



ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

# ANNUAL REPORT **2020**



ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

**Albanian Association of Banks**

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# MESSAGE FROM THE CHAIRMAN



## Dear Reader,

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As Chairman of AAB, I have the pleasure to introduce you to the Annual Report 2020 of the Albanian Association of Banks.

This has been an uncommon, unprecedented year for our generations. A battle against Covid-19! Our quality of life was hugely affected, yet maintaining the health of both employees and customers emerged as our key task. A myriad of measures at an organizational, logistical, operational and regulatory level were introduced in banks, like never before in terms of intensity and time of operation. Everything was done to continue providing banking services, with no interruption at any time, providing the best and most effective support for our society and the economy in coping with the effects of Covid-19.

Only history will truly tell what happened and how it happened, but we are certain that:

- banks' policies and strategies regarding disaster recovery and recovery plans were very successful, adapting to the Covid-19 disaster;
- investments made over the years on digitalization of banking services ensured the continuation of remote service provision, with no need for employees or clients to be physically present at the branches;
- solidarity and cooperation reached higher levels. Over

23 thousand businesses and households, with bank loans accounting for ALL 200 billion, benefited from the deferral of loan instalment;

- banks became real contributors, and also the most powerful ones, in ensuring financial stability. Over EUR 220 million in deferred instalments were made available to borrowers for liquidity purposes - immediately added to the market;
- complete and unanimous support of government policies regarding state guarantees for addressing businesses affected by Covid-19.

Contrary to what happened during any previous crisis, the one caused by Covid-19 found the banks very strong and well-equipped. The measures undertaken after the 2008-2010 crisis seem to have contributed to alleviate the disaster. Banks kept at bay the effects of the disaster and, moreover, they did not amplify its effects on the economy or society. This is another notable achievement marked in 2020.

Individuals and commercial entities put us once again to the test and proved that relying on the banking sec-

tor is a guarantee for the smooth running of their financial activity. The increase of deposits and lending, despite the difficult conditions from the coercive measures due to Covid-19, strengthened the bank-client bonds. The change set in motion to tailor the bank to customer needs proved successful, manifesting an increase in the use of online services, cards and other digital banking channels. We aim to further our growth, that is why in the last two months of the year we held a MasterCard-funded campaign on card usage.

2020 was an essential year for AAB itself. The new AAB Statute was adopted in accordance with the modern and best standards on structural organization, and pursuant to AAB mission and activity.

This publication provides a plethora of information on the activity of AAB. I invite you to flip through these pages and you are welcome to give us your suggestions for possible improvements for the years to come!

Sincerely,

**Bledar Shella**

*Chairman*

*Albanian Association of Banks*

# 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 2020, the Assembly of Members comprised of 12 members.

The following list details the 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 Kombëtare 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** / Flutura Veipi, Chief Executive Officer

**United Bank of Albania** / Amel Kovačević, Chief Executive Officer

\* As of December 2020

## EXECUTIVE COMMITTEE MEMBERS\*

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 amongst the remaining member banks.

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



**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

\* As of December 2020

## SECRETARIAT



AAB  
Secretary  
General

SPIRO BRUMBULLI

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.

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

## TECHNICAL COMMITTEES\*

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

\* As of December 2020



# MEMBERSHIPS

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



## National Memberships:

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

## International Memberships:

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

# HIGHLIGHTS OF AAB ACTIVITIES IN 2020



- » The Assembly of Members held 3 meetings, whereas the Executive Committee held other 4 meetings.
- » The new charter of AAB - In March 2020, the tendering procedures for the new Charter for the Albanian Association of Banks was opened. On December 10<sup>th</sup>, 2020, the AAB Assembly adopted the new AAB Charter.
- » Presentation of findings - The 2<sup>nd</sup> part of the study "Customer confidence and perception in banks and the banking sector".
- » Business Breakfast with journalists.
- » Traditional trainings delivered online - During the year, 19 trainings (on-site and online) were organized with the attendance of 275 member bank employees. The virtual international classes provided by the House of Trainings were attended by 300 bank employees from Albania, respectively 58 trainings.
- » Supporting banks during the pandemic emergency and lockdown with assistance in different operational issues (specifically, with movement permission, media coverage, online services, etc.).
- » Two draft state loan guaranties, the draft law on fiscal and penal amnesty, three laws of the Albanian Financial Supervisory Authority (AFSA), and the draft law on central register of banks accounts.
- » Four draft bylaws issued by the Ministry of Finance and Economy, an amendment to the instruction "On tax procedures", one draft regulation issued by Ministry of Justice and two draft regulations issued by AFSA.
- » Participation in "The Trieste Eastern Europe Investment Forum - Investment and Finance for the Post-Covid Recovery", an international regional forum organised by The Italian Banking, Insurance and Finance Federation.
- » Communication with different institutions - Parliamentary Commission for Economy and Finance, Ministry of Finance and Economy, Bank of Albania, Albanian Financial Supervisory Authority, General Directorate of Taxation, National Information Society Agency (AKShI), State Cadastre Agency (AShK), IMF, EU Delegation, EBF, BACEE and other banks associations of neighbour countries.
- » Follow-up in cooperation with the General Directorate of Taxation on the implementation of two projects: Common Reporting Standards (operational from November 15<sup>th</sup>) and Fiscalization Project (the first phase of the project starts on January 1<sup>st</sup>, 2021).
- » Online seminars and workshops (webinars) on computer frauds, establishing a culture of employee engagement, fiscalization, common reporting standards and 3 webinars on cyber security during October 2020.
- » Media coverage: 4 interviews with the Chairman, 12 interviews with the Secretary General and 6 interviews with members of Technical Committees.
- » New campaign on card usage during November and December 2020, sponsored by MasterCard.
- » Periodic editions of the monthly newsletter, a series statistics, magazine, Annual Report and CSR Report.

# BANKS' RESPONSE TO COVID-19

## ACTIVITIES COORDINATED BY THE AAB

During the year, the COVID-19 pandemic emerged as a serious challenge under review and banks found themselves dealing with vast range of increasing priorities that required concrete steps.

Banks also offered an array of programs to help retail and business clients affected by the pandemic, including fee waivers, deferred loan payments and other accommodations.

In this section, you will find a series of highlights on the coordination and collaboration efforts to address Covid-19 pandemic issues.

These efforts include:

- » On March 17<sup>th</sup>, as the result of the COVID-19 situation and following the decision of the Supervisory Council of the Bank of Albania and the joint order of the Prime Minister and the Bank of Albania's Governor, the payment of business and retail loan instalments facing repayment difficulties was deferred for three months. AAB coordinated the data collection process and was part of the correspondence between institutions.
- » In addition to the said three-month loan instalment payment relief measure, several banks waived online service commissions (home and/or mobile banking), by encouraging the use of digital channels. As well, commission-free cash withdrawal at other banks' ATMs was promoted.
- » AAB cooperated with the Ministry of Finance and Economy on the Sovereign Guarantee instrument for companies affected by the financial impact of the pandemic.
- » On May 13<sup>th</sup>, AAB addressed a letter to the Minister of



Finance and Economy requesting the extension of the deadline for business entities applying for the respective guarantee schemes.

- » On May 20<sup>th</sup>, a proposal was sent to the Bank of Albania on the extension of the moratorium on loans.
- » On May 21<sup>st</sup>, AAB forwarded to the Ministry of Finance and Economy all the banks' concerns on the Guarantee Agreement on the traders' borrowings to enable the necessary recovery-oriented financing for trade activities affected by the situation caused by Covid-19. The request addressed the removal of the foreseen 5% maximum financing cost threshold (annual interest rate) and its reduction to the 3% maximum margin of the index specified in the Sovereign Guarantee Agreement no. 2.
- » Through letter dated May 21<sup>st</sup> addressed to the Bank of Albania, the banking sector introduced the authorities to a series of proposals aiming the minimization of the Covid-19 effects on the economy and on banks.
- » Effective media communication during the year - The AAB Chairman & the AAB Secretary General were interviewed and invited to several talk shows to provide their position on the banks' response to the COVID-19 pandemic, which were widely covered by the key media channels in the country.

# FACTS AND FIGURES 2020

...the capacities of the banking sector marked a considerable increase, placing it on the solution side rather than the problem side. The role of banks remains essential, both during the current phase of the pandemic control and during the future phase of economic recovery\*.

## OVERVIEW:



About 23,000 Albanian businesses and households have benefitted from the relief measures, accounting for about ALL 200 billion in loans in banks.



About EUR 220 million were left available to borrowers due to the deferred loan instalment payments.



-3.31% GDP Annual Growth Rate.



1.6% the average inflation rate in 2020.



77.8% Debt-to-GDP ratio.



0.5% Base interest rate.



Above 18% bank's capitalisation level.



12 banks, 4 of which with Albanian capital and 8 with foreign capital. Of the latter, 6 originate from European Union countries.



425 branches and agencies of banks.

# LOANS:

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6.8% average growth of loan portfolio.



4.6 percentage points contribution to growth from loans to enterprises.



2.2 percentage points contribution to growth from loans to individuals.



Loans in lek accounted for 50% of total loan portfolio.



10.5% annual growth rate of the lek loan portfolio.



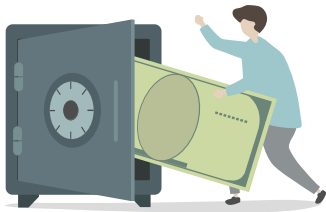
8.1% Non-Performing Loans to Total Loans Ratio.



41.7% Credit-to-GDP ratio.

# DEPOSIT:

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6.7% annual growth deposits rate.



80.2% Deposits to GDP ratio.

# PAYMENTS:

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50.1% of electronic payments consist of cards payments.



13.7% increase in the transaction volume of home banking payments.



8.8% increase in the value of home banking transactions.



7.03 non-cash transactions per account through Internet.



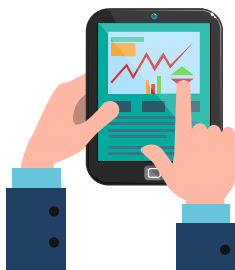
8.5% increase in the number of POSs.

\*Data source: Bank of Albania

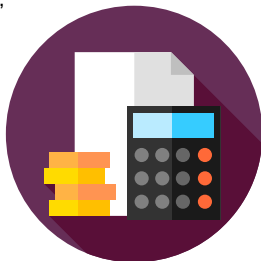
# THE COVID-19 PANDEMIC:



Facilitations related to the implementation of regulatory requirements on credit classification and creation of funds for loan provisions. The validity of this provision with a term between March - May 2020 was extended to cover the June - August 2020 period. The term for re-structured loans was extended to the end of 2020.



Commission-free transactions applied by banks for electronic credit transfers in ALL, as well as removal of fees for participants in payment systems operated by the Bank of Albania;



The Bank of Albania suspended the banks' distribution of carried and realized profits, initially until June 2020 and then until the end of the year;



Facilitation to the extent of risk weighting of domestic banks' exposures to the Albanian government debt securities in foreign currency, for securities issued during 2020 and until their maturity term, as well as for the exclusion of this exposure from the calculation of the exposure limit;



Delay of the entry into force of regulatory amendments related to tighter credit restructuring requirements;



An to the Regulation "On risk management from large exposures of banks", which banks can deploy to exclude these types of exposures from the calculation of the exposure limit;

# MAIN PILLARS OF AAB

AAB business plan firmly stands on five main pillars and strategic objectives that support the Associations' vision, mission and goals.

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

## REGULATORY FRAMEWORK IMPROVEMENT & COLLABORATION WITH AUTHORITIES

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### Legal and sublegal framework

During 2020, the banking sector was involved in the consultation process for several draft laws, some of which were subsequently adopted by the Albanian Parliament, as well as their respective bylaws, as follows:

- Law "On automatic exchange of information". This law was adopted in the framework of Albania's commitment to implement the Common Reporting Standard (CRS) established by OECD countries, on the automatic exchange of information to combat the issue of offshore tax evasion and avoidance of money collection abroad. This law will enable the automatic exchange of financial accounts information with the countries participatory to the agreement. This system will operate based on a systematic and periodic transmission of taxpayers' data by the participating countries.
- Decision of the Council of Ministers "On determining the rules and procedures for the automatic exchange of information."
- Law "On Collective Investment Albanian Parliament", which aims to improve and further develop the legal and regulatory framework for the investment funds and securities sector.
- Law "On Capital Markets", which aims to develop capital markets, increase the economy financing possibilities, increase opportunities for investors for better profits, increase opportunities for intermediaries, increase the profitability of the capital markets' infrastructure.
- Law "On financial markets based on distributed ledger technology", which regulates the terms for licensing, monitoring, supervision of entities that exercise the activity of distribution, trading and storage of digital tokens and/or virtual currencies, of the agent of digital tokens, innovative service providers and automated collective investment ventures.



- Law “On the Central Register of Bank Accounts”. For the first time, this law aims to establish a central register of bank accounts and security boxes in the Republic of Albania. This law defines the functions of the bank account register, the reporting manner and use of bank account data, as well as the access and use of this register to identify suspected assets originating from criminal activities, through banking transactions. It also provides restrictions on the principle of the right to information based on the confidential nature of the registry data.
- Two decisions of the Council of Ministers “On the approval of the state loan guarantee with commercial banks for the salaries of traders or trade companies, whose activity is affected by the decisions of the Council of Ministers, in the framework of the management of the situation caused by Covid-19”, as well as “On determining the terms and criteria of the guarantee agreement and the memorandum of understanding”.
- Decision of the Council of Ministers “ On the technical and functional requirements of the software solution for the invoicing and fiscalization procedure, as well as the procedure and criteria for the registration of producers and maintainers of software solutions”.
- Instruction of the Minister of Finance and Economy “On invoice and turnover monitoring system”.
- Decision of the Council of Ministers “On determining the factors and situations taken into account in assessing the risks of money laundering and financing of terrorism”.
- Instruction of the Ministry of Justice “On determining the rules for treating financial transactions of the notary and the clients’ funds”.
- Regulation of the Albanian Financial Supervision Authority “On communication with investors”.
- Regulation of the Albanian Financial Supervisory Authority “ On licensing and additional licensing rules of fund management companies, depositories of collective investment undertakings, licensing and registration of collective investment undertakings, established in the Republic of Albania”

## Regulatory Framework Improvements / Regulatory framework of the Bank of Albania

The Albanian Association of Banks has engaged and cooperated with the Bank of Albania throughout 2020. However, this year focused on the situation created by the pandemic.

- Amendments to the Regulation “On capital adequacy ratio”, which consist in the treatment with a preferential risk weight of 0% of banks’ exposures for Albanian government debt securities in foreign currency, for securities issued during 2020 up to their maturity term. In addition, amendments to the Regulation “On risk management of large exposures of banks”, through which banks can deploy to exclude these types of exposures from the estimation of the maximum allowable exposure;
- Amendments to the Regulation “On credit risk management by banks and branches of foreign banks”, which through the addendum of a temporary provision in the above regulations, aim to provide facilities for entities in cases of insolvency of borrowers during the specified period (in the context of the situation created by the pandemic).
- Amendments to the Regulation “On credit risk management by banks and branches of foreign banks”, which relate to the non-application of provisions for credit classification and provisioning by the end of August 2020, the way of treatment for restructured credits during 2020, as well as the postponement of the entry into force of the regulatory amendments related to the stringent requirements for credit restructuring for 1.1.2022 (in the context of the situation created by the pandemic).

## COLLABORATION WITH AUTHORITIES

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### Revitalizing lending and reducing NPLs

Following the roundtable on “Revitalizing lending and reducing NPLs”, a summary of the banks’ proposals was submitted to the Bank of Albania and to the Ministry of Finance and Economy. On February 5th, a meeting was organized with the Deputy Minister Mrs. Belinda Ikonomi, where the next steps on the implementation of the proposals previously forwarded to Bank of Albania and the Ministry of Finance and Economy were discussed, to be followed by a potential roundtable to be attended by all stakeholders.

### Fiscal and penal amnesty for entities subject to voluntary declaration of assets

The Ministry of Finance and Economy held a series of consecutive meetings with various stakeholders, including AAB representatives, in the frame the of public consultation process on the draft law “On Fiscal and Penal Amnesty for Subjects of Voluntary Declaration of Assets”.

- √ On July 7<sup>th</sup>, AAB representatives attended an e-meeting with representatives of the Ministry of Finance and Economy & General Directorate of Taxation. The meeting focused on discussions on the draft law and its technical details.
- √ On July 15<sup>th</sup> & 16<sup>th</sup>, the AAB Secretariat introduced to the Ministry of Finance and Economy and the Parliamentary Committee on Economy and Finance respectively, the unified comments and suggestions of the member banks on the draft law.
- √ On July 24<sup>th</sup>, the AAB Secretary General, along with other banks representatives, attended the hearing session of the Parliamentary Committee on Economy and Finance, which focused on further elaboration on the draft law. The comments earlier submitted by the banking sector commission were highly appreciated

### Common Reporting Standards (CRS)

The AAB Secretariat engaged in an institutional correspondence with the General Directorate of Taxation (GDT) and the Ministry of Finance and Economy to address banks technical issues related to Common Reporting Standards (CRS) and bylaws drafted for its implementation, particularly on the extension of the reporting deadline for financial institutions to November 15<sup>th</sup>, 2020 (a proposal that was taken into account by the ministry, resulting in the legal amendment “On automatic exchange of information”).

- √ On January 31<sup>st</sup>, banks compliance and IT departments representatives attended a joint meeting with GDT. The General Director of GDT, Ms. Delina Ibrahimaj, delivered a short presentation of the adopted Law “On Common Reporting Standards”. In this frame, the key issues related to the draft Decision of Council of Ministers (DCM) issued to the implementation of the Law were raised by bank’s representatives. Following the technical discussions, another technical meeting was set on February 7th to discuss the Albanian version of the draft DCM to be firstly forwarded for review to all banks.
- √ On August 8th, 2020, an e-meeting was organized, attended by bank and GDT IT and compliance department representatives. The meeting was also attended by representatives of the company in charge for the development of the reporting system.
- √ On September 24th, 2020, the AAB Secretariat organized a meeting with IT and compliance department bank representative and representatives of General Directorate of Taxation. The meeting focused on technical issues on the

CRS. As a follow-up, the AAB Secretariat and banks representatives had ongoing correspondence with General Directorate of Taxation representatives on technical issues and uncertainties related to the process.

## On Tax procedures

AAB was one of the 22 business associations which reacted and opposed the amendments to the Instruction No. 24 of the Minister of Finance “On tax procedures in the Republic of Albania”. Based on this instruction, if the entity, after the application of all coercive measures for tax liability collection, has not fully repaid all tax liabilities, the tax administration is entitled to transfer the entities’ remaining tax liabilities to the individual partner, shareholder and/or administrator. Following a series of discussions with stakeholders, the Ministry of Finance and Economy decided to withdraw from the instruction that provides for sanctions to seizure the partners, shareholders and administrators bank accounts.

## On fiscalization

On September 30th, 2020, upon request of the AAB Secretariat, a technical meeting was organized between banks and GDT fiscalization working group representatives. The meeting focused on some of the major technical concerns of the banking industry related to this project.

# BANKING TRANSFORMATION

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## Action Plan for E-Commerce

In the framework of the Action Plan for e-commerce preparations, on December 11th the inter-institutional working group held an online meeting. As a follow-up of this meeting and upon request of the Ministry of Finance and Economy, on December 21st, the AAB Secretariat forwarded the relevant authorities all the unified banks’ comments and suggestions on the opportunities and challenges faced for e-commerce development.

## On instant payments

On December 4th, AAB representatives met with the World Bank Group team and discussed the current operational environment and cost structure for retail payments, and the potential challenges in implementing such a system in Albania. In coordination with the Bank of Albania and following the agreed actions, on December 3rd and 4th, the World Bank Group team conducted a series of meetings with key sectoral industry members to discuss the outline team’s study on fast payments implementation scenarios in Albania.

## On Central Register of Bank Accounts

On September 16th, representatives of member banks along with the AAB Secretariat attended a consultation meeting with representatives of the Ministry of Finance and Economy and the General Directorate of Taxation to discuss the new draft Law “On Central Register of Bank Accounts”. The meeting served to introduce the main concerns of the banking sector on this regard. Subsequently, an official letter was addressed to the Ministry of Finance and Economy highlighting the respective comments and suggestions thereto.

## WORKSHOPS & WEBINARS

### Workshop with General Directorate of Taxation (GDT)

A workshop on Automatic Exchange of Financial Account Information was delivered on June 25<sup>th</sup>. Following the concerns raised by several banks, the AAB and GDT organized an e-meeting mainly focused on IT issues. 25 banks' representatives attended.

### Workshop with the Bank of Albania

On June 19<sup>th</sup>, in cooperation with the Resolution Department of the Bank of Albania and upon request of the banks, an online workshop was organized on the draft regulation "On the minimum requirement for regulatory capital and eligible liabilities".

Following the webinar, comments were forwarded to the Resolution Department.

### Positive aspects of the out-of-court dispute resolution on resolving insolvency - Building Awareness of the Business Community

The webinar aimed to summarize how the crisis is impacting firm and individual solvency and provided an overview of the key policy responses in restructuring and insolvency for both crisis containment and post-crisis recovery. Moreover, this webinar highlighted the positive aspects of the out-of-court dispute resolution for resolving insolvency cases, focusing on promoting the application of Alternative Dispute Resolution/mediation /negotiation and facilitation between the parties (debtors and creditors). The webinar was organized within the mandate of the Debt Resolution and Business Exit Program II, supported by the Swiss Embassy – State Secretariat for Economic Affairs (SECO), and was held online on May 14<sup>th</sup>, 2020.

### Seminar focused on computer fraud

On July 15<sup>th</sup>, 2020, the Albanian Association of Banks, REAL security, and Group-IB hosted a complimentary informative and interactive seminar focused on computer fraud. Industry-leading experts shared their thoughts on today's main types of computer fraud and how to effectively prevent attacks you're most likely to face during and after the lockdown.



## EnVISION ECM banking solution webinar

On November 19<sup>th</sup>, 2020, CBK-Soft in coordination with AAB organized a webinar on enterprise content management (ECM) & banking solutions.

The participants learned more about Correspondence Management, account statement process (Integration Features), credit card application (Capture Features), online application for loan (Form Management).



## Workshop “Positive aspects of the out-of-court dispute resolution for resolving insolvency – Building awareness of business community”

The purpose of this event was twofold in lieu of Covid 19 pandemic situation. It aimed to summarize how the crisis impacted firm and individual insolvency and provided an overview of the key policy responses in restructuring and insolvency for both crisis containment and post-crisis recovery. Moreover, the webinar highlighted the positive aspects of the out-of-court dispute resolution for resolving insolvency cases, focusing on promoting the application of Alternative Dispute Resolution/mediation /negotiation and facilitation between the parties (debtors and creditors).

The webinar was organized online on May 14<sup>th</sup>, 2020, within the mandate of the Debt Resolution and Business Exit Program II, supported by the Swiss Embassy – State Secretariat for Economic Affairs (SECO), and attended by bank representatives.

# TRAINING & DEVELOPMENT OF BANKING EMPLOYEES

AAB is the most wide-ranging source of training for banking professionals. During the year, all the training courses were successfully converted to virtual formats.

## IN-HOUSE TRAININGS:

- **More than 19 trainings delivered.**
- **Over 275 bank employees trained.**

**Topic:** Digital Banking (R) evolution (classroom)

**Date:** January 30<sup>th</sup>-31<sup>st</sup>, 2020

**Partner:** ATTF Luxembourg

**Attendance:** 29 participants

**Description:** The objective of this course was to provide the participants with an overview of Open Banking and APIs, FinTech and innovation in digital banking, Regulation, how to introduce innovation in Europe, Digital Identity, Security and the link with e-commerce; Digital ledger technologies in digital finance.



**Topic:** Agile Project Management (classroom)

**Date:** February 26<sup>th</sup>-27<sup>th</sup>, 2020

**Partner:** Austrian Institute of Excellence (AIEEx)

**Attendance:** 10 participants

**Description:** The training addressed the perspective of working in an agile environment by being able to quickly deliver on-time customers' features and be able to respond to their needs by balancing flexibility and stability in this ever-changing world.

**Topic:** Retail Banking, new distributions channels and e-banking (classroom)

**Date:** March 2<sup>nd</sup>-4<sup>th</sup>, 2020

**Partner:** ATTF Luxembourg

**Attendance:** 21 participants

**Description:** The training provided a global overview of the distribution strategy in Retail Banking, the combining of different distribution channels and the transformation needed to succeed.



**Topic:** Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP): A risk-based review

**Date:** March 9<sup>th</sup>-10<sup>th</sup>, 2020

**Partner:** Albanian Institute of Internal Auditors (AIIA)

**Attendance:** 19 participants

**Description:** Understanding the way ICAAP and ILAAP interact with Risk Appetite and Strategic Planning as well as that more than mere reporting routines, ICAAP and ILAAP are truly value-adding elements in bank management today.



**Topic:** Credit risk and cash flow analysis (virtual classroom)

**Date:** May 13<sup>th</sup>-14<sup>th</sup> & 20<sup>th</sup>-21<sup>st</sup>, 2020

**Partner:** ATTF Luxembourg

**Attendance:** 13 participants

**Description:** The course focused on real-life business cases and group exercises to apply knowledge and skills into practice.



**Topic:** Time management and productivity (virtual classroom)

**Date:** May 14<sup>th</sup>-15<sup>th</sup>, 2020

**Partner:** Lincoln Center

**Attendance:** 7 participants

**Description:** This program provided participants with tools for managing their work activities in a way that helps them best accomplish personal and organizational goals.



**Topic:** Sales management (virtual classroom)

**Date:** June 2<sup>nd</sup>-3<sup>rd</sup> & 9<sup>th</sup>-10<sup>th</sup>, 2020

**Partner:** Austrian Institute of Excellence (AIEx)

**Attendance:** 9 participants

**Description:** In collaboration with AIEx, an online training was organised for the first time in the LMS platform in Albanian language.



**Topic:** Toward the new Reality - Leadership Resilience

**Date:** June 23<sup>rd</sup>-24<sup>th</sup>, 2020

**Partner:** Austrian Institute of Excellence (AIEEx)

**Attendance:** 19 participants

**Description:** This course aimed at providing participants with know-how on the importance of resilience & energy in effective leadership and developed short but impactful resilience rituals & routines.



**Topic:** Credit Risk and Cash Flow Analysis - Inspiring Cases

**Date:** July 6<sup>th</sup>-7<sup>th</sup> & 13<sup>th</sup>-14<sup>th</sup>, 2020

**Partner:** ATTF Luxembourg

**Attendance:** 14 participants

**Description:** The workshop focused on helping future and current loan providers, investors and credit analysts to do their job efficiently and thoroughly.



**Topic:** Root Cause Analysis

**Date:** October 8<sup>th</sup>-9<sup>th</sup>, 2020

**Partner:** Albanian Institute of Internal Auditors (AIIA)

**Attendance:** 10 participants

**Description:** The training aimed to address the best practices of RCA categories and how these can be linked to assessments of organizational culture.



**Topic:** Agile for Winners

**Date:** October 20<sup>th</sup>-21<sup>st</sup>, 2020

**Partner:** Agisolve

**Attendance:** 7 participants

**Description:** The training interactively allowed participants to experience agile frameworks, such as Scrum and Kanban first-hand. Simultaneously, it provided a solid foundation for understanding the principles and mindset behind agile methodologies.





**Topic:** Digital Marketing  
**Date:** October 27<sup>th</sup>-30<sup>th</sup>, 2020  
**Partner:** Austrian Institute of Excellence (AIEEx)  
**Attendance:** 16 participants

**Description:** The course focused on the latest developments of digital marketing and the use of modern state-of-the-art tools for creating new strategies and campaigns.



**Topic:** Credit/Counterparty Risk and Risk Modelling  
**Date:** November 4<sup>th</sup>-6<sup>th</sup> & November 9<sup>th</sup>-11<sup>th</sup>, 2020  
**Partner:** ATTF Luxembourg  
**Attendance:** 15 participants

**Description:** This course provided participants with a good understanding of credit/counterparty risk and the methods for its effective management.



**Topic:** The Agile Principles and Mindset  
**Date:** November 12<sup>th</sup>-13<sup>th</sup>  
**Partner:** ATTF Luxembourg  
**Attendance:** 12 participants

**Description:** Participants acquired a deeper understanding of an agile mindset and learned on the practices needed to integrate agility into their daily business.



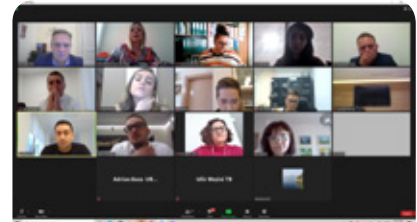
**Topic:** Project Management  
**Date:** November 16<sup>th</sup>-18<sup>th</sup>-20<sup>th</sup>  
**Partner:** ATTF Luxembourg with Kosovo Banking Association  
**Attendance:** 6 participants

**Description:** The participants gained a good understanding of project management, the methods and tools used to manage projects and how to ensure the project success.



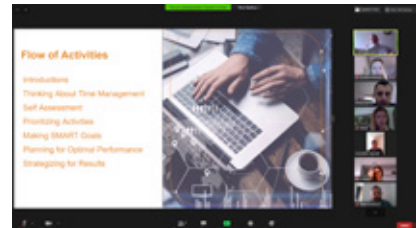
**Topic:** AML - Detect, Deter and Disrupt  
**Date:** November 12<sup>th</sup>, 2020  
**Partner:** BACEE, Delivered by Analysis International  
**Attendance:** 20 participants

**Description:** Update on the European money laundering situation. In-depth case studies. Trade-based money laundering.



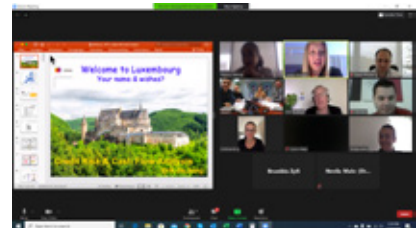
**Topic:** Managing Remote Teams  
**Date:** November 24<sup>th</sup> & 25<sup>th</sup> 2020  
**Partner:** AIMS Albania  
**Attendance:** 16 participants

**Description:** This course aimed to share remote-working best practices by seasoned Danish professionals to whom the “New Normal” is just “Business as Usual”.



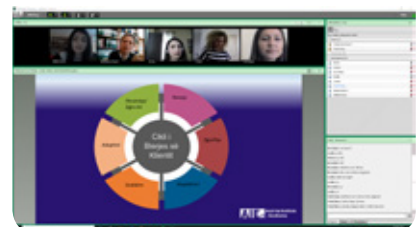
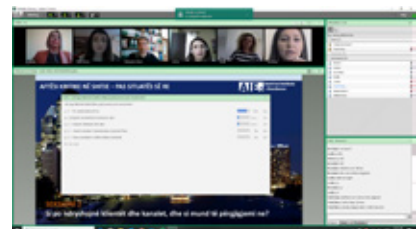
**Topic:** Operational Risk - Assurance & Improvement Delegates  
**Date:** November 26<sup>th</sup> & 27<sup>th</sup>, 2020  
**Partner:** AIIA Albania  
**Attendance:** 15 participants

**Description:** Attending delegates attained key concepts, examples and practical guidance to apply in their day-to-day mission.



**Topic:** Innovation Management in the Digital Transformation Era  
**Date:** December 15<sup>th</sup>-16<sup>th</sup>, 2020  
**Partner:** Austrian Institute of Excellence (AIEEx)  
**Attendance:** 17 participants

**Description:** This training provided a first but profound overview on modern innovation tools and the latest developments in innovation management, which enabled practitioners to learn via hands-on-cases.



## FINANCIAL EDUCATION

### Open lectures

- On January 16<sup>th</sup>, 2020, the AAB Secretary General, Dr. Spiro Brumbulli organized an open lecture on “The New Model of Banking”. This lecture was attended by students of the Bachelor study program in Finance-Accounting at “Aleksander Moisiu” University, Durrës.
- On May 29<sup>th</sup>, 2020, the AAB collaborated with the European University of Tirana, and the chairperson of the Audit Committee Mrs. Dorida Stambolla, to hold an open lecture on the ongoing challenges faced by internal audit.



### The 8<sup>th</sup> meeting of the (ANFE) organized

On January 29<sup>th</sup>, 2020, under the auspices of the Albanian Association of Banks, the Albanian Network for Financial Education (ANFE) organized its 8th meeting. The meeting focused on financial education strategy and initiatives.



### European Cyber Security Month

October marks the European Cyber Security Month. AAB and its Information Security Committee organized a series of webinars which took place all month long. This year's digital events aimed to explore the rapidly evolving cyber trends and challenges for banks and to help people identify and be prepared for cyber threats.

- October 15<sup>th</sup>, 2020 - the 1<sup>st</sup> webinar on “Cybersecurity in digital age” focused on the risks and challenges of the digital world, how much the complexity of information systems has increased, can a balance be found between the growing demands of internet users and security as well as some practical tips for safe online shopping.
- October 22<sup>nd</sup>, 2020 - the 2<sup>nd</sup> webinar on “Cyber Security and Challenges in a time of Social Distancing” focused on the dangers encountered in cyberspace, frauds through different communication channels, how to be safe while working remotely as well as some practical tips on information security, etc.

- October 29<sup>th</sup>, 2020 - the 3<sup>rd</sup> webinar on “Cybersecurity and the Albanian Experience” addressed legislative and regulatory issues of the system and ways for better collaboration.



## World Savings Day

On October 31<sup>st</sup>, 2020, on the occasion of the World Savings Day and aiming to promote savings to better plan the needs and opportunities for a better life, AAB organized an online competition for 13-15 years aged.



## Webinar on “Applying a behavioural approach to financial services”

The World Bank cooperated with the AAB to organize a webinar on “Applying a behavioural approach to financial services”. This webinar was part of the Greenback Academy, a training series for financial service providers designed by the World Bank in partnership with the AAB in the context of the remittances and payments program. This initiative is implemented in partnership with the Bank of Albania and the financial support of the Swiss Government. The webinar took place on November 18<sup>th</sup>, 2020.



## COMMUNICATIONS, PUBLIC RELATIONS AND ADVOCACY

While the pandemic altered the way we live and work, the Association continued to be a source for information. The AAB transitioned the power of connection to online platforms and provided real-time updates to supervisor authority and government on deferrals, new lending and loan guarantee schemes.

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

Media presence during 2020: 4 interviews with the Chairman, 12 interviews with the Secretary General and 6 interviews with members of Technical Committees.

### ACTIVITIES WITH ECONOMIC JOURNALISTS



#### Business breakfast for journalists and media representatives

On February 28<sup>th</sup>, 2020, the AAB organized a business breakfast with representatives of visual and printed media, in the context of strengthening the working relations and continuous improvement of communication between the two sectors. The meeting was attended by managers and members of marketing and communications departments of AAB member banks, as well as journalists and media representatives. The participants were welcomed by the AAB Chairman, Mr. Silvio Pedrazzi, while the meeting continued in a warm and friendly atmosphere, where participants exchanged their thoughts and ideas for a more fruitful cooperation.

### PARTICIPATION IN NATIONAL & INTERNATIONAL GATHERINGS AND EVENTS

In 2020, the Albanian Association of Banks participated in various regional, national and international meetings and virtual events. Its representatives (Chairman and Secretary General) made interventions and contributions during these activities.

#### The AAB Chairman, Mr. Silvio Pedrazzi at the meeting on “Bank – Business relationships: Common economic challenges in face of global Covid-19 pandemic”

On May 13<sup>th</sup>, 2020, the Bank of Albania organized a discussion forum with the banking system and business community on: “Bank - Business relationships: Common economic challenges in face of global pandemic Covid-19”. The meeting was initiated and organized under the auspices of Governor Sejko





and aimed at encouraging the collaboration between these two groups of interest, to counter the common economic challenges caused by the Covid-19 pandemic and providing a platform to share views and needs on the instruments to be employed and the further measures to be taken.

In his speech held at this meeting, the Chairman of the Albanian Association of Banks, Mr. Silvio Pedrazzi emphasized the responsibility, professionalism and commitment of the banking sector in this extraordinary situation, ensuring the full range of financial services in response to the needs of the community. In this context, Mr. Pedrazzi praised the relief measures taken by the Bank of Albania and the public authorities and called for more legislative support.

## Business breakfast with the Executive General Director of AFSA

The AAB Chairman and CEO of Intesa Sanpaolo Bank Albania, Mr. Silvio Pedrazzi, accompanied by several CEOs of commercial banks, held a business breakfast with the General Executive Director of the Albanian Financial Supervisory Authority (AFSA), Mr. Ervin Mete and other representatives of the institution. During the meeting, various legislative matters were discussed such as the new Laws “On Collective Investment Undertaking” and “On Capital Markets in Albania” recently adopted by the Parliament. AFSA and AAB representatives showed their willingness to cooperate and organize joint activities to ensure financial education for all financial market participants

## Sustainable Development Goals’ 5th Anniversary

Mr. Silvio Pedrazzi, AAB Chairman and CEO of Intesa Sanpaolo Bank Albania participated at “SDGs and the Private Sector in Albania”, a forum which provided a platform to discuss a wide variety between stakeholders in the panel. The panellists shared their experiences on the ways companies have tangibly integrate the SDGs into their financing and operational processes and internal decision-making and also share views on the changing landscape of business as it contends with global changes.

## The AAB Secretary General at the Investment Council Plenary meeting

On June 5<sup>th</sup>, 2020, the Investment Council (IC) held a plenary meeting via Zoom teleconferencing to discuss key business suggestions for the post-COVID-19 economic recovery of the country. The meeting was attended by all IC members (state institutions, business members, and key development partners), as well as other high representatives from business associations and donor’s community. AAB was represented by its Secretary General.

## AAB Chairman in the forum “Access to Finance Policies - Support for Albanian Products”

On November 2<sup>nd</sup>, 2020, the second forum of the dialogue “Access to Finance Policies - Support for Albanian Products” was held, an initiative undertaken by the Ministry of Finance and Economy and the Albanian Investment Development Agency (AIDA) for policies to support Albanian products. The roundtable of this forum brought together representatives from international institutions, policymakers, banking system and entrepreneurship. Minister Denaj updated the participants on the sovereign guarantee schemes that the government, together with the banks, provided for businesses to cover liquidity needs, as well as on the support and advisory schemes provided through AIDA. During the

discussions, the AAB Chairman, Mr. Silvio Pedrazzi highlighted the support provided by commercial banks for lending to the economy sector, especially small and medium enterprises.

## **The AAB Secretary General at the Trieste Eastern Europe Investment Forum 2020**

On June 9<sup>th</sup>, 2020, the AAB Secretary General, Mr. Spiro Brumbulli participated in the Trieste Eastern Europe Investment Web Forum 2020. Keynote speakers discussed on topics such as the new geo-political context after the pandemic shock, social protection and investment opportunities and funding, the recovery phase - developing local capital markets to finance growth and increase liquidity. During his presentation, Mr. Brumbulli underlined the role of the banking sector at the service of real economy and the challenges for the local banks. The Trieste's Forum has been a traditional place of meeting and discussions among policymakers, regulators professionals, academia, and stakeholders of the financial services sector from countries of the South-Eastern Europe (SEE) since 2016.

## **Investment Council discusses challenges and recommendations to capitalize on the investment potentials in the agri-processing sector**

On November 10<sup>th</sup>, 2020, the Investment Council (IC) held a virtual plenary meeting to discuss the main challenges and recommendations for the promotion of the agri-processing investments. The meeting was chaired by the Minister of Finance and Economy, Ms. Anila Denaj, and it was attended by almost all IC members. In the frame of this meeting, a technical study was prepared and presented. Apart from the usual desk-research analysis, the analysis included findings from a questionnaire conducted with 42 agri-processing companies, as well as relevant information and data related to access to finance for the sector provided by 8 commercial banks. The speech of the AAB Secretary General emphasized the role of banks in providing financial support and access to bank credit for SMEs.

## **BACEE's 40th online Regional Conference**

On November 17<sup>th</sup>, 2020, the AAB Secretary General, Mr. Spiro Brumbulli attended the BACEE's 40th online Regional Banking Conference. In his presentation, he briefly covered issues, such as: COVID-19 situation, latest statistics, restrictive measures, key government's measures to support economy, the situation of the banking sector, Q3 results, perspectives, etc. 149 participants from 26 countries and 74 institutions attended the online Conference and the AAB was one of the silver sponsors.

## **VI Meeting of the National Payment Systems Committee**

On December 17<sup>th</sup>, 2020, the National Payment Systems Committee (NPSC) held its subsequent meeting. In addition to NPSC members, this meeting was also attended by other representatives from the international financial institutions, financial and payment systems experts, representatives of the banking system as well as non-bank financial system. Mr. Spiro Brumbulli, AAB Secretary General, attended the meeting and delivered a presentation on financial education initiatives of the AAB over the years and the latest AAB information campaign to raise customers' awareness on the use of bank cards.

Moreover, the AAB Secretariat participated in several events organized by different institutions, such as: Webinar - The implications for the European economy and some of the wider issues around Financial Inclusion, Webinar - Opening Bank accounts in Cyprus, Greece, Romania, Bulgaria, Montenegro & Serbia, The project "Cross-border Cooperation and Competitiveness for SMEs (3C4SME) meeting, Banking Association for Central and Eastern Europe (BACEE) Assemble General meeting, European Banking Federation (EBF) Associates meeting, EBF Financial Education Project Group virtual meeting.

## PUBLICATIONS

As regards the publications, the Albanian Association of Banks editions were as in the previous years:

### “Bankieri” Magazine

Four editions of “Bankieri” magazine were bilingually prepared and published in 2020. These include articles written by banking experts, academics, business representatives, etc. 900 copies per month were distributed to banks, institutions, individuals, associations, universities and media. The magazines are downloadable online at social network profiles.



### Annual Report 2019

Albanian and English electronic version.



### Annual CSR Reports: Banks for society, 2019

Albanian and English hard copies.



### Email newsletters

Issued and distributed to members on a monthly basis. These newsletters only address to member banks and aim to inform and update the readers on the Association’s main activities, meetings with various authorities and organizations on discussion matters related to the banking sector, attendance of AAB representatives in different meetings, and the meetings of the Association’s Committees.

### Statistics

AAB published on its official website the unaudited quarterly data on the main indicators of the banking system as per IFRS, as well as monthly aggregate data for the whole system.

### The study on “Confidence and Perception of the Customer in Banks and Banking Sector”, the 2<sup>nd</sup> part

On January 23<sup>rd</sup>, 2020, the Albanian Association of Banks (AAB) organized an event to introduce the findings of the second part of the survey. The event was attended by member banks, the Bank of Albania, state institutions, non-bank financial institutions, international financial institutions, AAB collaborators and media representatives.





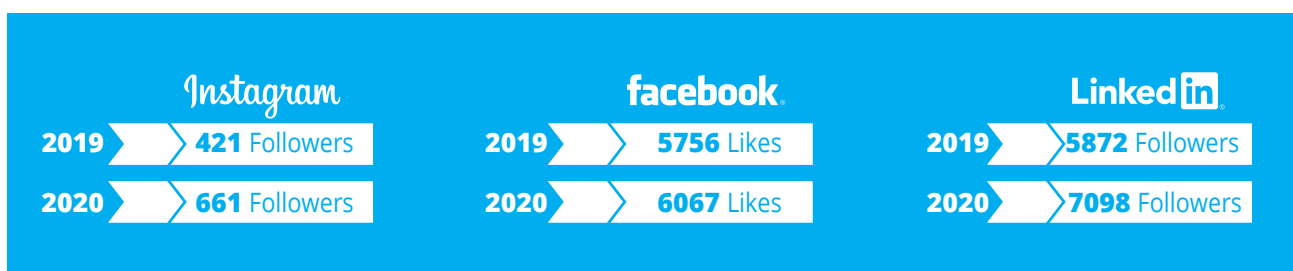
# AWARENESS RAISING CAMPAIGN ON CARD USAGE

The AAB, in cooperation with Mastercard, launched an information campaign to raise awareness of the consumers on the use of bank cards to reduce cash transactions in the economy. Under the slogan: “Get updated! Walk in time and be practical with latest ways of payments. Avoid Cash, Pay by Card!”, the campaign exposed the traditional way of using cash, by putting an emphasis on how unpractical and “old” it is as a payment method. The concept was visually presented with two objects (old/new) placed next to each other in a comparison form. On November 4<sup>th</sup>, 2020, the AAB, through a press conference, launched the campaign on the media. The campaign extended in two months until end of December 2020.



## SOCIAL MEDIA

During 2020, the AAB content engagement grew, and social media followers grew, as compared to last year.



## SOCIAL ACTIVITIES

### Annual Dinner

On February 11<sup>th</sup>, 2020, the Assembly of Members meeting was held, mainly focusing on key discussions on the updates of the organization of the Association and, in this context, a decision was taken to review the current AAB Charter. The focus of the review shall be: (i) a new governance of the Association; (ii) setting of the duties for technical committees; (iii) new regulation on committee functioning. Moreover, the Assembly members decided to extend the mandate of Mr. Silvio Pedrazzi, acting as Executive Committee member and AAB Chairman, and the mandate of Mr. Maltin Korkuti, acting as Executive Committee member and AAB Vice Chairman up to the end of 2020. The AAB budget for 2020 was also adopted.

Following this meeting, the AAB hosted the Annual Dinner, its traditional gala event on the occasion of the completion of one financial year and getting ready for the subsequent year. The CEOs of member banks, special guests by the Bank of Albania, the Governor, the First Deputy Governor and the Second Deputy Governor, the Director of Deposit Insurance Agency and other directors attended the event. A special greeting was made to Mr. Gazmend Kadriu, on the occasion of completion of his mission as CEO of Union Bank.



# TECHNICAL COMMITTEES

## - HIGHLIGHTS AND ACHIEVEMENTS

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### Bank Security Committee

Throughout the year, the committee members discussed the security issues faced the working environments and other challenges encountered. In multiple cases, they collaborated with state authorities on issues that banks faced in the light of the pandemic.

In October, the AAB Secretary General and the Charman of AAB Security Committee attended the meeting of the National Security Committee of Civil Aviation. Discussions focused on the transport of valuable cargo and the subsequent steps to improve the transport system, following the responses of the Bank of Albania and the General Directorate of Customs.

On December 21<sup>st</sup>, 2020, the representatives of the Committee met with the Chief of Rinas Police Commissariat to discuss the decision taken by the General Director of the State Police, who issued an order for the withdrawal of forces from Rinas Airport, and the issue of transportation of monetary values to/from Rinas Airport.

### Card Committee

The committee members discussed on issues of common concern, such as: The Interchange Reduction (national payment), activities related to the card industry, Visa and Mastercard mandates, fraud matters, etc. Furthermore, the members cooperated on the spread of information and awareness raising campaigns.

### Communication / PR Committee

The periodical publications of the AAB and the Sustainable Development Goals were the main topics of the meeting organized on January 28<sup>th</sup>. The committee members engaged in a series of activities with economic journalists, i.e.: the business breakfast organized in February and the press conference on the launch of cards use awareness raising campaign organized later on in November.

### Human Resources Committee

The committee members discussed on the government measures set for financial institutions as a result of COVID-19 pandemic. Other topics of interest included: the online trainings provided by AAB in collaboration with other partners, and the participation of member banks at the Salary and Reward Survey with Korn Ferry.

### Internal Audit Committee

On May 6<sup>th</sup>, the committee held an online meeting to discuss and share their experiences on the way they continue to responsibly manage their work during the new normal emerging as a result of the COVID-19 pandemic. May is the International Internal Audit Awareness Month. With the aim to promote internal audit values during this month, AAB collaborated with the European University of Tirana and on May 29<sup>th</sup>, the Chairperson of the Committee Mrs. Dorida Stambolla, held an open lecture on the topic "The ongoing challenges for internal audit".

On December 23<sup>rd</sup>, the Committee organized its online meeting. The agenda involved discussions on the challenges faced by audit in 2020, priorities and new ways of working for 2021. In addition, the members prepared a list of training topics that internal audit department employees need.

## Information Security Committee

During the online gathering on June 10<sup>th</sup>, 2020, the members discussed on the relief measures undertaken during the pandemic and the findings from the National Authority for Electronic Certification and Cyber Security (AKCESK) as well the statement that critical infrastructures faced problems during the attacks improvised by the Authority.

- On September 11<sup>th</sup>, the AAB Information Security Committee held a meeting, where the main technical concerns of member banks related to electronic signature and documents were discussed.
- On September 17<sup>th</sup>, the AAB Secretariat organized an online meeting with representatives from the National Agency of Information Society, where the latter clarified the concerns raised by banks. As a follow-up, the Secretariat officially addressed to the Authority the inquiries of the Committee and informed the members accordingly.
- On September 28<sup>th</sup>, the chairmanship of the committee discussions focused on planning cyber security activities that took place during the European Cyber Security Month. This year's digital event aimed to explore the rapidly evolving cyber trends and challenges.

## Legal Committee

The chairmanship of the committee gathered to better elaborate on all remarks and suggestions of member banks as regard the draft regulation "On defining the rules for regulating financial transactions of notaries and funds of clients and of third parties." The AAB Secretariat submitted the aggregated material through an official letter addressed to the Ministry of Justice. Upon recommendation of the committee, the Secretariat addressed an official request to the Cadastral State Agency on the proper implementation of Instruction No. 1361, dated 2.05.2020 "On the electronic signature of cadastral acts for services provided by the Cadastral State Agency and approval of working procedures".

On October 22<sup>nd</sup>, the AAB Secretary General, along with the chairmanship of the Legal Committee, attended a meeting with representatives of the Ministry of Finance and Economy, American Chambers of Commerce (AmChams) and Confindustria to discuss on the amendment to Instruction no. 24, dated 02.09.2008 "On tax procedures in the Republic of Albania", as amended, related to account's blocking.

Following the discussions of the EC members, the AAB Secretariat, in collaboration and with the contribution of the working group comprising of banks lawyers and Legal Committee chairmanship, addressed an official letter containing all banks' concerns and proposals on the consequences of anti-mafia law on banks' securities interests.

## Risk Committee

On February 3<sup>rd</sup>, 2020, the committee organized a meeting focused on the platform for the lending revitalization. A set of working groups were established to meet and execute the deadlines of the plan, focused on some of the platforms' objectives. During the month, as per the platform requirements, the secretariat sent two letters to the relevant authorities and partner institutions, i.e.: "On the best practices for risk-sharing agreements" and "e-Albania" platform. In addition, the Secretariat addressed the Bank of Albania a request to continue the application of risk weight of 50% for Albanian Government securities investments in foreign currency. During the year, the Secretariat collaborated with the Committee members to provide the supervisor authority and government with real-time updates on deferrals and lending.

## Treasury and Financial Market Committee

On January 10<sup>th</sup>, the committee chairmanship elections were held. The new chairmanship of the committee is comprised of: Ms. Suela Totokoci from Intesa Sanpaolo Bank Albania, chairperson; Ms. Teuta Cinari from ABI Bank, vice chairperson and Ms. Donalda Gjorga from Raiffeisen Bank, member of chairmanship. In addition, the updates and progress of Market Markers project was part of the agenda.

The committee discussed and exchanged opinions on the process of changing/replacing reference interest rates, as a request from the Bank of Albania.

# OTHER MEETINGS IN 2020

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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 Albanian Diaspora Chamber of Commerce

On September 4<sup>th</sup>, the Secretary General had a meeting with representatives of the Albanian Diaspora Chamber of Commerce, where a series of activities of both organizations were introduced, including any potential opportunities for common interest cooperation.

### Meeting with the National Chamber of Notaries

On October 22<sup>nd</sup>, the AAB Secretariat and banks met with representatives of the National Chamber of Notaries. Participants discussed the key issues faced by banks and notaries during their day-to-day activity, as well as ways how to strengthen cooperation between both parties.

### Meeting of AAB representatives with the Albanian Deposit Insurance Agency

The New Strategic Platform on Improving the Quality of Data for Deposits and Depositor was discussed in the meeting held on October 20<sup>th</sup>. Through constructive consultations with members of the scheme, this strategic platform aims to determine measurable indicators for each bank or savings and credit association to improve the quality of data associated with timeframes set to be met by them, as well as to enable monitoring of the improvement of these indicators by the Agency.

## MEETINGS WITH INTERNATIONAL INSTITUTIONS

### Online meeting with IMF team

A team from the Fiscal Affairs Department of the International Monetary Fund (IMF), led by Ms. Suzanne Flynn, Mr. Fritz Bachmair and Ms. Linda Spahia collaborated with the financial authorities and institutions in the country to support the Albanian government in the management of potential fiscal risks related to government guarantees.

In this regard, on May 14<sup>th</sup>, the banking sector introduced its perspective to the guarantee schemes. Accordingly, NPLs data was the discussion topic between the AAB Secretary General, Mr. Brumbulli and the team members.

### Meetings with IMF representatives

On June 26<sup>th</sup>, the IMF team led by Ms. Yan Sun held a virtual meeting with the AAB Secretary General, Mr. Spiro Brumbulli. The participants discussed on the key risks faced by the banking system as a result of the earthquake, the Covid-19 pandemic and economic downturn, the consequences of the Euro Area Covid-19 developments on Albania's economic outlook, the market expectations on future exchange rate develop-

ments and other related issues.

On September 21<sup>st</sup>, an e-meeting was organized with the IMF team. During the meeting, the AAB Secretary General introduced his views on the recent macroeconomic environment and prospects for the short-term and medium-term economic growth, the main changes and the key risks to the banking system after Covid-19 outbreak, the implementation of BOA's Covid-19 relief measures, etc.

## **Meeting with the European Commission representatives**

On December 3<sup>rd</sup>, the AAB Chairmen, Mr. Pedrazzi along with the AAB Secretary General held a virtual meeting with the European Commission team to discuss Albania's Economic Reform Program 2021-2023, the business environment challenges, features and opportunities for the coming years.

Mr. Pedrazzi emphasized that despite this unprecedented and challenging year, there are improvements marked in digital transformation and green economy.


The European Commission team was chaired by Mr. Javier Menendez Bonilla from DG NEAR, and it was attended by Andrew Williams and Christina Vanghele from DG NEAR, Sarah Jurreit from DG ECFIN and Kamil Valica from DG Employment.

## **Meeting with World Bank representatives on instant payments**

In coordination with the Bank of Albania, and following the agreed actions, the World Bank Group team conducted a series of meetings on December 3<sup>rd</sup> and 4<sup>th</sup>, with key sectoral industry members to discuss the outline team's study on fast payments implementation scenarios in Albania. On December 4<sup>th</sup>, the team met with AAB representatives to have a better understanding of the current operational environment and cost structure for retail payments, the retail payment cases that an FPS could potentially serve, and the potential challenges in implementing such a system in Albania.

## **Consultative meeting on the Cooperation Framework**

The United Nations County Team (UNCT) for Albania has initiated the preparation process for a new United Nations Sustainable Development Cooperation Framework (CF) for the period 2022-2026. On December 14<sup>th</sup>, a virtual meeting was organized to discuss the United Nations Sustainable Development Cooperation Framework proposed priorities and outcomes for cooperation.



FIGURES  
ON THE  
MEMBER  
BANKS

Audited data according to IFRS, as of 31.12.2020 (1 EUR = 123.70 lekë; 1 USD = 100.84 lekë) (in thousand of ALL)

| Bank  | Shareholders' structure                          |        | Country of origin | Assets (ALL000)      | Loans, net (ALL000) | Investments in securities (ALL000) |                    |
|---|--|--------|-------------------|----------------------|---------------------|------------------------------------|--------------------|
|   |  |        |                   |                      |                     | Government securities              | Other              |
| *  ALPHA BANK   | Alpha Bank A.E.                                  | 100%   | Greece            | 77,033,448           | 33,642,214          | 7,417,912                          | 12,567,177         |
|  AMERICAN BANK OF INVESTMENTS                                | Tranzit Sh.p.k.                                  | 100 %  | Albania           | 87,064,729           | 29,278,082          | 35,146,559                         |                    |
| *  BANKA KOMBETARE TREGTARE                                  | Calik Finansal Hizmetler A.S.                    | 100%   | Turkey            | 421,900,552          | 93,512,681          | 126,149,941                        | 78,209,341         |
|  CREDINS bank   | Renis Tershana                                   | 18.53% | Albania           | 246,777,346          | 106,809,269         | 44,774,499                         | 38,883,028         |
|   | Aleksander Pilo                                  | 8.27%  | Albania           |                      |                     |                                    |                    |
|   | B.F.S.E. Holding BV                              | 15.21% | Netherland        |                      |                     |                                    |                    |
|   | Amryta Capital LLP                               | 6.45%  | United Kingdom    |                      |                     |                                    |                    |
|   | Others   | 51.10% |                   |                      |                     |                                    |                    |
|  Fibank<br>First Investment Bank                           | Fibank AD  | 100%   | Bulgaria          | 34,243,838           | 17,098,142          | 9,626,599                          | 324,382            |
|  INTESA SANPAOLO BANK<br>Albania                            | Intesa Sanpaolo S.p.A.                           | 100%   | Italy             | 188,630,803          | 50,902,837          | 66,546,466                         | 5,527,255          |
|  otpbank   | OTP NYRT   | 100%   | Hungary           | 96,480,783           | 58,453,672          | 21,779,703                         | -                  |
|  ProCredit Bank  | ProCredit Holding AG & Co. KGaA                  | 100%   | Germany           | 35,446,845           | 25,298,202          | 1,293,444                          | -                  |
|  Raiffeisen BANK   | Raiffeisen SEE Region Holding GmbH               | 100%   | Austria           | 237,129,901          | 88,287,982          | 51,158,445                         | 9,515,724          |
|  TIRANA BANK   | Balfin Sh.p.k.                                   | 100%   | Albania           | 84,390,894           | 37,991,132          | 25,072,888                         | 4,955,222          |
| *  Banka e Bashkuar e Shqiperise<br>United Bank of Albania | Islamic Development Bank                         | 72.20% | Saudi Arabia      | 9,868,942            | 5,968,858           | -                                  | -                  |
|   | Eurosig Sh.a.                                    | 21.02% | Albania           |                      |                     |                                    |                    |
|   | Others   | 6.78%  | Bahrain           |                      |                     |                                    |                    |
|  UNIONBANK   | Unioni Financiar Tirane (UFT) Sh.p.k.            | 92.24% | Albania           | 71,862,316           | 31,661,639          | 23,968,643                         | 964,079            |
|   | European Bank for Reconstruction and Development | 4.22%  | United Kingdom    |                      |                     |                                    |                    |
|   | Individuals                                      | 3.54%  | Albania           |                      |                     |                                    |                    |
| <b>TOTAL</b>  |  |        |                   | <b>1,590,830,397</b> | <b>578,904,710</b>  | <b>412,935,099</b>                 | <b>150,946,208</b> |

\* Unaudited data



|  | Equity capital (ALL000) | 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 |
|--|-------------------------|----------------------|---------------------|----------------|------------------|-------------|---------------------|------------------|----------------|---------------|-----------|----------------|------------|
|  | 9,173,697               | 62,930,067           | 218,419             | 34             | 419              | 49          | 40,002              | 34,512           | 5,490          | 1,246         | ✓         | ✓              | ✗          |
|  | 10,312,414              | 68,199,118           | 1,064,080           | 21             | 365              | 30          | 15,483              | 14,559           | 924            | -             | ✓         | ✗              | ✗          |
|  | 49,584,036              | 334,879,723          | 6,396,697           | 64             | 940              | 101         | 374,919             | 326,118          | 48,801         | 6,779         | ✓         | ✓              | ✓          |
|  | 18,570,041              | 217,994,494          | 909,036             | 58             | 964              | 71          | 188,895             | 121,180          | 6,053          | 1578          | ✓         | ✓              | ✓          |
|  | 3,646,591               | 28,617,005           | 375,204             | 14             | 351              | 34          | 39,511              | 35,468           | 4,043          | -             | ✓         | ✓              | ✗          |
|  | 23,051,769              | 159,507,095          | 1,294,535           | 35             | 657              | 57          | 112,651             | 111,992          | 659            | 658           | ✓         | ✓              | ✗          |
|  | 9,456,255               | 72,890,101           | 663,004             | 38             | 464              | 80          | 66,065              | 63,641           | 2,424          | -             | ✓         | ✓              | ✗          |
|  | 3,187,390               | 24,004,806           | (440,616)           | 5              | 121              | 16          | 9,850               | 9,833            | 17             | -             | ✓         | ✓              | ✗          |
|  | 29,422,146              | 203,020,446          | 1,486,151           | 74             | 1,324            | 178         | 332,699             | 298,166          | 34,533         | 1,615         | ✓         | ✓              | ✓          |
|  | 9,984,782               | 71,569,313           | 648,268             | 35             | 478              | 72          | 75,915              | 71,023           | 4,892          | 210           | ✓         | ✓              | ✗          |
|  | 1,293,633               | 8,492,192            | (148,620)           | 6              | 84               | -           | 490                 | 490              | -              | -             | ✗         | ✗              | ✗          |
|  | 5,809,570               | 60,528,794           | 476,057             | 32             | 400              | 48          | 38,628              | 32,068           | 6,560          | 80            | ✓         | ✓              | ✓          |
|  | <b>173,492,324</b>      | <b>1,312,633,154</b> | <b>12,942,215</b>   | <b>416</b>     | <b>6,567</b>     | <b>736</b>  | <b>1,295,108</b>    | <b>1,119,050</b> | <b>114,396</b> | <b>12,166</b> |           |                |            |

Financial Statements and Independent Auditor's Report

Albanian Association of Banks

As of and for the year ended 31 December 2020

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## Independent Auditor's Report

To the Board of Directors of “Albanian Association of Banks”

### *Opinion*

We have audited the financial statements of “Albanian Association of Banks” (hereafter referred as the “Organization”), which comprise the statement of financial position as at 31 December 2020, the statement of activities, the statement of cash flows for the year then ended and the 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 Organization as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with the National Accounting Standard for Non-Profit Organisations in Albania.

### *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 Organization 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

### *Other Matters*

The financial statements of the Organization for the year ended 31 December 2020 were audited by another Auditor who expressed an unqualified opinion on those financial statements on 2 June 2020

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the National Accounting Standard for Non-Profit Organisations, 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 Organisation'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 Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation'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 Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 Organisation’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 Organization 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 those charged with governance 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.

### Grant Thornton sh.p.k.

Tirana, Albania  
23 March 2021

*Kledion Kodra, FCA*  
  


*This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

# Statement of Financial Position

|                                  | Notes | 31 December 2020 | 31 December 2019  |
|----------------------------------|-------|------------------|-------------------|
| <b>ASSETS</b>                    |       |                  |                   |
| <b>Current Assets</b>            |       |                  |                   |
| Cash on hand and at banks        | 4     | 5,649,688        | 7,075,012         |
| Membership fees receivable       | 5     | 288,990          | 2,435,400         |
| Prepaid expenses                 | 6     | 280,160          | 280,160           |
| <b>Total current assets</b>      |       | <b>6,218,838</b> | <b>9,790,572</b>  |
| <b>Non-current Assets</b>        |       |                  |                   |
| Fixed assets, net                | 7     | 743,274          | 923,593           |
| <b>Total non-current assets</b>  |       | <b>743,274</b>   | <b>923,593</b>    |
| <b>TOTAL ASSETS</b>              |       | <b>6,962,112</b> | <b>10,714,164</b> |
| <b>LIABILITIES</b>               |       |                  |                   |
| <i>Current Liabilities</i>       |       |                  |                   |
| Payable accounts                 | 8     | 728,934          | 3,015,125         |
| <b>Total current liabilities</b> |       | <b>728,934</b>   | <b>3,015,125</b>  |
| <b>Net assets</b>                | 9     | <b>6,233,178</b> | <b>7,699,039</b>  |
| <b>TOTAL LIABILITIES</b>         |       | <b>6,962,112</b> | <b>10,714,164</b> |

The Statement of Financial Position is to be read in conjunction with the notes from page 4 to 9 forming part of the financial statements.

These financial statements have been approved by the Albanian Association of Banks (AAB) on 31.03.2021 and signed by:

*Spiro Brumbulli*

Spiro BRUMBULLI  
 Secretary General  
 Albanian Association of  
 Banks



*[Signature]*

PricewaterhouseCoopers Consulting



Preparer of the  
 Financial Statements

## Statement of Financial Activities

|  | Notes | 31 December 2020    | 31 December 2019    |
|--|-------|---------------------|---------------------|
| <b>INCOME</b>                            |       |                     |                     |
| Membership fees                          | 10    | 23,239,500          | 27,033,500          |
| Donations and voluntary contributions    | 10    | 4,303,950           | 5,933,825           |
| Other income                             | 10    | 1,982,878           | 3,762,009           |
| Membership fee for major force disasters | 10    | -                   | 34,264,000          |
| <b>Total Income</b>                      |       | <b>29,526,328</b>   | <b>70,993,333</b>   |
| <b>EXPENDITURES</b>                      |       |                     |                     |
| Depreciation                             | 7     | (189,685)           | (247,443)           |
| Operating expenses                       | 11    | (8,391,416)         | (13,503,627)        |
| Promotion and publicity expenses         | 12    | (3,392,026)         | (6,409,210)         |
| Administration and general expenses      | 13    | (19,043,111)        | (18,186,067)        |
| Membership expenses for natural disaster | 13    | -                   | (34,396,000)        |
| Gain / (Loss) from exchange rate         |       | 24,050              | (99,444)            |
| <b>Total Expenditures</b>                |       | <b>(30,992,188)</b> | <b>(72,841,791)</b> |
| <b>Change in net assets</b>              |       | <b>(1,465,860)</b>  | <b>(1,848,458)</b>  |
| Net assets at the beginning of the year  |       | 7,699,039           | 9,547,497           |
| <b>Net Assets at the end of the year</b> |       | <b>6,233,179</b>    | <b>7,699,039</b>    |

The Statement of Income and Expenditure is to be read in conjunction with the notes from page 4 to 9 forming part of the financial statements.



## Statement of Cash Flows

|  | Notes | 31 December 2020   | 31 December 2019   |
|--|-------|--------------------|--------------------|
| <i>Cash flow from operating activities</i>                   |       |                    |                    |
| <b>Excess/(Deficit) of income over expenditures</b>          |       | <b>(1,465,860)</b> | <b>(1,848,458)</b> |
| Adjustments for:   |       |                    |                    |
| Depreciation   | 7     | 189,685            | 247,443            |
| Receivable accounts  | 5     | 2,146,410          | 314,971            |
| Proceeds for payable accounts                                | 8     | (2,286,191)        | 70,190             |
| <b>Cash flow from operating activities</b>                   |       | <b>(1,415,956)</b> | <b>(1,215,865)</b> |
| <i>Cash flows from investing activities</i>                  |       |                    |                    |
| Purchase of fixed assets                                     | 7     | (9,368)            | (35,000)           |
| <b>Cash from investing activities</b>                        |       | <b>(9,368)</b>     | <b>(35,000)</b>    |
| <b>NET INCREASE IN CASH</b>                                  |       | <b>(1,425,324)</b> | <b>(1,250,865)</b> |
| <b>Cash and cash equivalent at the beginning of the year</b> | 4     | <b>7,075,012</b>   | <b>8,325,877</b>   |
| <b>Cash and cash equivalent at the end of the year</b>       | 4     | <b>5,649,688</b>   | <b>7,075,012</b>   |

The statement of cash flow is to be read in conjunction with the notes from page 4 to 9 forming part of the financial statements.

# Notes to the Financial Statements

## **1. Background Information**

The Albanian Association of Banks (AAB or the ‘Organisation’) 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, 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.

AAB had 6 employees as of 31 December 2020 (2019: 6)

## **2. Basis of preparation**

Financial Statements are prepared according to the National Accounting Standard for non-profit organisations and Law on Accounting and Financial Statements. The National Accounting Standard for non-profit organisations has come into force from 1 January 2016.

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

### **(a) Historical Cost**

Items in the financial statements are recognized at historical cost.

### **(b) The principle of going concern**

The financial statements are prepared on a going concern basis, which means that the economic activity of the Albanian Banking Association will be continued, and that it does not plan or need to cease its operations.

The organization did not cease its work during the lock down measures of the global pandemic. Also all the member Banks of the Association continued their activity without interruption, as most of the businesses from the restrictive measures of the government.

During 2020 all donors of the organization have disbursed their funds based on the Statute of the organization in accordance with the plan of activities for 2020, with the exception of the last instalment of 2020 approved by the decision of the assembly dated 10.12.2020. The general assembly of the organization by decision 4 dated 10.12.2020 has approved the financial plan for 2021 for the total amount of ALL 33,146,580.

The organization continues to implement measures to prevent the negative impact of the Pandemic on its activities and estimates that it will continue the activity based on the principle of continuity, for a period of time at least for the next 12 months.

### **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 Albanian Lek (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:

The exchange rate as at:

|         | <b>31 December 2020</b> | <b>31 December 2019</b> |
|---------|-------------------------|-------------------------|
| ALL/EUR | 123.7                   | 121.77                  |

#### ***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 subsequent to the month of acquisition.

Amortization rates and method according to PPE groups:

|                    | <b>Depreciation rate</b> | <b>Used method</b> |
|--------------------|--------------------------|--------------------|
| 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 2020 | 31 December 2019 |
|------------------------|------------------|------------------|
| Current account in ALL | 3,743,272        | 6,737,272        |
| Current account in EUR | 1,892,238        | 282,748          |
| Cash on hand           | 14,178           | 54,992           |
| <b>Total</b>           | <b>5,649,688</b> | <b>7,075,012</b> |

#### 5. Contributions Receivable

Contributions receivable is composed as follows:

|              | 31 December 2020 | 31 December 2019 |
|--------------|------------------|------------------|
| Membership   | 288,990          | 2,435,400        |
| <b>Total</b> | <b>288,990</b>   | <b>2,435,400</b> |

#### 6. Prepaid Expenses

Prepaid expenses are composed as follows:

|                | 31 December 2020 | 31 December 2019 |
|----------------|------------------|------------------|
| Rent guarantee | 280,160          | 280,160          |
| <b>Total</b>   | <b>280,160</b>   | <b>280,160</b>   |

#### 7. Fixed Assets

Fixed assets are composed as follows:

|                                 | Furniture        | Electronic Equipment | Total            |
|---------------------------------|------------------|----------------------|------------------|
| <b>Cost</b>                     |                  |                      |                  |
| At 31 December 2019             | 2,060,691        | 1,959,306            | 4,019,997        |
| Additions for year 2020         | -                | 9,368                | 9,368            |
| Disposals for year 2020         | -                | -                    | -                |
| <b>At 31 December 2020</b>      | <b>2,060,691</b> | <b>1,968,673</b>     | <b>4,029,364</b> |
| <b>Accumulated Depreciation</b> |                  |                      |                  |
| At 31 December 2019             | 1,703,844        | 1,392,560            | 3,096,404        |
| Depreciation for year 2020      | 47,369           | 142,316              | 189,685          |
| Disposals for year 2020         | -                | -                    | -                |
| <b>At 31 December 2020</b>      | <b>1,751,213</b> | <b>1,534,876</b>     | <b>3,286,090</b> |
| <b>Net carrying value</b>       |                  |                      |                  |
| At 31 December 2019             | 356,847          | 566,746              | 923,593          |
| At 31 December 2020             | 309,478          | 433,797              | 743,274          |

## 8. Payable and other liabilities

Payable and other liabilities are composed as follows:

|                                    | <b>31 December 2020</b> | <b>31 December 2019</b> |
|------------------------------------|-------------------------|-------------------------|
| Personal Income Tax                | 371,973                 | 362,776                 |
| Health and Insurance Contributions | 216,641                 | 216,949                 |
| Suppliers                          | 125,571                 | 2,435,400               |
| Withholding Tax                    | 14,749                  | -                       |
| <b>Total</b>                       | <b>728,934</b>          | <b>3,015,125</b>        |

## 9. Net Assets

Net Assets is the difference between the assets and liabilities of the Organisation 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 statute of the AAB.

|   | <b>31 December 2020</b> | <b>31 December 2019</b> |
|---|-------------------------|-------------------------|
| Balance carried at the beginning of the period            | 7,699,039               | 9,547,496               |
| Increase/(decrease) from change of net assets             | (1,465,860)             | (1,848,458)             |
| <b>Balance that is carried forward in the coming year</b> | <b>6,233,179</b>        | <b>7,699,039</b>        |

## 10. Income

The income of the organization represents the value of the funds received during 2020 from the Banks for the realization of activities in accordance with the statute of the organization.

|                                       | <b>For the year ended on 31<br/>December 2020</b> | <b>For the year ended on 31<br/>December 2019</b> |
|---------------------------------------|---|---|
| Membership fee from member banks      | 23,239,500  | 27,033,500  |
| Sponsorships from banks               | 4,303,950   | 5,933,825   |
| Trainings from member banks           | 1,982,878   | 3,762,009   |
| Additional quota for natural disaster | -   | 34,264,000  |
| <b>Total</b>                          | <b>29,526,328</b>                                 | <b>70,993,333</b>                                 |

The additional quotas for emergencies for the year 2019, are related to the earthquakes of 21 September and 26 November 2019, which hit the country. These quotas are donated to the Prefecture of Korça for the earthquake of 21 September and the Albanian Government for the earthquake of 26 November respectively.

## 11. Operating Expenses

Organization expenses for activities represent expenses for main activities according to the requirements of member Banks in accordance with the statute of the organization.

|                            | For the year ended on 31<br>December 2020 | For the year ended on 31<br>December 2019 |
|----------------------------|---|---|
| Trainings for member banks | 6,322,222                                 | 6,688,638                                 |
| Events and Workshops       | 1,024,884                                 | 5,398,944                                 |
| Memberships                | 1,044,310                                 | 1,057,600                                 |
| Travel expenses            | -   | 358,455                                   |
| <b>Total</b>               | <b>8,391,416</b>                          | <b>13,503,627</b>                         |

## 12. Promotion and publicity expenses

|                                     | For the year ended on 31<br>December 2020 | For the year ended on 31<br>December 2019 |
|-------------------------------------|---|---|
| Publications                        | 3,306,710                                 | 3,364,027                                 |
| Informative materials and marketing | 85,316                                    | 3,045,184                                 |
| <b>Total</b>                        | <b>3,392,026</b>                          | <b>6,409,210</b>                          |

## 13. Administration and general expenses

General expenses and administration are analyzed as follows:

|                                  | For the year ended on 31<br>December 2020 | For the year ended on 31<br>December 2019 |
|----------------------------------|---|---|
| Personnel Salaries               | 11,753,997                                | 11,272,229                                |
| Rent                             | 2,971,440                                 | 2,956,500                                 |
| Health & Insurance Contributions | 1,247,582                                 | 1,164,004                                 |
| Communication expenses           | 1,145,130                                 | 1,150,483                                 |
| Financial Consulting expenses    | 880,090                                   | 462,990                                   |
| Other expenses                   | 344,427                                   | 343,707                                   |
| Stationary & other supplies      | 288,395                                   | 338,600                                   |
| Health Insurance                 | 186,225                                   | 182,565                                   |
| Utility Expenses                 | 138,600                                   | 161,887                                   |
| Translation Services             | 36,222                                    | 68,589                                    |
| Bank Fee & Commissions           | 21,267                                    | 43,012                                    |
| Local Taxes                      | 15,000                                    | 15,000                                    |
| Media Subscriptions              | 14,175                                    | 17,500                                    |
| Notary Expenses                  | 560                                       | 9,000                                     |
| Expenses for natural disaster    | -   | 34,396,000                                |
| <b>Total</b>                     | <b>19,043,111</b>                         | <b>52,582,067</b>                         |

Expenditures for extraordinary cases are related to the quotas donated to the Prefecture of Korça for the case of the earthquake of September 21 and the Albanian Government for the case of the earthquake of November 26, respectively.

#### **14. Conditional commitments and obligations**

##### *Legal issues*

As at 31 December 2020, no litigation has been brought against the Organization or by the Organization.

##### *Rental commitments*

The company has commitments for the lease contract for the premises for the development of activities for a period of up to one year 1.

#### **15. Related party transactions**

The organization has had related party transactions throughout the normal course of business. The main transactions are those related to funds received from Banks.

#### **16. Events after the reporting date**

The management of the Organization is not aware of any events after the reporting date that would require additional adjustments or explanations to these financial statements.



ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE