Internal Auditors (AIIA)

Participants: 14

Description: The training aimed at providing specialized knowledge on auditing treasury function as well in-depth understanding of treasury operations and identifying basic risks.





Topic: Innovation in human resources Management

Date: October 10th – 11th

Partner: AIMS International Albania

Participants: 10

Description: The training was facilitated by Mr. Torsten Miland, Managing Partner of AIMS International Denmark, as well as the Global Head of AIMS Financial & Professional Services Practice team.

Topic: Leadership Teams & Manager as Coach

Date: October 21st – 22nd & 23rd -24th

Partner: Austrian Institute of Excellence (AIE)

Participants: 21

Description: These two trainings were part of the program for the development of line managers in commercial banks.

Topic: Risk Management: Assets & Liability Management

Date: October 23rd – 25th

Partner: ATTF Luxembourg

Participants: 19

Description: The objective of this course was to provide the participants with a general overview of fundamental and advanced techniques in Asset & Liability management.

Topic: Points of You® Academy in Albania

Date: October 25th

Partner: Galagan Advisory

Participants: 10

Description: The workshop consisted of phototherapy, mindfulness, story-telling and coaching with the power to create a deep bond between the heart and the mind.

Topic: Roadmap to Building a Culture Engagement

Date: November 21st

Partner: Lincoln Centre

Participants: 11

Description: The training targeted departments heads and managers.

FINANCIAL EDUCATION

EUROPEAN MONEY WEEK

During the week of March 25th – 31st 2019, the Bank of Albania (BoA) and the Albanian Association of Banks (AAB), with the support of the Ministry of Education, Sports and Youth (MASR), Albanian Deposit Insurance Agency (ASD) and ANFE organized various activities, aiming to involve as many young people as possible, in order to raise their awareness about financial education issues.



Under the motto: **“Too young to speak in old lek!”** the activities aimed to extend longer than the Money Week, focusing on the education of the society in the correct use of the term “lek” day-to-day financial interactions.

The Money Week 2019 involved more than **4,000 pupils and students**, from more than **90 schools**, at all national levels.



On **March 25th**, the Money Week 2019 was launched. The First Deputy Governor of the Bank of Albania, Ms. Luljeta Minxhozi, the Deputy Minister of Education, Youth and Sports, Ms. Lorena Haxhiu, and the Chairman of the Albanian Association of Banks, Mr. Silvio Pedrazzi addressed the launching ceremony.

The ceremony continued with the awards for the winners of the three contests, with the participation of around 340 pupils from 40 primary and high schools.

- The 1st contest organized in the framework of this Week was dedicated to “Learn. Save. Earn.” and sixth graders of 9-year schools were invited to participate with their original projects. The contest was supported by Banka Kombetare Tregtare.
- The 2nd contest was with photomontages on: “Too young to speak in old lek: an added 0 makes the difference”, with the participation of the ninth graders of 9-year schools. The contest was supported by Credins Bank.
- The 3rd competition was on the best video, and high school students were invited to present their original messages on “Too young to speak in old lek”, with the support of American Bank of Investments.
- The best essay on “Re-denomination of Lek: socio-linguistic analysis of a 55-year mistake” targeted to students of the Albanian Language and Literature branch and “Re-denominations: examples from history and the case of Albania”, was supported by Intesa Sanpaolo Bank Albania.



On **March 26th**, was organized the opening of the program “The Education of Young Jobseekers in the Banking Sector”. The activity was held at UET premises.

On **March 28th**, for the second consecutive year, was organized the European Money Quiz, in which roughly **350 primary schools’ pupils from 59 schools** across Albania competed directly in a live national contest hosted via the Kahoot! online learning platform. The winning team represented Albania in the European finals held on May 7th. For the second consecutive year, the participation of the Albanian team in the European Money Quiz, an international financial literacy competition that attracted more than 100 000 students from 28 European countries, was made possible thanks to the support from the AAB and member banks. The Albanian team get the seventh place.

This activity was financially supported by: Alpha Bank Albania, American Bank of Investments, Banka Kombëtare Tregtare, Credins Bank, FIBank Albania, Intesa Sanpaolo Bank Albania, Raiffeisen Bank, Procredit Bank, Societe Generale Albania, Tirana Bank.

On **March 29th**, the Innovative Talk “From an Application for Personal Finance to Business” took place. The creator of MoneyCoach, held a presentation on the application in order to promote innovative ideas in the function of financial education and financial inclusion.

In addition, during the week were organized open lectures, competitions, visits to the museum of the Bank of Albania and open classes.

FINANCIAL EDUCATION

AAB HONOURED WITH A SPECIAL AWARD

During the 2019 finals of the European Money Quiz, the European Banking Federation (EBF) honoured the Albanian Association of Banks, with a special award "Special recognition for Albania: Small, but Great!".

ANFE meeting

On June 13th, the ANFE meeting led by the Life insurance and Pensions association was organized. In the meeting was introduced the World Bank Greenback 2.0 project on "Financial Education – a gateway to sustainable development", and was also discussed about the contribution of all organizations in creating a teacher's book to support the mandatory subject "Ekonomia 12" for high schools. Founding members agreed to collaborate on Financial education' activities, which are related to special celebrating week during the year, such as money week, investments week, entrepreneur week, etc.

The agenda of the meeting organized on September 25th included the organization of the Investor World Day activities, the activity with high-school students under the slogan "Let's talk in your language" about the financial market terminology and the need for national financial education strategy and other informative issues.



Brochure for farmers

AAB signed a collaboration agreement with Finance in Motion GmbH for co-sponsoring the printing of an educational brochure on agriculture loans and sharing the brochure to a group of stakeholders in Albania. This educational brochure, which is available into Albanian and English language, addresses the basic principles and risks associated with agriculture lending. Thank to members banks the material was adapted to the country specifics.



Informative Videos

In January, AAB launches the next video of the “My Bank” series on “Contactless Card”.



COMMUNICATIONS, PUBLIC RELATIONS AND ADVOCACY

The Association's strong commitment to raising the profile of the banking industry profession and recognition for the members includes a wide range of activities.

During the year, the Chairman and the Secretary General of the AAB were often invited to deliver speeches or attend such events in Albania and throughout Europe, aiming to elaborate on the views of the sector on key topical issues.

AAB representatives continued to participate in several roundtables and forums, hence introducing the AAB position on the related issues.

The AAB activities received high media coverage during 2019 and the Secretary General gave more than 30 interviews throughout the year focused on banking industry image, the private bailiffs fees, NPLs, on financial education, electronic payments developments, decrease in the use of cash and informal economy, consequences after the earthquake, etc.

In addition, the chairpersons of AAB technical committee and AAB Card Committee shared some information on specific issues of concerns, such as: on anti-money laundering, on avoiding card fraud and on card usage.

ACTIVITIES WITH ECONOMIC JOURNALISTS:

Meeting of AAB Chairman with media representatives



On April 24th, at the invitation of the AAB Chairman, Mr. Silvio Pedrazzi and in attendance of the Secretary General, Mr. Spiro Brumbulli, at the premises of the AAB, was held a meeting with media representatives, who cover the economic news. The meeting took place in the framework of sustainable, fruitful relationship and coordination with the media, aiming for better information.

During his speech, Mr. Pedrazzi noted that AAB is committed to clarifying some of the issues discussed in the media about the activity conducted by banks in foreign currencies and the management of money value in banking system. The meeting was evaluated as an effective communication tool.

Training trip with economic journalists

The annual trip for economic journalists was organized on October 20th – 22nd, in the city of Turin, Italy and was supported by Intesa Sanpaolo Bank Albania & Intesa Sanpaolo Group. 17 print, electronic and online media economic journalists had the opportunity to share information with experts from the banking sector. Getting acquainted with the Intesa Sanpaolo Group's innovative facilities, aimed at a better understanding of the how operates a banking group that is a leader in Italy.



PUBLICATIONS

“Bankieri” Magazine (30, 31, 32, 33)

Four editions of “Bankieri” Magazine were prepared and published in 2019. These include articles written by banking experts, academics, business representatives, etc. The magazines are downloadable online at social network profiles.



Annual Report – 2019



Annual CSR Reports: Banks for society – 2019



The study on “Confidence and Perception of the Customer in Banks and Banking Sector”



The survey, carried out for the first time, focused on banking products and services, while simultaneously assessing the progress of the digitalization process in the banking services.

The survey conducted by IDRA Research & Consulting, analysed the outcomes of the first phase and was based on filled-in questionnaires from more than 600 clients of commercial banks clients through an online survey platform.

On September 23rd, 2019, the Albanian Association of Banks (AAB) organized an event to introduce the findings of the first survey. Representatives of state institutions, Bank of Albania, associations, member banks and the media attended the event.

The survey continued with a final second phase and is planned to be held every two years by the Albanian Association of Banks.

AWARENESS CAMPAIGN ON CARD USAGE

During the year under review, the AAB run the awareness educational campaign twice, with the support of VISA and Mastercard respectively, to lower the use of the cash and raise the use payment instrument by educating cardholders in Albania on their benefits. The campaign featured TV and radio spots. In addition, the campaign included various platforms in social media.



SOCIAL MEDIA

With the social media landscape as immense as it is, it represents another challenge as each channel offers up different data results. By defining what would represent success, AAB can make a thorough consideration of what has worked, what has not and how to adapt the information in the future.



TECHNICAL COMMITTEES

HIGHLIGHTS AND ACHIEVEMENTS

Bank Security Committee

In January, the Secretariat organized and hosted an experience exchange between the Banking Security Committee and the Chairman of the Banking Security Committee in Kosovo, Mr. Besim Karaqa, regarding the cases of bank robbery and ATMs and the measures.

During the year, the committee' members focused on the armed robbery occurred in Rinas, the additional security measures taken by banks and the safety of the money value transportation in different cities of Albania. In addition, the implementation of the contract by the physical security companies in compliance with the Guideline No. 130, dated 05.03.2018 on "Private physical security services" was part of the discussions.

Card Committee

The committee members discussed on issues of common concern, such as: the awareness campaign on the use of cards, the experienced problems with online transactions the impact of the new mandates from VISA and Mastercard, the Survey on merchants' costs of processing.

On June 10th, the committee members organized the election and the new chairperson of the committee was appointed Ms. Erion Maxhari from FIBank Albania.

Communication / PR Committee

The PR & Communication committee members contributed on the financial education projects and Money Week activities. Another topic of discussions was the annual report on the activities of CSR carried out by the member banks, reported under the SDGs. AAB created a template, in order to facilitate each reporting and further on to collaborated in a valuable report.

In its meeting held on April 11th, the Committee organized the election. The new chairperson of the committee is Ms. Lutjana Konomi, representative of FIBank Albania.

Compliance Committee

Members of AAB Compliance Committee submitted to the AAB Secretariat comments and suggestions on the draft law "On Common Reporting Standards". The unified comments were set by AAB Secretariat to the Ministry of Finance and Economy, on April 17th. During the year, the members discussed issues related with new legal framework on Common Reporting Standards as well as on Bank of Albania's draft regulation on anti-money laundering concerning the unification of the training program requested with the proposed changes.

On November 12th, the AAB Compliance Committee elected the new chairmanship of the committee and by Mr. Markelian Riska, representative of Intesa Sanpaolo Bank Albania was appointed as the Chairperson.

Human Resources Committee

On May 17th, a meeting of the committee was organized, to discuss the participation of member banks at the 2019 Korn Ferry's Compensation & Benefits Survey for the Albanian Banking Market. Members discussed an estimation on how many Banks could participate in the Survey, so to consider the robustness of data that the later was able to provide.

On October 16th, the committee members gathered. As the main contributor and supporter of the trainings organized by the AAB for the banks' employees during the year the committee focused on the long-term trainings planning. In addition, activities for 2020; partnership with the universities regarding organization of lessons in the frame of financial education; the annual training program of the bank's units responsible for the prevention of money laundering and terrorist financing, etc. were main topics discussed throughout the year under review.

On December 10th, the AAB Human Resources committee chairmanship elections were held. After the voting process, Ms. Valbona Zeneli, Raiffeisen Bank Albania was elected as the new chairperson.

Internal Audit Committee

The members celebrated together the month of international promotion of internal audit function. In the framework of activities organized with the participation of some of the committee members, on May 28th, an open lecture was held with the participation of students of the Finance-Accounting department at the University "Aleksandër Moisiu", Durrës. The lecture was held by Mr. Ilir Rudi, Director of the internal audit department at ABI Bank.

Considering the termination of the mandates of the chairperson and the two vice-chairpersons, the elections of the committee was held on June 16th. Ms. Dorida Stambolla, from Raiffeisen Bank Albania, is appointed the new chairperson of the committee.

Information Security Committee

The committee sent a requested to AKCESK in order to establish a back-up contact for the cyber security incident management reporting system. Banks re discussed with the authority the criteria of evaluation of critic and important infrastructures in terms of cyber security.

On August 2nd elections were held, and Mr. Dritan Gucaj from OTP Bank Albania was appointed as the new chairman.

Legal Committee

Following the opinions, comments and suggestions on the draft law "On some amendments and additions to the Law No. 10031, dated 11.12.2008, "On the private judicial bailiff service", amended, Parliamentary Committee on Legal Affairs, Public Administration and Human Rights organized a wide public roundtable on this draft law, on Tuesday, March 26th 2019. The AAB Secretariat representatives and the legal committee representatives participated on this roundtable, where were presented the main concerns and suggestions of banking sector regarding the draft law.

During 2019 the Legal Committee was deeply involved on the draft laws: "On Invoices and the System for Monitoring Transactions"; "On Collective Investment Enterprises"; as well as identifying the main issues and proposals on Credit Growth.

On November 6th, elections were held and Ms. Veronika Prifti, American Bank of Investments, was appointed as the new chairperson.

Risk Committee

Over the year, the Committee members focused on the regulation "On the Liquidity Coverage Ratio" and contributed on data collection and reporting.

On June 6th, elections were held and Ms. Elona Bollano, Banka Kombetare Tregtare, was appointed as the new chairperson.

OTHER MEETINGS **IN 2019**

The Association organized a series of meetings that brought together top decision-makers from member banks and experts from a wide range of sectors, providing unique opportunities for high-level dialogue and exchange on emerging and priority topics.

Meetings with public institutions

Meeting with the Minister of Interior, Sander Lleshaj

On February 6th, the executive committee members met with the minister of Interior, Sander Lleshaj. Participants to the meeting mainly discussed issues related to the security in banks such as: the cases of physical attacks on ATM machines, the situation in the country before the elections, requirements and control over the physical security companies, etc.

Meeting with the Minister of State for Protection of Entrepreneurship, Eduard Shalsi



On February 27th, the CEOs of commercial banks held a meeting with the State Minister for Protection of Entrepreneurship, Mr. Eduard Shalsi. The focus was the improvement of business climate. During the meeting, the participants emphasized various aspects such as the sustainability, credibility, regulatory supervision, liquidity of banks and the necessity for further credit. In addition, they raised concerns on several issues. The parties expressed their willingness to address these concerns and find a solution.

Meeting with Bank of Albania & World Bank representatives

On **March 6th**, the AAB representatives met with Bank of Albania and World Bank representatives. The meeting focused on the Government payments, payments Infrastructure (Switch & Instant Payments).

Meeting with GDT representatives

On **March 23rd**, a meeting with the General Directorate of Taxation representatives (GDT) was organized. KPMG consultants attended the meeting and discussed the effects of IFRS 9. After a communication between the parties, the meeting was held concerning the implementation and adoption of IFRS 9. The GDT stance was required and following the meeting was sent an explanatory letter to the banks.

On September 11th, a joint meeting was organized with representatives from member banks to discuss the draft agreement on the refund of VAT financing on various entities.

Meeting of Governor Mr. Sejko with banking sector

On **May 29th**, at the Bank of Albania premises a meeting on: “The role of the banking industry in the future development of Albania” was organized. The meeting, organized upon the initiative and chaired by the Governor of the Bank of Albania, Mr. Gent Sejko, was attended by senior officials from the Bank of Albania, executives of commercial banks (CEOs and deputies), and representatives from the International Monetary Fund and World Bank Group.



On **July 24th**, the AAB Executive Committee (EC) members, chaired by the Chairman Mr. Silvio Pedrazzi, held a meeting with the Governor of the Bank of Albania, Gent Sejko.

This meeting, known as the “Summer Summit”, was held in the framework of the traditional and ongoing dialogue that the EC undertakes with the Bank of Albania. During this meeting, Mr. Pedrazzi informed the Governor about the latest developments in AAB, focusing in particular on the decision on AAB’s contribution to aiding the consequences of the earthquake in the Korça Prefecture and the approval for setting up the Credit Bureau. Another important issue addressed during the meeting was the regulation adopted at the last meeting of the Supervisory Council, “On extrajudicial treatment of banks, borrowers in financial difficulties”, otherwise called “Tirana Approach”, which is drafted within the framework of the fulfilment of the commitments undertaken by the Bank of Albania in the Interinstitutional Plan for measures for the reduction of non-performing loans. The AAB representatives expressed their commitment to concretization and follow-up of the projects undertaken.

National Risk Assessment

Albania has conducted a second round of reviews of the National Risk Assessment (NRA) on money laundering and terrorist financing, an obligation arising from FATF Recommendation 1, to address the shortcomings found by Moneyval in its recent assessment of our country. The General Directorate for the Prevention of Money Laundering as an institution tasked with the task of reviewing the national risk assessment, through the AAB Secretariat send the draft of this document to the banks, for suggestions. Regarding the matter, on June 28th, a meeting at the GDPML premises was held, with the participation of banks experts.

Working meeting with General Director of FIU

On August 2nd, the AAB Secretary General met with the General Director of FIU. The meeting focused on the measures to be considered to reduce the use of cash in the country.

Meetings with international institutions

Meeting with MIGA's team

The Multilateral Investment Guarantee Agency (MIGA) team of the World Bank Group carried out a visit to Albania from January 23rd to 24th. The purpose of the mission was to conduct the self-evaluation of the MIGA-guaranteed for one of commercial banks project in Tirana. In this context, on January 23rd, the team consisted of: Persephone Economou, Senior Risk Management Officer, Atia Byll-Cataria, Senior Environmental and Social Development Specialist (MIGES) and Juan David Reyes Trujillo, Operations Analyst (MIGOP), met with Mr. Brumbulli, AAB Secretary General, in order to be informed on the recent banking-sector developments in Albania.

Meeting with the European Commission's Directorate General (ECFIN)

A mission from European Commission's Directorate General ECFIN visited Tirana to discuss with the Albanian authorities the 2019-2021 Economic Reform Program (ERP).

In this regard, the team met twice with the AAB Chairman, Mr. Silvio Pedrazzi and the AAB Secretary General, Mr. Spiro Brumbulli on February 20th and November 21st, where were discussed the 2019-2021 & 2020-2022 Economic Reform Program (ERP) for Albania and the structural reforms that Albania is working on, including developments in private sector and business environment.

Meeting with the EBRD team

On March 27th, the team with EBRD team met with the AAB Secretary General. The agenda included: the assessment level of informality and its effect on the formal economy; recent attempts (e.g. inspections) against the informality; Main factors after persistent euroization; The main barriers to faster settlement of non-performing loans.

IOM programme

On February 18th, a meeting with the team of experts who work in close cooperation with IOM programme "Engage the Albanian Diaspora to the social and Economic Development of Albania" and relevant counterparts was organized, in order to identify, develop and present a complete revision of the Strategy document and its action plan including a strategy budgeting. IOM Albania supports the Albanian Government in its efforts to support the Inter-Institutional Working Group in the revision of National Strategy for Diaspora 2018-2024 and its Action Plan.

Report on the Observance of Standards and Codes (ROSC) Accounting and Auditing

On February 28th, 2019, a meeting with the team of Report on the Observance of Standards and Codes (ROSC) Accounting and Auditing was organized. During the meeting was discussed the perceptions on the quality of the regulation and enforcement of financial reporting standards, and quality of accounting and auditing profession, banking financial reporting and bank perceptions as user of financial statements.

On Market Makers Pilot project

On June 13th, a meeting with Mr. Laszlo Buzas, the World Bank team expert in public debt management was organized, to discuss on the progress of Market Makers project which aims to facilitate a secondary market trading in selected government securities, by introducing a tailored approach for developing the Albanian capital markets.

On Instant Payments

On July 10th, an informative meeting was held with the representative of CAPSYS, a Hungary-based independent software and consulting services company delivering capital markets and banking solutions, and the representative of the National Association of Entrepreneurs and

Employers of Hungary. The AAB Secretary General was briefed about the company profile and their projects and further discussed about instant payment solutions.

On the capital markets

On July 30th, the EBRD hosted a meeting to discuss recent developments in the Albanian banking sector and legislation. The AAB Secretary General provided an overview of the banking sector and its relationship with the authorities, including regulators.

Meeting with the Office of Technical Assistance (OTA) representatives

On October 23rd, the Secretary General met with representatives of Office of Technical Assistance (OTA), a mission of US Department of Treasury. The meeting was held in General Directorate of AML. OTA representatives presented their intention to provide their technical assistance through a project, aiming to enhance the capability of prevention and enforcement regarding AML and CFT, involving all the actors of the processes in the country.

On NPL 2 Plan

On October 24th, a meeting with World Bank Group Scoping mission for Albania Country Private Sector Diagnostics was organized. A proposal on NPL 2 Plan was introduced during the meeting by the AAB Secretary General, aiming to have the technical support in drafting the plan, with the focus on the need to increase the lending within the country.

Authenticity of electronic documents

On December 18th, the SECOM held a presentation on an equipment on the authenticity of identification documents as well currencies. The AAB enabled participation of bank members representatives on the activity organized by EXPO Click.

Meeting with RISI Albania


On January 25th, AAB Secretariat met with representatives of RisiAlbania, a project that facilitates creation of public - private cooperation, to address the barriers to growth. The meeting focused on further collaboration on organizing joint events such as an Open Day between agrobusiness and banks, providing new financing opportunities for new projects.

Informative meetings

AAB is continuously providing a consolidated knowledge and information basis to its partners, by communicating on a regular basis and making sure membership and collaborators are informed of all the recent and most relevant issues. In order for international institutions representatives to get acquainted with the financial market developments and receive detailed information on the banking sector in Albania, during the year, the AAB Secretary General organized a series of informative meetings with representatives from several international institutions and financial services companies, leaders in the financial sector.

Topics discussed during these meetings: on financial education issues; on the latest banking sector developments the banking sector, credit growth; credit guarantee schemes; overall overview of the banking sector and industry policies on SMEs; corporate segment in Albania; detailed recommendations on how to improve access and use of financial services, Credit Bureau project, bailiffs tariffs, lending issues and consolidation of the banking supervision, regulatory developments and other challenges and problems the banking sector is facing lately.

AAB partners attending the informative meetings: World Bank Group; European Union team, International Finance Corporation (IFC); European Fund for Southeast Europe (EFSE); Savings Banks Foundation for International Cooperation (SBFIC) European Commission Team (Directorate General for Neighbourhood and Enlargement -DG NEAR), Directorate General for Economic and Financial issues- DG ECFIN and Directorate General for Employment - DG EMPL; Swiss Embassy; Albanian Agency of Deposit Insurance; Economic Service for Danube/Balkans area, CBS Creative Business Solutions; Business & Finance Consulting GmbH (BFC), NLB Banka; Embassy of France in Bulgaria.



FIGURES
ON THE
MEMBER
BANKS

Bank	Shareholders' Structure		Country of origin	Assets (ALL000)	Loans, Net (ALL000)	Investments in government securities (ALL000)	Equity capital (ALL000)
 ALPHA BANK	Alpha Bank A.E.	100%	Greece	78,336,093	35,007,564	10,939,442	9,021,059
 AMERICAN BANK OF INVESTMENTS	Tranzit shpk	100%	Albania	77,654,402	24,754,762	31,824,674	9,636,268
 BANKA KOMBETARE TREGTARE	Calik Finansal Hizmetler A.S.	100%	Turkey	403,955,245	94,037,744	159,511,548	48,834,280
 CREDINS bank	Renis Tershana Aleksander Pilo B.F.S.E. Holding BV Other (less than 5% of shares)	21.93% 14.27% 15.37% 48.43%	Albania Albania Netherland	221,096,265	102,717,457	67,056,366	17,638,479
 FIBANK First Investment Bank	Fibank AD	100%	Bulgaria	31,722,865	14,669,657	8,905,701	3,457,903
 INTESA SANPAOLO BANK Albania	Intesa Sanpaolo S.p.A.	100%	Italy	177,566,758	44,864,090	61,557,505	21,631,243
 otpbank	OTP NYRT	100%	Hungary	90,647,369	53,018,547	22,448,698	9,085,051
 ProCredit Bank	ProCredit Holding AG & Co. KGaA	100%	Germany	31,952,136	22,157,380	2,288,243	2,945,593
 Raiffeisen BANK	Raiffeisen SEE Region Holding GmbH	100%	Austri	223,434,845	94,942,961	54,433,371	27,935,995
 TIRANA BANK	Balfin Shpk Komercijalna Banka AD Skopje	90.12% 9.88%	Albania North Macedonia	75,900,015	31,179,091	30,865,226	9,672,435
 UNIONBANK	Unioni Financiar Tirane (UFT) Sh.p.k.	89.72%	Albania	65,921,742	28,563,011	22,191,512	5,307,883
	European Bank for Reconstruction and Developments	6.74%	United Kingdom				
	Individuals	3.54%	Albania				
 Banka e Bashkuar e Shqiperise United Bank of Albania	Islamic Development Bank EUROSIG SH.A Ithmaar Bank Dallah Albaraka Holding Co. Business Focus SDN BHD Saudi Brother Commercial Co. Individuals	77.7% 9.00% 4.63% 2.32% 1.47% 0.58% 4.31%	Saudi Arabia Albania Bahrain Bahrain Malaysia Saudi Arabia Saudi Arabia	8,947,296	5,500,594	-	1,762,717
Total				1,487,135,032	551,412,858	472,022,287	166,928,906

Audited data according to IFRS, as of 31.12.2019 (1 EUR = 121.77 ALL; 1 USD = 108.64 ALL) (in thousand of ALL)

Deposits (ALL000)	Net profit (ALL000)	No. of outlets	No. of employees	No. of ATMs	No. of cards issued	Debit Cards	Credit Cards	No. of POS	E-banking	Mobile Banking	E-commerce
63,845,679	138,018	33	421	49	54,345	47,264	7,081	1,374	Yes	Yes	No
64,980,154	748,540	23	372	31	20,010	19,084	926	-	Yes	No	No
315,700,945	5,315,245	65	953	93	385,652	311,933	73,719	6,338	Yes	Yes	Yes
189,099,583	1,002,448	58	921	70	170,503	164,580	5,923	1,306	Yes	Yes	Yes
26,588,459	482,480	14	218	29	32,203	28,213	3,990	n/a	Yes	in process	No
150,941,624	1,701,875	35	663	53	109,888	109,290	598	653	Yes	Yes	No
66,345,074	926,407	37	454	76	62,672	61,066	1,606	-	Yes	Yes	No
21,540,689	(802,302)	5	111	16	10,835	10,834	1	-	Yes	Yes	No
188,117,072	2,901,441	76	1,300	177	284,779	249,559	35,220	1,294	Yes	Yes	Yes
63,324,971	400,840	35	450	66	70,116	65,553	4,563	216	Yes	Yes	No
51,954,739	748,828	33	428	44	37,124	W30,595	6,529	30	Yes	Yes	No
7,313,310	8,778	6	75	-	1,942	1,942	n/a	n/a	n/a	n/a	n/a
1,209,752,300	13,572,598	420	6,366	704	1,240,069	1,099,913	140,156	11,211	11	9	3

ALBANIAN ASSOCIATION OF BANKS
Financial Statements
for the year ended 31 December 2019
(with Independent Auditors' Report thereon)

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INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT OF

ALBANIAN ASSOCIATION OF BANKS

Opinion

We have audited the financial statements of Albanian Association of Banks (AAB or the Entity), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards for Non for Profit Organisations (NAS for NPO).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NAS for NPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted

in accordance with ISAs will always detect a material misstatement when it exists.

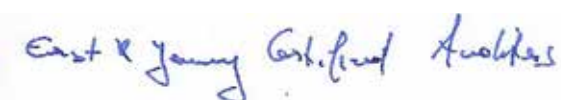
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management of Albanian Association of Banks regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ekspert Kontabël i Autorizuar
Albania Branch



2 June 2020

Tirana, Albania

Mario Vangjel
Certified Auditor



ALBANIAN ASSOCIATION OF BANKS

Statement of financial position*(all amounts are in local currency, ALL)*

	Notes	31 December 2019	31 December 2018
<u>ASSETS</u>			
<i>Current Assets</i>			
Cash on hand and at banks	4	7,075,012	8,325,877
Contributions Receivable	5	2,435,400	2,750,371
Prepaid expenses	6	280,160	280,160
Total current Assets		9,790,572	11,356,408
<i>Non-current Assets</i>			
Fixed assets, net	7	923,593	1,136,034
Total non-current assets		923,593	1,136,034
TOTAL ASSETS		10,714,164	12,492,442
<u>LIABILITIES</u>			
<i>Current Liabilities</i>			
Payable accounts	8	3,015,125	2,927,346
Accrued Invoices	8	-	17,600
Total current liabilities		3,015,125	2,944,946
Net assets	9	7,699,039	9,547,496
TOTAL LIABILITIES		10,714,164	12,492,442

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 1 to 13.

ALBANIAN ASSOCIATION OF BANKS

Statement of income and expenditure*(all amounts are in local currency, ALL)*

	Notes	For the year ended on 31 December 2019	For the year ended on 31 December 2018
<u>INCOME</u>			
Membership fee for natural disaster	10	34,264,000	-
Membership fee	10	27,033,500	20,164,000
Donations and voluntary contributions	10	5,933,825	3,757,355
Other income	10	3,762,009	5,886,609
TOTAL INCOME		70,993,333	29,807,964
<u>EXPENDITURES</u>			
Depreciation	7	(247,443)	(289,557)
Operating expenses	11	(13,503,627)	(14,966,667)
Promotion and publicity expenses	12	(6,409,210)	(3,897,246)
Administration and general expenses	13	(18,186,067)	(21,176,926)
Membership expenses for natural disaster	13	(34,396,000)	-
Exchange Loss / Gain		(99,444)	(149,616)
TOTAL EXPENDITURES		(72,841,791)	(40,480,013)
EXCESS /DEFICIT OF INCOME OVER EXPENDITURES		(1,848,458)	(10,672,049)
Net assets at the beginning of the year		9,547,497	20,219,546
Net assets at the end of the year		7,699,039	9,547,497

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 1 to 13.

Notes to the financial statements for the year ended on 31 December 2019*(all amounts are in local currency, ALL)*

	Notes	For the year ended on 31 December 2019	For the year ended on 31 December 2018
<i>Cash flow from operating activities</i>			
Excess /deficit of income over expenditures		(1,848,458)	(10,672,049)
Adjustments for:			
Depreciation	7	247,443	289,557
Receivable accounts	5	314,971	(1,605,745)
Payments for prepaid expenses	6	-	85,343
Proceeds for payable accounts	8	70,190	2,280,978
Cash from operating activities		(1,215,865)	(9,621,916)
<i>Cash flows from investing activities</i>			
Purchase of fixed assets	7	(35,000)	(493,886)
Cash from investing activities		(35,000)	(493,886)
NET INCREASE IN CASH		(1,250,865)	(10,115,801)
Cash and cash equivalent at the beginning of the year	4	8,325,877	18,441,678
Cash and cash equivalent at the end of the year	4	7,075,012	8,325,877

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 1 to 13.

These financial statements have been approved by the Albanian Association of Banks on 31.03.2020 and signed by:

Spiro BRUMBULLI**Secretary General****Albanian Association of Banks****PwC Audit Shpk****Preparer of the
Financial Statements**

Notes to the financial statements for the year ended on 31 December 2019*(all amounts are in local currency, ALL)***1. Background Information**

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

AAB is a not-for-profit association, seeking to promote the latest banking standards of its member banks, the development, stability, and effectiveness of the Albanian banking system in general, thus contributing to the progress of the Albanian economy. AAB is constituted by 12 voluntary members: Alpha Bank Albania, American Bank of Investments, Credins Bank, United Bank of Albania, First Investment Bank Albania, Intesa Sanpaolo Bank Albania, International Commercial Bank, OTP Bank Albania, Procredit Bank, Raiffeisen Bank, Tirana Bank and Union Bank.

ABB had 6 employees on 31 December 2019 (2018: 6)

2. Basis of preparation

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

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

3. Significant accounting policies**I. Revenue and expenses**

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

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

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

II. Transactions in foreign currency

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

Exchange rate

	31 December 2019	31 December 2018
ALL/EUR	121.77	123.42

Notes to the financial statements for the year ended on 31 December 2019*(all amounts are in local currency, ALL)***3. Significant accounting policies (continued)****III. Office and IT equipment and term**

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

Amortization rates and method according to PPE groups:

	Amortization rate	Used Method
Computer equipment	25%	Residual value
Office equipment	20%	Residual value
Other PPEs	20%	Residual value

IV. Taxes and local taxes

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

4. Cash and cash equivalents.

Cash and cash equivalents are composed as follows:

	31 December 2019	31 December 2018
Current account in ALL	6,737,272	6,992,962
Current account in EUR	282,748	1,302,003
Cash on hand	54,992	30,912
Total	7,075,012	8,325,877

5. Contributions Receivable

Contributions Receivable is composed as follows:

	31 December 2019	31 December 2018
Membership	2,435,400	2,750,371
Total	2,435,400	2,750,371

6. Prepaid Expenses

Prepaid expenses are composed as follows:

	31 December 2019	31 December 2018
Rent guarantee	280,160	280,160
Total	280,160	280,160

Notes to the financial statements for the year ended on 31 December 2019*(all amounts are in local currency, ALL)***7. Fixed assets**

Fixed assets are composed as follows:

	Furniture	Electronic Equipment	Total
Cost			
At 31 December 2018	2,025,691	1,959,306	3,984,997
Additions for year 2019	35,000	-	35,000
Reductions for year 2019	-	-	-
At 31 December 2019	2,060,691	1,959,306	4,019,997
Accumulated depreciation			
At 31 December 2018	1,645,376	1,203,586	2,848,962
Depreciation for year 2019	58,468	188,974	247,443
Reductions for year 2019	-	-	-
At 31 December 2019	1,703,844	1,392,560	3,096,404
Net carrying value			
At 31 December 2018	380,315	755,720	1,136,035
At 31 December 2019	356,847	566,746	923,593

8. Payable and other liabilities

Payable and other liabilities are composed as follows:

	31 December 2019	31 December 2018
Suppliers	2,435,400	2,336,914
Health and Insurance Contributions	216,949	204,704
Tax at source	362,776	380,590
Withholding Tax	-	5,138
Accrued expense	-	17,600
Total	3,015,125	2,944,946

9. Net Assets

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

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

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

	31 December 2019	31 December 2018
Balance carried at the beginning of the period	9,547,496	20,219,546
Increase/(decrease) from change of net assets	(1,848,458)	(10,672,049)
Balance that is carried forward in the coming year	7,699,039	9,547,497

Notes to the financial statements for the year ended on 31 December 2019*(all amounts are in local currency, ALL)***10. Income**

	For the year ended on 31 December 2019	For the year ended on 31 December 2018
Additional quota for natural disaster	34,264,000	-
Membership fee from member banks	27,033,500	20,164,000
Sponsorship from banks	5,933,825	3,757,355
Trainings for member banks	3,762,009	5,886,609
Total	70,993,333	29,807,964

The additional quotas for emergencies are related to the earthquakes of 1 June, 21 September and 26 November 2019, which hit the country. By the decision of the members of the Association on 10 July 2019, it was decided to contribute the amount of 10,000,000 ALL to the Prefecture of Korça for the case of the earthquake of 1 June 2019. Similarly, on 15 December 2019, it was decided to contribute EUR 200,000 by the AAB members for the natural disaster caused by the earthquakes of 21 September and 26 November 2019, which hit the country. The contribution of 10,000,000 ALL was donated on 13 September 2019 to the Prefecture of Korça in the case of the earthquake of 1 June 2019, and the contribution of 24,396,000 ALL was donated on 27 December 2019 to the Albanian Government in the case of the earthquakes of 21 September and 26 November 2019.

11. Operating Expenses

	For the year ended on 31 December 2019	For the year ended on 31 December 2018
Trainings for member banks	6,688,638	8,186,183
Events and Workshops	5,398,944	5,285,413
Memberships	1,057,600	706,040
Trips	358,455	789,031
Total	13,503,627	14,966,667

12. Promotion and publicity expenses

	For the year ended on 31 December 2019	For the year ended on 31 December 2018
Publications	3,364,027	3,722,704
Informative materials and publicity	3,045,184	174,542
Total	6,409,210	3,897,246

Notes to the financial statements for the year ended on 31 December 2019*(all amounts are in local currency, ALL)***13. Administration and general expenses**

	For the year ended on 31 December 2019	For the year ended on 31 December 2018
Expenses for natural disaster (note 10)	34,396,000	-
Personnel Salaries	11,272,229	11,709,443
Rent	2,956,500	3,070,900
Health & Insurance Contributions	1,164,004	1,315,385
Communication expenses	1,150,483	1,091,136
Financial Consulting Expenses	462,990	2,528,790
Other Expenses	343,707	304,033
Stationary & other supplies	338,600	572,317
Health Insurance	182,565	275,093
Utility Expenses	161,887	148,714
Translation Services	68,589	75,089
Bank Fee & Commissions	43,012	34,766
Media Subscriptions	17,500	13,500
Local Taxes	15,000	15,000
Notary Expenses	9,000	22,760
Total	52,582,067	21,176,926



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