



ALBANIAN ASSOCIATION OF BANKS
SHOQATA SHQIPTARE E BANKAVE

ANNUAL REPORT 2022





ALBANIAN ASSOCIATION OF BANKS
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Albanian Association of Banks (AAB)

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Registered with the District Court of Tirana under Court Decision no. 1153, dated 14.04.1999

TAX ID: K51626015F

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Design & Layout: **FCB AFIRMA**

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1. MESSAGE FROM THE CHAIRMAN

Dear Reader,

The year 2022 will always be remembered for Russia's unprovoked attack on Ukraine. It was this dismissive extraordinary event that caused a series of adverse consequences to economic life worldwide, accompanied by an increase in inflation and consequently in interest rates from central banks, as well as the decrease of individuals purchasing power and deterioration of the living standards in general.

The banking industry continued to run its activity with no interruption although the new reality it had to face just a few weeks after the beginning of the financial year, being forced to review business plans and priorities depending on emerging developments.

The annual outcomes indicate that the path chosen by the banks and their business model were stable and profitable. Adaptation to the new economic environment with increased interest rates found the banking industry well prepared, therefore causing no concerns to their clients and the market. In terms of profitability, the year 2022 is considered the best year of the last decade. This positive performance provides more credibility and security not only to shareholders encouraged to increase their future business, but also to further development of the markets, and to customers as well, both for deposits and for the services and products provided by banks. It is no coincidence that the findings of the end-of-year study indicate that the banking industry is viewed as the most reliable industry in the country, the best among all private and public institutions.



The increase in lending to both business and retail sectors in 2022 is considered a "mission completed" challenge. Maintaining the lending quality, where the level of non-performing loans remains at the lowest level of the last decade, constitutes further security for the assessment and undertaking of the risk factors identified in our economy.

The Albanian Association of Banks (AAB) supported the needs and demands of its members, targeting new developments in the market to attract banking clients as much as possible. On these grounds, at the beginning of the year, domestic transfers in Euro currency were applied without a foreign correspondent bank, significantly reducing the costs of transfers for the said currency.

Moreover, upon digitization of public services, banks can now provide digital payments for public services received through e-Albania. This project is now in the consolidation phase and further delivery to customers is expected.

AAB has paid priority focus on the developments of the relevant regulatory and legal amendments to enable remote account opening for individuals and electronic signature. The project has already been put on track and its completion is expected soon.

The year 2022 also marked the end, for the time being, of the consolidation of the banking sector, with the closing of the sale and transfer of Alpha Bank to OTP Bank Albania. Now the banking sector consists of 11 banks, among which, five are with domestic capital.

AAB has been quite proactive and participated in every round table where draft regulations, draft guidelines, draft laws, and/or projects for sectoral or economic developments were discussed with any local and foreign stakeholder, such as the Bank of Albania, the Ministry of Finance and Economy, the Parliamentary Commission for Finance and Economy, IMF, World Bank, EU Delegation, etc.

I would like to invite you to browse this report for more information on AAB's achievements in the five main pillars of its activity. You will find a series of activities, meetings, trainings, publications, and organizations that best speak for the dedication and commitment of the members in the development of the banking industry and the economy.

Sincerely,

Bledar Shella

Chairman
Albanian Association of Banks
& CEO, OTP Bank Albania



2. ORGANIZATIONAL STRUCTURE

The organization of AAB consists of the following bodies:

- Assembly of Members - Decision-making body;
- Supervisory Board - Policymaking and monitoring body;
- Secretary General - Executive body;
- Executive Office, Technical Committees and Working Groups - Supporting bodies

2.1 Assembly of Members

The Assembly is the highest decision-making body of AAB. The Assembly of Members is composed of:

- The President;
- Members.

The elected Chairman of the Supervisory Board is the President of the Assembly of Members. At the end of 2022, the Assembly of Members was composed of 11 members.

The following list details the AAB member banks and the Assembly of Members:

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ American Bank of Investments
Andi Ballta,
Chief Executive Officer | <ul style="list-style-type: none"> ▪ Raiffeisen Bank Albania
Christian Canacaris,
Chief Executive Officer |
| <ul style="list-style-type: none"> ▪ Banka Kombëtare Tregtare
Seyhan Pencabliligil,
Chief Executive Officer & Board
Member | <ul style="list-style-type: none"> ▪ OTP Bank Albania
Bledar Shella,
Chief Executive Officer |
| <ul style="list-style-type: none"> ▪ Credins Bank
Maltin Korkuti,
Chief Executive Officer | <ul style="list-style-type: none"> ▪ Tirana Bank
Dritan Mustafa,
Chief Executive Officer |
| <ul style="list-style-type: none"> ▪ First Investment Bank Albania
Bozhidar Todorov,
Chief Executive Officer | <ul style="list-style-type: none"> ▪ Union Bank
Flutura Veipi,
Chief Executive Officer |
| <ul style="list-style-type: none"> ▪ Intesa Sanpaolo Bank Albania
Alessandro D'Oria,
Chief Executive Officer | <ul style="list-style-type: none"> ▪ United Bank of Albania
Orfea Dhuci,
Chief Executive Officer |
| <ul style="list-style-type: none"> ▪ Procredit Bank Albania
Mirsad Haliti,
Member of Management Board | |



2.2 Supervisory Board

The Supervisory Board is the highest policymaking, controlling, and monitoring body of the Association. The Board is composed of 5 (five) members and is chaired by the Chairman elected by the Assembly or, in case of his/her absence, by the elected Vice Chairman, who can act based on equal powers.

The Supervisory Board is composed of five members, three of which are elected from among the representatives of the "Systemic Banks" (as identified by the Bank of Albania), and the other two members are elected amongst the representatives of other banks.

The members of the Supervisory Board are elected by the Assembly of Members for a 2 (two) year term.

Supervisory Board members:



BLEDAR SHELLA

Chairman
Chief Executive Officer,
OTP Bank Albania



SEYHAN PENCABLIGIL

Deputy Chairman
Chief Executive Officer and
Board Member of
Banka Kombëtare Tregtare (BKT)



MALTIN KORKUTI

Member
Chief Executive Officer,
Credins Bank



DRITAN MUSTAFA

Member
Chief Executive Officer,
Tirana Bank



BOZHIDAR TODOROV

Member
Chief Executive Officer,
Fibank Albania

Mr. Bledar Shella is currently the Chairman of the AAB Supervisory Board.

2.3 Executive Office



SPIRO BRUMBULLI
Secretary General

The Executive Office is in charge for assisting the Managing Bodies of AAB in implementing their functional duties. It is directly managed and supervised by the Secretary General of the Association. In line with the terms of the AAB Charter, the Secretary General is the Legal Representative of the AAB. Mr. Spiro Brumbulli is currently holding the position of AAB Secretary General.

2.4 Technical Committees

AAB establishes technical committees to constantly address the main issues within its scope of activity. Based on their professional competencies, Permanent Technical Committees aim to provide the Supervisory Board and the Secretary General with proposals and answers required in their specific fields of responsibility.

In addition to the Permanent Technical Committees and based on the needs of the Association, the Supervisory Board is also in charge for establishing the Auxiliary Technical Committees.

2.4.1 Permanent Technical Committees

- **Legal Committee** / Albina Hasanaj, Chairperson, Banka Kombëtare Tregtare
- **Compliance Committee** / Bertina Hajdini, Chairperson, OTP Bank Albania*
- **Risk Management Committee** / Elona Bollano, Chairperson, Banka Kombëtare Tregtare
- **Finance and Accounting Committee** / Juella Ahmeti, Chairperson, Raiffeisen Bank Albania
- **HR Committee** / Entela Zigori, Chairperson, Intesa Sanpaolo Bank Albania
- **ICT and IT Security Committee** / Irena Rrushaj, Chairperson, Union Bank
- **Audit Committee** / Ilir Rudi, Chairperson, American Bank of Investments

2.4.2 Auxiliary Technical Committees

- **Auxiliary Committee of Payments, Cards, Digitalisation, and Alternative Channels** / Irida Huta, Chairperson, OTP Bank Albania
- **Task Force on Cyber Security** / Reglendi Xhango, Chairperson, Intesa Sanpaolo Bank Albania

*Until the end of October 2022

3. MEMBERSHIP

Membership of AAB in international organizations:

- European Banking Federation (EBF)
- Banking Association for Central and Eastern Europe (BACEE)
- Interbalkan Forum of Banking Associations
- International Chamber of Commerce (ICC)




Membership of AAB in national organizations:

- National Economic Council
- Tax Council
- National Labour Council
- National Payment System Committee
- National Agency for Funding in Higher Education (AKFAL)

4. ACHIEVEMENTS DURING 2022

- ▶ The Assembly of Members held 3 (three) meetings, whereas the Supervisory Board held 4 (four) meetings.
- ▶ The main activity of the year under review was the forum on “Digitalisation vs Cash”. Afterwards, a Concept Note was drafted and sent to the Prime Minister, the Minister of Finance and Economy and the Governor.
- ▶ The National Committee for Payments System, agreed on the alternative channel for payments (instant payment).
- ▶ Preparation of the 2nd study on “Confidence & perception of consumers in banks and in the banking sector” and presentation of the study report to the media in December 2022.
- ▶ Dealing with the project of digitalization of payment of public services provided from e-Albania.
- ▶ Decision of the Supreme Court for the approval of the new guideline on bailiffs’ tariffs.
- ▶ Establishment of the Cyber Emergency Task Force, which is a temporary structure under the AAB in charge for addressing issues on emergencies on cyber security.
- ▶ 8 (eight) workshops organized and facilitated in collaboration with the state institutions and national and international partners.
- ▶ Decision of the Assembly of Members to waive fees on bank transfers to Ukraine.

- 
- ▶ 3 (three) roundtables (2 with the General Directorate for the Prevention of Money Laundering (GDPML) and 1 with the Minister of Finance and Economy to discuss the Sovereign Guarantee scheme undertaken by the Government).
 - ▶ 16 (sixteen) training courses provided for the banking sector, conducted in collaboration with local and international partners and 287 trainees from member banks.
 - ▶ Annual meetings of the AAB Chairman with economic journalists of the main media and portals in the country.
 - ▶ Financial inclusion and financial education initiatives: The organization of Money Week activities together with the Bank of Albania.
 - ▶ Online organization of the Money Quiz, with the participation of 360 children aged 13-15 years old, from 58 9-year schools.
 - ▶ In the context of financial education, AAB has organized the annual educational trip for economic journalists.
 - ▶ Presentation of the book "First Steps in Finance". Publication of the electronic version. The project was sponsored by Finance in Motion and AAB.
 - ▶ Active presence in media.
 - ▶ Periodic publications of monthly newsletters, different data, annual reports (AAB and CSR report), and statistics for internal use.

5. FACTS AND FIGURES 2022 - BANKING SECTOR IN ALBANIA

During 2022... *

...The structure of the banking system has changed; the number of banks decreased to 11 and the share of banks with Albanian capital also increased. The banking sector appears resilient to shocks based on controlled risks. 2022 was concluded with a positive financial result, a sound level of activity capitalization, and improved credit quality indicators..."



In January, the AIPS EURO payment system became operational, which enables Albanian citizens to make domestic payments in EUR currency at lower costs and in a shorter time.



In cooperation with the World Bank, the local authorities, and market stakeholders, the draft for the "National Strategy on Education and Financial Inclusion" has been completed, which aims to improve literacy and financial inclusion of the general public.

4.84%

Economic growth
(INSTAT, preliminary
assessment)

6.7%

Average
inflation rate

*Source: Bank of Albania, Annual Report 2022, page 4

2.75%

Basic interest rate

11

Number of banks

33.8%Share of the banks' assets
with Albanian capital to the
sector assets**5%**

Non-performing loans ratio

10.8%

Unemployment rate

63.3%

Ratio of gross public debt to GDP

1.4%Interest rate for term deposits
in ALL in the fourth quarter**8.0%**Retail loan interest in ALL
in the fourth quarter**7.0%**Average Business loan interest
in ALL in the fourth quarter**10.6%**increase in credit for
the private sector

17%

increase in housing
loans for individuals

10.4%

increase in deposits

69%

Deposits to GDP ratio

30.9%

Credit to GDP ratio

18%

Capital adequacy ratio

212%

Deposit to loans ratio

87.9%

Share of the banking sector
assets to GDP

ALL 23.3 billion

Profit of the banking sector

6. MAIN PILLARS OF AAB

In this section, the five areas constituting the main pillars of AAB are described.

- ▶ Regulatory framework improvement & Collaboration with authorities
- ▶ Banking transformation
- ▶ Training & development of bank employees
- ▶ Financial Education
- ▶ Public relations & Internal and External Communications

6.1 Regulatory framework improvement & Collaboration with Authorities

6.1.1 Legal and Sub-legal Framework

In 2022, the banking sector, through the Executive Office, was involved in the process of consulting several draft laws and draft decisions of the Council of Ministers, some of which were subsequently adopted by the Assembly of the Republic of Albania, or by the competent authorities, i.e.:

- New draft law "On the Agency for Handling Guaranties and Non-performing Loans", on which AAB representatives have conducted several meetings with representatives of the Ministry of Finance and Economy to discuss the banks' concerns and proposals, which were taken into consideration by the Ministry in the last version of the draft law.
- New draft law "On Data Protection", on which AAB representatives provided their comments and suggestion, as well as participated in all meetings conducted during the consultation process related to this draft law.
- New draft law "On Fiscal and Criminal Amnesty". The AAB addressed to the Ministry the concerns of the banking sector, in particular: the necessity to consult the said draft law with international institutions (EU, IMF, ECB, Moneyval); the need for a clear provision on the exemption or not from obligations of the law on AML and FTF.
- New draft Law "On Income Tax", in which the AAB has been deeply involved during the consultation process.
- Draft law "On some additions and an amendment to the law "On labour inspection".
- Draft law "On Private Pension Funds", which aims to improve the legal basis in the market of private pension funds with defined contributions, as well as harmonization with EU directives and international standards. The banking sector, through AAB, submitted comments and suggestions to the responsible authority.
- Draft guideline "On the methods and procedures of reporting and taking preventive measures by law-enforcement entities "On the prevention of money laundering and terrorist financing", where all banks' concerns on electronic identification were outlined.

- Guideline of the Ministry of Finance and Economy "On methods, reporting procedures and preventive measures needed by entities involved in financial activities".
- Draft regulation of the Albanian Financial Supervisory Authority "On the performance of the operational activity of brokerage companies and banks offering investment services".
- Draft regulation of the Albanian Financial Supervision Authority "On some amendments to Regulation no. 197, dated 29.12.2020 "On the assessment of client's suitability"".

6.1.2 Regulatory Framework of the Bank of Albania

The Albanian Association of Banks has engaged and cooperated with the Bank of Albania throughout 2022.

- Draft regulation "On data reporting, identification, and monitoring of indicators on real estate lending and investments", on which AAB has submitted all relevant comments and concerns of the banking sector regarding the draft regulation.
- Regulation "On strong customer authentication and common, open and secure standards of communication", which aims to determine the requirements for payment service providers, to implement security measures for the application of the procedure of strong customer authentication; the exemption from the application of the security requirements of strong customer authentication, based on the risk level, the amount and the recurrence of the payment transactions and the payment channels used for its execution; the protection of confidentiality and integrity of the payment service user's customized security credentials' the establishment of common, open and secure standards for the communication between different payment service providers, payers and payees on the provision and use of payment services in the application of Title IV of the Law "On payment services".

6.1.3 Collaboration with Authorities

On fiscalization

Key challenges facing banks during the implementation of the fiscalization process as taxpayers and reporters of e-invoices were accompanied by discussion meetings between banks and the General Directorate of Taxation (GDT). Considering the deadline of June 30, 2022, banks' concerns (those related to the bank as taxpayers or those related to reporting) were sent to the General Tax Office.

Taxation of Eurobonds

Eurobond taxation was one of the issues brought to the attention of the authorities during the year. After the GTD's response to the letter sent on December 2021, according to which the holders of these securities have to pay taxes as per the interpretation of the legal framework for taxation, on February 16, 2022, the AAB Executive Office sent a letter to the Ministry of Finance and Economy to the attention of the Minister and copy to the GTD, requesting the statement of the Minister on the issue, by emphasizing that the purpose of the law, as stipulated by the Minister, is the exemptions from all taxes of the securities holders for the Eurobond issue of 2021 as well as to Eurobonds that are unmatured and are subject to the same clause.

Avoidance of double taxation

The problems encountered in practice about the implementation of double taxation and the accounting treatment of unrealized capital profit and losses on placement securities are two issues raised by the Finance and Accounting Committee. After discussions and consent of the members, AAB Executive Office officially addressed these concerns to the Minister of Finance and Economy, the General Directorate of Taxation and the Bank of Albania. The necessary amendments and the review of the Minister of Finance and Economy Guideline were requested to align the procedures with contemporary best practices.

On the accounting treatment of the unrealized capital gains and losses for available-for-sale securities (AFS)

The AAB sent a proposal to the Bank of Albania to adopt the IFRS standard with the condition for profits and losses from AFSs not to be accounted in the calculation of regulatory capital during the transitional period, until the authority switches to IFRS for supervision. The AAB Finance and Accounting Committee addressed this issue during the year.

On Public Procurement Procedures

The banking sector expressed its concerns in the framework of complying with the principle of non-discrimination and free competition in the market. In this regard, on March 4, 2022, the AAB Executive Office sent a letter to the Prime Minister, Mr. Edi Rama, and copy to the Governor and the General Director of the Public Procurement Agency, as some practices followed by some procurement authorities/entities in determining the qualification criteria of bidders provide for the condition of submitting a guarantee by a financial institution with rating A3 according to Moody's agency.

On March 23, 2022, the Public Procurement Agency (PPA) replied to AAB's letter, and inter alia, stated that the law on Public Procurement itself does not provide for the right of the Contracting Authorities to determine such request in the procurement document. On these grounds, according to the PPA, there is no similar procedure.

On the implementation of the amendments to the Regulation "On credit risk management by banks and branches of foreign banks"

On March 10, the AAB Executive Office requested the Bank of Albania to issue its interpretation on the implementation of the amendments made to Regulation "On credit risk management by banks and branches of foreign banks" concerning the provisions on restructuring.

According to the Bank of Albania response, on March 10, the Supervisory Authority clarified that the amendments made to Article 13 of the Regulation (related to the loan restructuring), which entered into force on 01.01.2022, will be implemented only for the loans restructured from 01.01.2022 and further on.

On Private Bailiff's Orders

On April 5, 2022, the AAB Executive Office sent a letter to the Governor raising the issue of the considerable number of Private Bailiff orders. In this letter, it was also requested to take into consideration the banks' concerns in such regard, as well as to take the initiative for the necessary amendments to the BoA's Regulation "On the execution of liabilities on bank account amounts".

On June 17, 2022, upon request of the Ministry of Justice, the AAB Executive Office provided information on the specific Private Bailiffs. The request from the Ministry came in reply to the letter sent by AAB to the institution containing all the banking sector's concerns.

On November 14, the AAB Executive Office, by means of a letter addressed to the Minister of Justice and copy to the Governor of the Bank of Albania, brought to attention the relevant concerns of the banking sector. The letter was a reminder of the two previous ones sent on the matter, as well as a request to the Minister to undertake the necessary interventions with the respective structures of the ministry.

6.2 Banking transformation

On the Central Register of Bank Accounts

Banks went through an increased concern due to the significant number of institutions requesting information on banks' clients. On February 3, 2022, by means of an official letter, the AAB Executive Office addressed a letter on the issue to the Minister of Finance and Economy (MFE) and GTD Director, and copy to all institutions with direct access to the register and those entitled to submit the request. Implementation of the law "On the Central Register of Bank Accounts" requires that any request for information, if a person has a bank account, should be extracted from the accounts register. Having identified the bank account, the blocking request should be only addressed to the bank of the concerned account (not all banks).

Moreover, the issue was also addressed within the Investment Council, which has been included in the list of consolidated recommendations on improving the investment climate, as prepared by MFE. The harmonization of the Albanian legal framework to make the necessary amendments to the organic laws of these institutions has been strongly anticipated by the AAB.

On March 9, 2022, the AAB Executive Office, through an official letter addressed to the Mayor of Tirana Mr. Erion Veliaj, and copy to the Vice Minister of Finance and Economy and the General Tax Director, requested the implementation of the law "On Banks Account Register" by the Regional Directorate of Local Taxes and Tariffs. A request was made for this directorate to take all the necessary measures to provide direct access to this register, thus blocking orders to be sent only to the banks whose clients are taxpayers.

Digitalization of public service payments offered by e-Albania

The government is striving to digitize payments as part of the financial inclusion policies, as digitalization is widely understood to indirectly contribute to further growth and informality reduction. The e-Albania government portal provides 95% of public services, which can be obtained fully online as of May 2022. However, for some of these services, the legal basis requires a payment to be made online to the service provider company, as part of the service delivery process. The use of the e-Albania portal, which serves as a single stop shop for government services, facilitates and simplifies communication and interaction of both citizens and businesses with state institutions.

On May 4, 2022, a technical-level meeting was held with the Ministry of Finance and Economy (MFE) with representatives of banks, the Bank of Albania, the Ministry and AKSHI. Participants engaged in a thorough analysis of the situation, opportunities, problems and solutions to enable online payments made by citizens.

On May 6, 2022, the Prime Minister Mr. Rama held an expanded meeting with general directors of the banking sector, calling on them to join the common effort in a bid to transform banking services offered to citizens at all commercial banks operating in Albania. It was announced that a joint working team between the government and the Bank of Albania has been set up to deliver on this aspect.

In the frame of the Memorandum of Cooperation signed by the Ministry of Finance and Economy, Bank of Albania, Albanian Association of Banks and AKSHI, a working group composed of representatives of each party and chaired by the AAB Secretary General, Mr. Spiro Brumbulli, was established for purposes of its implementation.

In the context of the project, several meetings were held during the subsequent months to discuss the general payment flow of public services through e-Albania and seek solutions for some issues identified. Banks, as part of the project for the digitization of payments of the public services delivered by e-Albania, offered an alternative to facilitate payment through e-banking. Following up on the meetings, the document approved by the Working Group was signed by all the institutions before the implementation stage of the project.

Several meetings organized on the matter:

- On June 1, 2022 - meeting chaired by Mrs. Adela Xhemali, Vice Minister of Finance and Economy, with the participation of representatives of the Ministry of Finance and Economy (MFE), Bank of Albania, MFE, AKSHI, and banks. During this meeting, the way transactions can be conducted was introduced.
- On August 22, 2022 - meeting chaired by the Minister of Finance and Economy (MFE), Ms. Delina Ibrahimaj, where the participants were informed that the authority approved the proposal of banks on the way transactions can be conducted and the establishment of a working group will proceed further.
- Meetings of the working group.



6.2.1 Workshops & webinars



The Forum “Digitalization vs Cash”

The Forum took place in Tirana on June 14, 2022. It brought together bank executives, banking industry employees, representatives of state and public institutions, business associations, academia, media, politics, international institutions, and foreign institutions. Moreover, the forum was attended by the Deputy Prime Minister and the Minister of State for Reconstruction and Reform Program, Mr. Arben Ahmetaj, the Minister of Finance and Economy Mrs. Delina Ibrahimaj, the Governor of the Bank of Albania, Mr. Gent Sejko and the Chair of Economy and Finance Committee in the Albanian Parliament, Mr. Eduard Shalsi.

The forum focused on three key issues:

1. *Alternative payment channels*

In terms of alternative payment channels, there is a low-value payment strategy adopted by the National Payments System Committee, yet there is still no specific initiative or project implemented. Nowadays, the Albanian consumer and business entities are faced with the only widely agreed alternative for the payment of goods and services in cash. In specific cases, especially in more developed areas and sustainable business units, card payments may also be used. AAB is seeking another low-cost and widely used alternative, agreed upon by the business community, to coexist alongside cash. The Forum left room for the preparation of a concept note to analyse any possibilities to focus on an alternative payment channel.





2. Cash reduction use and the fight against informality

The alternative payment channel becomes indispensable when it comes to how much cash circulates in the Albanian economy. To reduce cash transactions, customers and businesses must be introduced to real, tangible and easily accessible opportunities to shift to the use of electronic payments. The reduction of physical money (cash) saves costs of money printing and maintenance, helps to formalize the country's economy, as well as improves the country's reputation.

To reduce the use of cash, the Government must consider the application of a maximum limit for cash payments for individuals and potentially unify the maximum limit with that of the businesses.

3. Use of the e-Albania portal by banks

Digitization is a profound and extensive process. Ideally, it should include all services and payments, both for the private and public sectors. In this context, the Forum highlighted the need for close cooperation between the Ministry of Finance and Economy, the Bank of Albania, the National Agency of ICT (AKSHI) and AAB on the establishment of a working group to come up with a solution to the satisfaction of all stakeholders for public services payments provided by e-Albania. The next meeting of the working group will probably reach an agreement on such expected solution.

Grabbing the attention of responsible institutions and market players with special focus in the digitalization of banking services, this Forum served as a discussion pool for introducing any viable opportunities, extended analysis, expected challenges, experiences and future goals. On these grounds, a concept note was drafted and presented to the relevant state structures and stakeholders.

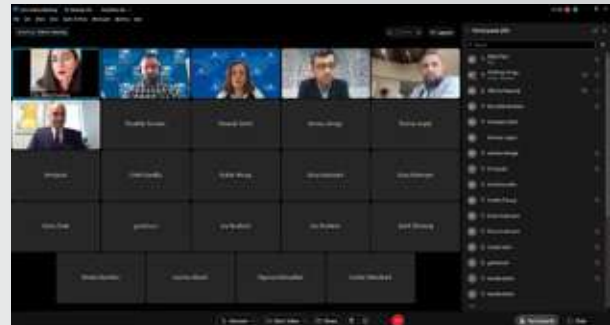
Workshop: Fiscal and legal developments

On February 23, 2022, the AAB and PwC Albania and Kosovo delivered a tailored workshop with a special focus on “Fiscal and legal developments”. This workshop introduced banks participants to important aspects on the value added tax and transfer pricing in the banking sector, the fiscal implications of the new legal framework on the Eurobond, the importance of electronic signature for businesses; administrative issues on double taxation and tax evasion, expected updates in the legislation on personal data protection in line with European standards, etc.



Workshop on raising awareness of second-tier bank representatives with focus on out-of-court proceedings

The virtual workshop was organized on February 24, 2022, and aimed at raising awareness of the banks in Albania for the expedited reorganization procedure, in compliance with the bylaw on out-of-court restructuring agreement, as approved for the legal framework of the Bankruptcy Law and presentation of the Guideline “On out-of-court practice and procedures” drafted in the ambit of the project. 23 bank representatives attended the workshop.



e-KYC & e-signature – solutions for financial institutions

On May 20, 2022, banks representatives from Albania and Kosovo were invited to participate in the “e-KYC & e-signature – solutions for financial institutions” roundtable, organized by Mellon Group and Euronovate, and facilitated by the AAB. The event focused on digital transformation characterized by acquaintance with the most advanced technological standards & experiences in Albania, Kosovo, and beyond.



SWIFT Go event

On September 20, 2022, the AAB collaborated with SWIFT & CIS in organizing the SWIFT Go event. SWIFT Go is an interbank service dedicated to low-value, cross-border transactions. The speakers introduced the service and shared the latest news with the participants. Representatives of all the member banks attended the event.



Capacity-building training on bankruptcy procedures

Following the training and meetings on bankruptcy procedures, on September 27, 2022, the AAB and the International Finance Corporation (IFC) organized a training to build and enhance capacities of second-tier bank staff on bankruptcy procedures. The training, attended by 22 representatives of AAB member banks, focused on the second phase of the Debt Resolution Project and the bankruptcy procedures related to second-tier banks.



AAB Audit Committee workshop

On October 14, 2022, a workshop was organized for the AAB Audit Committee members. The Chairperson of the Committee, Mr. Ilir Rudi, Director of the Internal Audit Division at ABI Bank, and Ms. Ediola Bicaku, Director of the Internal Audit Department at Intesa Sanpaolo Bank Albania, shared their views and experiences with the attendees on how to interact and communicate with the Risk and Compliance lines and functions within their own banks. Mrs. Dorida Stambolla, Director of the Internal Audit Department, Raiffeisen Bank shared with participants the review of the International Standards of Internal Auditing (IPPF) presented by Global IIA. Furthermore, challenges encountered on Internal Audit were extensively discussed and elaborated. The topics of the agenda stimulated fruitful discussions and raised interest among all participants.



English Law Facility Agreements training

On October 26, 2022, the AAB collaborated with Deloitte Legal on the training “English Law governed facility agreements and finance documents – Issues and Considerations”. The training focused on English law governed Facility Agreements and other financial documents that are often governed by English law (for example, mandate letters), and was attended by 14 bank representatives.



Financing in agriculture sector

On November 9, 2022, the AAB hosted a meeting of the World Bank together with the banks’ representatives. The meeting focused on how the banking sector views the identified problems and the proposed measures to stimulate financing in the agriculture sector.

Following up on the meeting, on November 10, 2022, banks attended a workshop on agriculture financing organized by the Ministry of Agriculture and Rural Development and the World Bank. The diagnostic findings and recommendations were introduced to a wider audience, consisting of representatives of state institutions, the agricultural sector and the financial sector.

Sustainable Finance Opportunities – meeting with IFC

Maximizing Sustainable Finance Opportunities was the topic of the business meeting organized over breakfast on November 15, 2022, by the International Finance Corporation (IFC) in close collaboration with the AAB and with the participation of banks’ representatives. IFC representatives presented the key elements of sustainable finance, which will enhance financial institution capacities to develop climate business aligned with the EU and global guidelines.



Green Finance workshops

AAB collaborated with German Sparkassenstiftung in organizing two workshops on Green Finance, which were attended by 56 bank representatives.

- The first one titled “Green Finance, Regulation, and Risk” was organized on December 7th, and was tailored for the management teams of the financial sector.
- The second workshop “Navigation to Green Finance – ESG Risk Radar & Green Finance Compass” took place on December 15th and dedicated to the operational staff of the financing sector working on a daily basis on risk mitigation and that now has to deal with climate change risks and mitigation.



6.3 Training & development of bank employees

AAB is the most wide-ranging source of training for banking professionals. Under the coordination of the AAB, different types of training were conducted during the year:

- trainings on more than **15** various topics delivered;
- over **287** bank employees trained;
- in cooperation with **5** partners.

Topic: Leading with Emotional Intelligence
Date: February 16 - 17, 2022
Partner: Austrian Institute of Excellence (AIEEx)
Attendance: 14 participants

Description: This training course delivered the in-depth knowledge and practical skills participants needed. Moreover, they learned how to apply emotional intelligence to specific leadership situations to gain the authority and success they strive for as a leader.



Topic: Succeeding in Negotiations through professionalism
Date: February 28 & March 1, 2022
Partner: Network Tribe
Attendance: 10 participants

Description: In this program, participants learned how to drive success as a negotiator, and create value for themselves and their organization.



Topic: Data Visual Analytics
Date: March 9-11, 2022
Partner: ATTF / House of Training Luxembourg
Attendance: 11 participants

Description: The agenda focused on what is visual analytics and why it augments human perception, the visual data analytics process cycle, and how to define the business problem to be solved.



Topic: People Management: Leading as a Coach
Date: March 16-18, 2022
Partner: Inspirance Consulting
Attendance: 16 participants

Description: Objectives of this course: have a better understanding of your management style; Adopt a role and posture of a Manager as a Coach for your team.



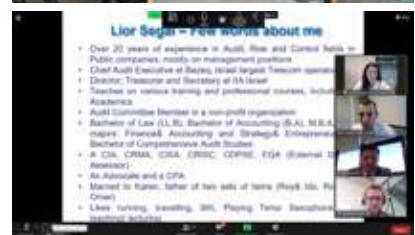
Topic: Risk Management: Credit Risk
Partner: ATTF / House of Training Luxembourg
Date: April 5-8, 2022
Attendance: 18 participants
Description: This course provided participants with a good understanding of credit risk and the methods for effective management.

Topic: Design Thinking
Date: April 27, 2022
Partner: Network Tribe
Attendance: 14 participants
Description: The training was tailored for the participating banks, and it aimed to engage with core concepts.

Topic: Remote Auditing - A hybrid trend in the digital transformation age
Date: April 27-28, 2022
Partner: Albanian Institute of Internal Auditors (AIIA)
Attendance: 15 participants
Description: Understanding the threats and opportunities associated to remote auditing and dealing with issues on conducting the audit and discussion on selected assignments.

Topic: Blockchain Executive Program
Date: May 5, 2022
Partner: Network Tribe
Attendance: 13 participants
Description: Focused on the key technology, business and economic, and legal issues related to breakthrough blockchain technologies.

Topic: Digital Transformation and Fintech
Date: May 9-11 & 16-18, 2022
Partner: ATTF / House of Training Luxembourg
Attendance: 15 participants
Description: This course provided a solid introduction to digital and transformation frameworks.



Topic: Capital Adequacy Assessment Process (ICAAP)
Date: May 24-28, 2022
Partner: ATTF / House of Training Luxembourg
Attendance: 25 participants
Description: The course provided participants with a good understanding of ICAAP as a key component of the Supervisory Review and Evaluation Process (SREP) in banking.



Topic: Cyber and Information Security Management
Date: June 13-16 and 20-23, 2022
Partner: ATTF / House of Training Luxembourg
Attendance: 15 participants
Description: The program mainly delivered solutions to issues related to the subject, which guided the participants' choices and mission, taking into account the risks associated to cyber security. Stakeholders from the banking sector participated in the training.



Topic: Navigating into the Unknown: The new way to Lead in VUCA-D-D World
Date: June 23-24, 2022
Partner: Austrian Institute of Excellence (AIE)
Attendance: 16 participants
Description: This training focused on how to develop competencies and skills as a VUCADD Leader.



Topic: Anti-money laundering & counter-terrorist financing (AML & CTF) – at the foundation level
Date: September 12-14, 2022
Partner: ATTF/ House of Training Luxembourg
Attendance: 14 participants
Description: Interactive seminar combining lectures, case studies, and exchanges of views and experiences. Participants learned to overview European standards and Luxembourg AML/CTF laws and regulations, understand the concepts of simplified, normal and enhanced due diligence, etc.



Topic: Navigating into the Unknown
Date: September 12-13, 2022
Partner: Austrian Institute of Excellence (AIEEx)
Attendance: 16 participants
Description: Topics covered by the course: complex adaptive system (C.A.S.) – apply systems thinking to organizations; excel in VUCADD environment with Cynefin framework; lead a learning organization; etc.



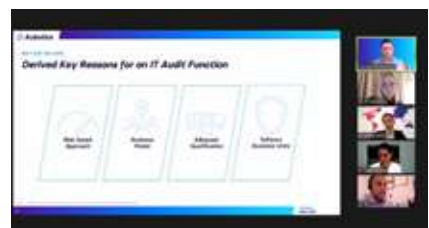
Topic: Selling financial services & managing client relationships
Date: September 19-21, 2022
Partner: ATTF/ House of Training Luxembourg
Attendance: 16 participants
Description: The course provided participants with a good understanding of the selling techniques aiming to sell services & products to clients and manage client relationships effectively.



Topic: Internal Adequacy Assessment Process – ILAAP
Date: October 20, 2022
Partner: ATTF/ House of Training Luxembourg
Attendance: 34 participants
Description: This course aimed to provide the participants with complete coverage of how to implement an ILAAP process, also in the context of the Supervisory Review and Evaluation Process (SREP) interactions with the banking supervisor.



Topic: IT Audit & Role of Internal Audit
Date: December 1-2, 2022
Partner: Albanian Institute of Internal Auditors (AIIA)
Attendance: 25 participants
Description: This course was designed for Non-IT Auditors who execute basic tasks and know their definition like IT Governance (e.g., IT Projects, Resource and Portfolio Management) or IT Security.



6.4 Financial Education

The book “First Steps in Finance” brought in Albanian language by AAB

The digital publication “First Steps in Finance”, by Gunnar Baldvinsson, an internationally acclaimed book dedicated to the needs of children, teachers, and adults to gain basic finance concepts is published in Albanian language thanks to the AAB initiative. The international edition, presented by the European Federation of Banks, seeks to guide teachers across Europe, who are looking for ideas on teaching financial literacy. This book shall serve as basic literature for all ninth-grade students who participate in the Money Quiz every year, organized by AAB. The publication in the Albanian language was enabled with financial support from the Development Facility of the European Fund for Southeast Europe (EFSE DF).

The launching event was organized on February 9, 2022, and took place at the premises of the 9-year school “Emin Duraku” in Tirana. In addition to the presentation, the AAB representatives provided pupils with information on the “Money Quiz” competition.



Open lecture

On February 8, 2022, the AAB Secretary General, Mr. Spiro Brumbulli, was invited to the forum organized by the European University of Tirana to deliver a speech on “Cryptocurrencies in the Albanian market” with students of excellence of bachelor’s and master’s degree programs in Economics and Finance.



Initiative on financial education of the younger generation

On June 7, 2022, AAB joined German Sparkassenstiftung Albania to deliver a lecture on the importance of knowing money and savings. This project was organized in cooperation with BKT at elementary schools in Tirana. Pupils had the chance to play the Saving Game and apprehend the concepts in a friendly manner.

Money Week 2022

On 21-27 March 2022, the Bank of Albania, in cooperation with the Albanian Association of Banks, with the support of the Ministry of Education and Sports and the Albanian Deposit Insurance Agency launched the Money Week 2022 under the theme "Build your future, be smart with your money!".

The Money Week 2022 actively involved more than 700 pupils and 500 students.

On March 24, the opening ceremony of Global Money Week was held. The Governor of the Bank of Albania (BoA), the Minister of Education and Sports, the Albanian Association of Banks Chairman and other high executives from commercial banks attended the event.

After the speeches panel, the event continued with the distribution of awards for winners of the 4 contests, previously launched by BoA and AAB:

- "Best drawing" contest for 3rd and 4th grade. Union Bank supported this contest.
- "Best meme" contest for 9th grade students. OTP Bank Albania supported this contest.
- "Best Video" contest for high-school students. Credins Bank supported this contest.
- Challenge of the week: 7 questions on money and banks for high-school students. Raiffeisen Bank supported this contest.
- "Best essay" contest. This contest was supported by Banka Kombëtare Tregtare (BKT).



Money Quiz 2022

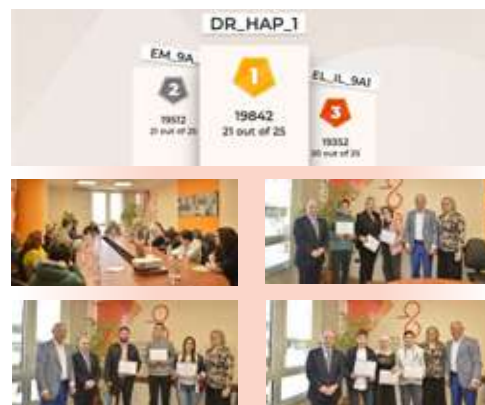
On March 30, the Albanian Association of Banks (AAB), in cooperation with the Bank of Albania and with the support of the Ministry of Education and Sport and the Deposit Insurance Agency (ASD), organized the Money Quiz 2022 for the fourth time. This competition has become an annual tradition and aims at improving financial knowledge among children and youngsters.

360 children, aged 13-15 years olds from

58 9-year schools participated.

The winning team was from "Hafiz Ali Podgorica" school in Durrës.

On May 10, 2022, teams of students from 29 European countries participated in the online European Money Quiz finals, an annual international financial literacy competition hosted by the European Banking Federation (EBF) since 2017. Albania was represented by the winning team at national level.



On April 12, 2022, the Albanian Association of Banks, in cooperation with the Bank of Albania and the Albanian Deposit Insurance Agency, organized the awarding ceremony for the winners of the Money Quiz where the first three award winners received awards from the Deposit Insurance Agency. In addition, the teachers of the winning teams received symbolic gifts from the Bank of Albania.

Open lectures at universities on the topic: Youth & Digital banking

On March 24 and 25, in cooperation with member banks, AAB organized open lectures on “Youth and Digital Banking”. Banks’ representatives raised awareness on the importance of financial culture as part of their overall education. During the lectures, the priorities of the banks towards meeting the needs of customers through digital channels were introduced.

The lectures were organized in cooperation with several universities:

- Faculty of Natural Sciences (FSHN)
- “Epoka” University
- Faculty of Economics, University of Tirana
- European University of Tirana
- Mediterranean University of Albania (UMSH)
- Tirana Business University (TBU)
- “Luigj Gurakuqi” University, Shkodra
- “Aleksandër Xhuvani” University, Elbasan.



Open lectures

- On **March 18, 2022**, the AAB Secretary General, Dr. Spiro Brumbulli organized an open lecture on crypto assets. This lecture was attended by students of the Bachelor study program, Faculty of Business at “Alexandër Moisiu” University, Durrës.
- On **March 25, 2022**, the CEO of Intesa Sanpaolo Bank Albania, Mr. Alessandro D’Oria, along with the Chief Financial Director, Mr. Julian Çela, visited “Epoka” University in Tirana. Part of this visit was the presentation of an open lecture with the attendance of 100 students from the Faculty of Economics and Administrative Sciences focused on budgeting and financial statements.
- On **May 31, 2022**, AAB organized an open lecture at the European University of Tirana (UET) with the participation of students and professors from the Faculty of Finance and Economy, in the framework of its collaboration with the academia regarding financial literacy. AAB was represented by Ms. Iva Ikonomi, Head of Retail at Fibank Albania, who provided an overview on the importance of money management, and in particular bank transparency.

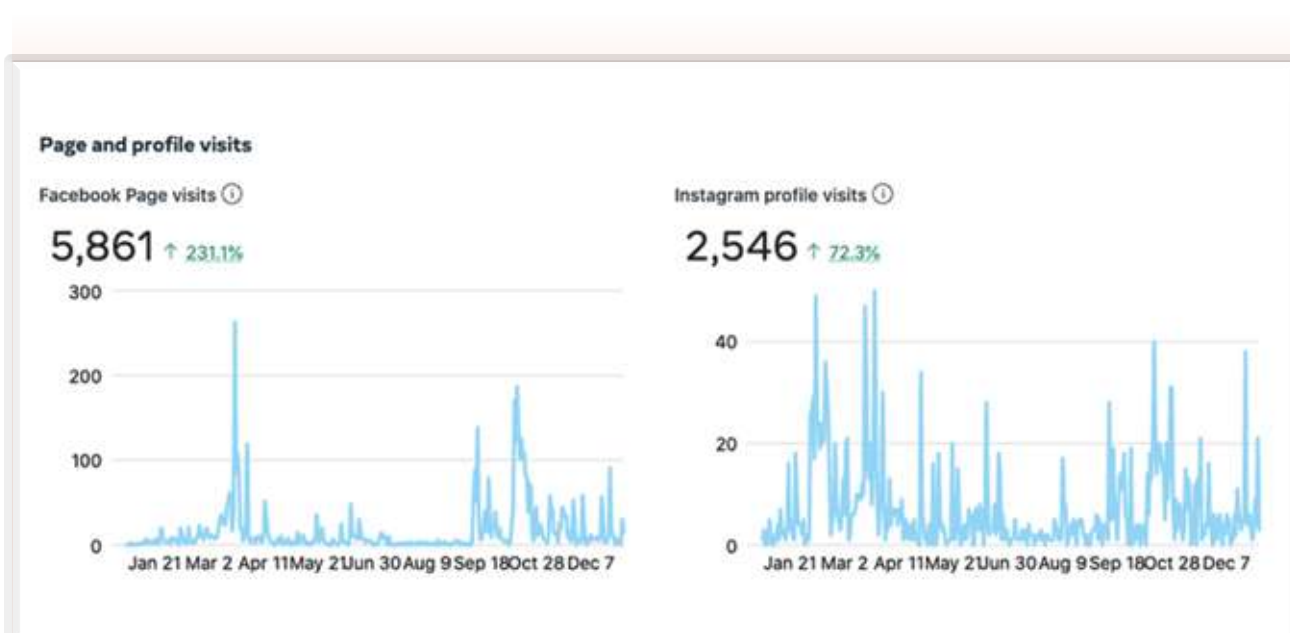
6.5 Public Relations & Internal and External Communication

Our activities, events, media coverage and social media output in 2022 continued to raise awareness on the banking trends and highlight the positive role banking activity can play in the society.

During this year, the Chairman of the Supervisory Board and the General Secretary of AAB were invited to deliver speeches or participate in activities to elaborate various aspects relevant to this sector on the main current events. AAB representatives continued to stipulate on the AAB's position on issues related to the sector.

Moreover, a noticeable uptick in media interviews was observed, which more than doubled from 12 in 2021 to 28 in 2022.

It is worth highlighting the growth of our online audience and reach in 2022, with a 231 increase in user traffic to our Facebook official page and a 72 % increase in Instagram.



Banks waived fees on bank transfers to Ukraine

On March 4, 2022, the AAB announced the decision of the member banks to charge zero commissions on money transfers to Ukraine and/or beneficiaries – citizens /individuals and state institutions of Ukraine. This measure facilitated everyone who wanted to contribute and send money to state institutions, other non-profit organizations, charity associations, and citizens or groups of citizens in need to cope with the difficult situation caused after Russia invaded Ukraine.



6.5.1 Activities with Media

Media and Financial Education: a priority for the AAB

AAB communication with economic journalists is now a tradition to benefit transparency and public information quality. Meetings with journalists were regularly held by AAB to inform on its activity, as part of the media communication strategy. During the year, the AAB Chairman, Mr. Bledar Shella organized two meetings with the economic journalists of the main media and portals in the country:

- On **February 15, 2022**, journalists were communicated an overview of banks' performance for 2022. The priorities of AAB for 2022 and the importance of the role of the media in financial education and digitalization issues were among the main topics of discussion.



- On **November 18, 2022**, Mr. Shella introduced the latest developments in the sector, with a special focus on the effect of the increase in interest rates and the progress of lending.



- On **June 17-19, 2022**, AAB, with the support of OTP Bank Albania, organized the annual activity with economic journalists. This activity mainly focused on digitization. The 18 economic journalists who attended had the chance to get to know the main issues of the banking sector and the challenges surrounding them, as well as to closely observe the implementation of some best practices of the OTP Group in their headquarters located in Hungary.



6.5.2. Participation in national & international gatherings and events

The activity “Lending to and funding the Albanian agriculture sector”

The General Directors of banks attended the activity “Albanian Agriculture Lending and Financing”, organized by the Ministry of Agriculture and Rural Development on January 26, 2022, with the presence of the Prime Minister of Albania, Mr. Edi Rama, Minister of Finance and Economy, Mrs. Delina Ibrahimaj, and Governor of the Bank of Albania, Mr. Genti Sejko. This meeting focused on encouraging discussions about lending to the agriculture sector in Albania and launching the initiative of the Albanian Government on the Agribusiness Support Facility.

The AAB Chairman, Mr. Bledar Shella spoke on behalf of the Albanian Banking Association (AAB) citing some of the factors having hampered the growth of agriculture lending. He stressed the need for better banking industry cooperation with state institutions to find mechanisms for lowering risk and facilitating agriculture lending. Supporting the government’s guarantee scheme with ALL 1 billion for agriculture, Mr. Shella emphasized the attention paid by the banks to the agriculture sector.



Investment Council meeting

The government’s intervention pillars for the improvement of the business climate in the country and the 2022 Investment Council (IC) agenda were discussed during the plenary meeting held on January 31, 2022, chaired by the Minister of Finance and Economy, Ms. Delina Ibrahimaj. The meeting was organized in a hybrid format, and it was attended by all IC members and partners, including representatives from the public and private sectors and development agencies in the role of observers. The AAB Secretary General attended this meeting.

Guarantee instrument by IFC

On April 19, 2022, the Albanian Ministry of Agriculture and Rural Development (MARD) and the International Financial Corporation (IFC), part of the World Bank Group, held a meeting to introduce participants to any potential applicability of crop and warehouse receipts as effective agriculture finance instruments in the country to provide working capital finance to the agriculture sector. The AAB Secretary General attended this activity and forwarded participants with the experience of banks, with special focus on agriculture lending.

Meeting by Albanian Agribusiness Council Agriculture

AAB engaged in the meeting organized by the Albanian Agribusiness Council on April 29, 2022. The topics of agriculture, agritourism, and environment in rural areas were widely addressed during this forum. Ministers of Agriculture and Environment over the years, as well as the ministers who currently lead the two institutions of the Ministry of Agriculture and Rural Development and the Ministry of Tourism and Environment, academic field representatives, experts, associations, and representatives of donor projects, attended the meeting.



Meeting of the EBF Associations

- On May 30, 2022, the 53rd meeting of the EBF Associations was organized. At this meeting, AAB was represented by its Secretary General. During the meeting, which was the first in-person meeting since the end of 2019, inter alia, topics relevant to the banking sector developments and the respective associate members' countries were discussed. Mr. Brumbulli informed participants on the activities carried out by AAB. The impact of the war in Ukraine, best practices for AML, sustainable growth, Basel IV, financial education, were amongst the most discussed topics of high interest.
- The 54th meeting of the Associate Members of the European Banking Federation (EBF) took place on September 22, 2022, in Brussels. The meeting scheduled speeches by high-level guest speakers from European Bank for Reconstruction and Development (EBRD). It also focused on EBF activities, the latest developments at the EU level, innovation and cybersecurity issues and sector priorities. As part of the agenda, the EU's anti-money laundering and countering of terrorism financing (AML/CFT) legislative package & EBF positioning were widely elaborated.

The Country Private Sector Diagnostics (CPSD) Report

The International Finance Corporation (IFC) together with the World Bank (WB) prepared the Country Private Sector Diagnostics (CPSD) Report to provide valuable information on the challenges and opportunities in three sectors: tourism, agribusiness, and auto-parts industry, and policy options to better leverage the contribution of the private sector in achieving Albania's development goals. On June 15, 2022, the findings of the CPSD report were presented and an AAB representative attended the event.

Report on the NGOs sector's methodology for assessing the terrorist financing risks

On June 17, 2022, Partners Albania for Change and Development, organized a roundtable on NGOs' risk assessment methodology for financing terrorism following the fulfilment of the FATF recommendations, the perspective and role of the institutions in this process, their plans for its implementation and relevance to the National Risk Assessment. The findings include data and information received from state institutions, the financial sector, NGOs, religious communities, and international reports. The meeting was attended by representatives of the Financial Intelligence Unit, General Tax Directorate, Bank of Albania, and the AAB Executive Office.

On the Money Laundering and Terrorist Financing National Risk Assessment

Organized on June 20, 2022, by the Council of Europe in collaboration with FIU, the workshop introduced the methodological tools for conducting the National Risk Assessment against Money Laundering and Terrorist Financing according to the relevant methodology of the Council of Europe. AAB representatives were honoured to attend the event.

Digital Marketing

On June 23, 2022, the Union Chambers of Commerce and Industry of Albania (UCCIAL) organized a training on Digital Marketing in the framework of the project "Support to the Western Balkans 6 CIF". AAB representative attended the training.



Kosovo Banking Association concluded the first AML/CFT Regional Conference 2022

On September 29th & 30th, 2022, the Kosovo Banking Association organized the AML/CFT Kosovo Regional Conference 2022. Discussions focused on topics from a banking and regulatory perspective, addressing challenges to existing and anticipated EU regulations as well as AML implications in the digital transformation era. The conference was also attended by representatives from Albania such as the Bank of Albania, the General Directorate of Anti-Money Laundering, and AAB. The chairperson of the AAB Compliance Committee along with the Coordinator of the Committee participated in the conference.

44th BACEE Banking Conference

On October 2022, the 44th BACEE Banking Conference was organized, a hybrid event that gathered together more than 300 guests from 32 countries. The panel discussions focused on the banking sector overview of the CEE/SEE countries' macroeconomics scenarios in Europe and other important issues. AAB has honoured to attend the conference.

20th Anniversary of the Kosovo Banking Association

AAB Chairman of the Supervisory Board and AAB Secretary General attended the celebration of the 20th Anniversary of the Kosovo Banking Association (CBK) establishment, on November 3, 2022.

On the occasion of the 20th anniversary of the establishment of the CBK, the International High-Level Conference "Risks and Opportunities in a Dynamic Financial Sector - the Development Path" was organised and celebrated in a gala reception. The event brought together senior executives of local and international institutions.

AAB Chairman at the VIII Meeting of the National Committee of Payment Systems

The AAB Chairman, Mr. Bledar Shella, participated in the eighth meeting of the National Payment System Committee (KKSP), which took place on November 9, 2022, at the premises of the Bank of Albania. In his speech, Mr. Shella prompted the achievements of the market so far and relevant future projects, as well as emphasized the importance and priorities devoted by the banking industry to the development of the payment service, as an important milestone to the digitalization process.



6.5.2 Publications

In 2022, the final edition of **Bankieri Magazine** was published. Afterwards, the AAB decided to launch a blog and invited all stakeholders to periodically contribute and post relevant banking issues and topics. The new blog Bankieri is now live and incorporated in the AAB webpage.

The quarterly **Corporate Social Responsibility (CSR) brochure** is the new periodical report published by the AAB to share the corporate social responsibility actions and commitments of banks. The brochure is now available only in electronic version.

Annual CSR Reports: Banks for Society, 2021, Albanian and English, hard copy and e-copy



Statistics were published on AAB's official website, specifically 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.

In 2022, the AAB separately published the Cards & Home Banking as new indicators.

Customers perception & confidence in banks and the Albanian banking sector - Presentation of the findings of the study

On December 21, 2022, the presentation of the findings of the study on the customers confidence in banks and the banking sector was organized. This second study, which is carried out by AAB now with on a three year basis, evidences the perception of banking customers and their experience towards the service provided by banks, the level of reliability compared to other institutions or sectors, the mostly used banking products & services, the use of digital channels, transparency, etc. Representatives of banks, the Bank of Albania, the AMF, non-bank financial institutions, non-profit organizations, associates of AAB, and the media attended the event.

The study outcomes once again proved that the banking sector is the industry mostly trusted by individuals compared to other industries, institutions, and sectors.



6.5.3 Social activities

Meeting of the AAB Supervisory Board with the Technical Committees

- On March 16, the AAB Supervisory Board held a meeting with the Finance and Accounting Committee members. The AAB Chairman, Mr. Bledar Shella, praised the commitment of the committee members, their contribution and support to the proposals made by the Executive Office, as well as the continuous data provision on specific aspects of banking activity. Special emphasis was paid to the crucial role they play in fiscal issues and international reporting standards.
- On October 18, 2022, the AAB Supervisory Board organised a meeting with the members of the Legal Committee. The commitment and contribution to issues of the banking industry and further improvement of relations between the technical committee and the AAB Executive Office was at the centre of discussion.
- During 2022, the AAB has organized and attended discussions and joint roundtables with relevant state structures and stakeholders on digitalization of financial services. In order to evaluate the commitment and the current work done, on November 23, 2022, the members of the AAB Supervisory Board organized a meeting with the members of the Auxiliary Committee of Payments, Cards, Digitalization, and Alternative Channels, who have been an active part and closely engaged in the follow-up on these issues.



End-of-the-Year Meeting

On December 14, 2022, the meeting of the AAB Assembly of Members was held, during which the Association's activities during 2022 were evaluated and the 2023 business plan and budget were discussed and approved. Following the meeting, the members, together with representatives of member banks and chairpersons of AAB's technical committees, participated in the End-of-the-Year Meeting – the traditional closing reception of the year, traditionally organized by AAB. Guests of honour were the Governor, Mr. Gent Sejko, and other representatives of the Bank of Albania, as well as the General Director of the Albanian Deposit Insurance Agency, Mr. Genci Mamani. In his welcome speech held on the occasion, the President of AAB and CEO of OTP Bank Albania, Mr. Bledar Shella, praised the banking industry achievements and the AAB's activity, and expressed his confidence in 2023's success.



7. TECHNICAL COMMITTEES – ACTIVITIES AND ACHIEVEMENTS

The following section summarizes the main business addressed by the AAB's technical committees. The AAB Technical Committees and the Working Groups were established to coordinate certain issues and gathered to discuss and share experiences and concerns on both operational and legislative issues, which were followed up by the AAB Executive Office throughout the year.

AAB Finance and Accounting Committee

The committee members discussed on topics of common concern, such as the government's plans to impose VAT on banking services /transactions, double taxation treatment, and the attitude /responses received by the GDT during the last period, as well as the Eurobond tax issue.

On June 10, 2022, the Committee gathered to discuss the latest developments on the Bank of Albania project on financial reporting. The working group updated members on the relevant indications and future working steps were recommended by international experts, who stressed the importance of evaluating the results in a testing environment. In addition, participants discussed and shared experiences on the issue of value impairment with AFS. The importance of other issues such as double taxation, Eurobond law, and the one on deposit insurance was emphasized. It was agreed that AAB should re-call the attention of state institutions on many issues raised by the sector.

On July 13, 2022, the AAB Secretary General and banks' CFOs participated in the meeting organized by the Ministry of Finance and Economy, with the presence of the Deputy Minister, Ms. Vasilika Vjero. The meeting discussed the main issues of banks and specifically the provision for "Bad Debt Reserve for Financial Institutions" and the need to maintain the same approach based on the current law, under which the provisions are recognized if calculated by International Accounting and Financial Reporting Standards (IFRS). On the 25th of July, the aggregated opinions of banks on the amendments were submitted to the Ministry of Finance and Economy, along with the specific proposal for the "Bad Debt Reserve for Financial Institutions" provision.

On December 22, 2022, the Committee members organized a meeting to clarify the banks' position regarding the request previously addressed to the Bank of Albania on the accounting treatment of unrealized capital gains and losses on AFS securities.

Legal Committee

During the year, the committee members involved in the process of consulting several draft laws and draft regulations.

On June 28, 2022, the AAB Secretary General and bank representatives from the Legal and Compliance committees participated in the meeting organized by Minister of Finance and Economy Mrs. Delina Ibrahimaj. The meeting discussed the new draft law "On Fiscal and Penal Amnesty". The AAB addressed the Ministry the concerns of the banking sector, in particular: the necessity of consultation of such draft law with International Institutions (EU, IMF, BQE), the need for a clear provision on the exemption or not from obligations of the law on AML and FTF, whether banks will report such accounts as required by the Common Reporting Standards (CRS) as well as under FATCA obligations, and the importance of the

involvement of the banking sector in the consultation process of the instructions to be issued under this law. Other technical meetings were organized with the banking sector on the matter.

On October 7, 2022, a meeting of the AAB Legal Committee discussed the possible amendments to the Bank of Albania's instruction "On the execution of obligations on bank account amounts". In the previous meeting held at Bank of Albania premises, members agreed on the change of deadlines, clarification of conservative sequestration, the well-defined removal of sequestration, as well as any possibilities for electronic communication. The committee decided to come up with a proposal, which should be introduced and discussed with the Bank of Albania.

On November 11, 2022, the Committee members gathered and discussed the decision of the Constitutional Court (it was agreed to have another meeting after the publication of the decision in the Official Journal). Moreover, the members emphasized the necessary amendments to the Bank of Albania's instruction "On the execution of obligations on bank account amounts"; and on the stance /reaction regarding the last cases of the high number of blocking and executive orders filed by some private bailiffs.

The Committee collaborated with the law firm elected by the AAB to represent the AAB in the Constitutional Court on the case presented by a judge of the Tirana District Court, on the final review of the constitutionality of Article 511(5)"d" of the KPRC (Article related to the legal penalties provided for in the execution orders). The Committee engaged in the review process of the final claims presented by the Law Firm to the Constitutional Court on behalf of AAB.

Compliance Committee

Given the issue of the identification of foreigners raised by representatives of the Compliance Committee, on April 26, 2022, the AAB Executive Office addressed a letter to the Governor and the General Director of FIU and informed the Minister of Finance and Economy, requesting these institutions to issue the necessary instructions for banks, related to an official letter presented by the General Directorate of Civil Registry on how to identify foreigners. AAB requested further clarifications on the procedure to be followed by banks, considering the legal and regulatory framework.

On June 22, 2022, the AAB Compliance Committee representatives participated in a joint meeting organized by the General Tax Directorate. The meeting mainly discussed the legal framework and banks' practices on the maintenance of ownership and accounting records, Customer Due Diligence and Know-Your-Client requirements, access to banking information, interaction with regulatory authorities, and interaction with competent authorities.

Human Resources Committee

During their meetings, the Committee discussed general issues such as local and international collaboration in terms of training and specifically the long-term partnership with the ATTF Luxemburg, regulation on electronic health records, and other topics of common interest.

On December 29, 2022, AAB welcomed the HR Committee members, who held the end-of-year meeting. Furthermore, the members discussed the challenges faced during the year and the way of future cooperation.

Risk Committee

On October 28, 2022, the members of the Risk Committee gathered for a business breakfast. In a friendly atmosphere, the attendees discussed issues that affect their daily work, as well as shared proposals for potential future activities to be organized in the following year.

AAB brought to the attention of the Bank of Albania the increased demand for performing various stress test activities, which are required by different structures of the supervisory institution and sometimes overlap each other. By means of a letter addressed to BoA, the possibility to review the frequency and deadlines for several test activities was requested.

Audit Committee

The committee members gathered to further discuss future activities to be organized during the year, including trainings. Regulatory requirements on the role of internal audit in banks and expectations in this regard were widely discussed.

In May, during the International Internal Audit Awareness Month, the committee members organized open lectures to build awareness on the role and functions of internal audit. Lectures were delivered by Ilir Rudi, Dorida Stambolla, Ediola Biçaku, and Glejdja Hibraj, Heads of Internal Audit Departments with the participation of students of Epoka University and the European University of Tirana.

On October 14, 2022, a workshop of the AAB Audit Committee was organized. Attendees shared their experiences and discussed expected challenges of Internal Audit.

IT and Information Security Committee

The IT and Information Security Committee gathered to share information and experiences among the members and to address any possible future situation of cyber-attack in the banking industry.

Given that cybersecurity and cyber risks have become a top priority issue, on September 21, 2022, the IT & ICT Committee held a meeting to discuss cyber-related issues. The members reflected on the impact of cyber-attacks against the Albanian government services attacks during the year and the need for industry collaboration and information sharing to raise awareness of cybersecurity issues in the banking sector.

Auxiliary committee on payments, cards, digitalization, and alternative channels

In the framework of the preparation of the Forum "Digitalization vs Cash", the committee members held several meetings to elaborate on all remarks and suggestions of member banks as regards the presentation of the sector concerns and issues, part of the agenda of the forum and introduced by the chairperson of the Committee, Ms. Irida Huta. The forum agenda included issues related to cash reduction, digitalization, and access to e-Albania.

On March 11, the AAB Auxiliary Committee of Payments, Cards, Digitalization, and Alternative Channels organized a meeting to discuss the draft regulation "On strong customer authentication and common and secure open standards of communication". Based on the discussions held, AAB filed with the Bank of Albania a proposal for the postponement of the deadline for implementation of the requirements of this draft regulation. In terms of this regulation, the AAB submitted the aggregated comments through a letter addressed to the Supervisory Department of the Bank of Albania.

Task Force on Cyber Security Emergency

In October 2022, upon decision of the AAB Assembly, the AAB Task Force on Cyber Security Emergency was established, composed of representatives from all AAB members. In addition, representatives of the Bank of Albania were invited attend the meetings. On October 19, 2022, the first meeting was held, and discussions widely focused on the main mission of this Task Force and its operational regulation. Mr. Reglend Xhango, from Intesa Sanpaolo Bank Albania was elected as Chairperson to the Task Force.

The AAB Task Force on Cyber Security organized two meetings in November, respectively on November 11 and 25. Both, banks and Bank of Albania representatives actively engaged in the meeting and discussed concerns raised related to the current period. Members requested interventions from the AAB in terms of the deadline of the information demanded by AKCESK.

On December 9, the AAB Secretary General, along with the Chairperson of the Task Force, held a meeting with the new General Director of AKCESK. The issue of Cyber Security and the need for closer collaboration between parties on cyber security and mutual training were amongst the most relevant topics of interest discussed during the meeting.

Add-hoc

Meeting with the marketing working group

On January 4, 2022, the marketing working group held its ad-hoc meeting. The AAB requested collaboration with the banks' representatives in terms of financial education and joint initiatives to be organized. The working group is composed of heads of Marketing Departments of member banks.

8. OTHER MEETINGS

8.1 Engaging with authorities and public institutions

During the year, AAB maintained effective communication and opened up a constructive dialog with state authorities and institutions to address any concerns or issues related to the sector. Organizing meetings, roundtables, and discussion forums added to build better communication bridges between banks members and authorities.



Banking industry meeting with GDPML

- On January 25, 2022, a business meeting with the General Directorate for the Prevention of Money Laundering (FIU) was organized to discuss opportunities of cooperation and coordination on several issues of common interest. The meeting was attended by bank representatives from the Compliance and Legal units. The General Director of Albanian FIU, Mr. Ervin Koçi attended the meeting as well. The meeting discussed the most recent innovations of the legal amendments of 2021 and the next steps, the vigilance exercised over the "special bank account of the notary", Albania's progress in reporting to the ICRG /FATF, the way to complete the RTPF & RAD, various matters of general interest encountered during the review of RAD, etc.
- On June 10, 2022, a roundtable was organized to discuss banks' suggestions on the draft instruction "On the methods and procedures of reporting and taking preventive measures by the subjects of law "On the prevention of money laundering and terrorist financing". Roundtable participants emphasized concerns on the draft instruction and mainly on electronic identification, as well as the respective proposals of the banking sector on the issue.

Meeting with the General Director of Cadastre

On March 16, 2022, AAB Secretary General held a meeting with the General Director of Cadastre, Mr. Artan Lame. During the course of the meeting, the main concerns of the banking sector during 2021 were identified and pending issues were outlined.

Discussion on the Sovereign Guarantee scheme

The banking sector has supported the initiative of the Government on the design of the Sovereign Guarantee scheme. The matter was discussed in the meeting chaired by the Minister of Finance and Economy Ms. Delina Ibrahimja on April 1st, 2022. Representatives of AAB member banks participated in the discussion. After the meeting, the draft warranty agreement was shared by the Ministry, and the document was screened and reviewed by the member banks. The agreement guaranteed the borrowing entities that wholesale basic food products and other related products to enable the necessary financing of reserves to cope with the unusual situation encountered in the market.

Meeting on the upgrade of the payment systems

On July 7, 2022, the AAB hosted a meeting of the Bank of Albania with the banks' representatives. The meeting agenda elaborated on the upgrade of the payment systems AIPS, AIPS EURO, and AECH.

8.2 Meetings with international institutions

The Association organized a series of meetings with top experts from different international institutions, providing unique opportunities for high-level dialogue and exchange on emerging and priority topics.



Meeting with DG ECFIN delegation

On February 15, 2022, the AAB Chairman along with AAB Secretary General participated in a meeting with the European Commission team from DG ECFIN. During the meeting, the parties discussed on a series of issues such as financial sector development and stability, promotion of the use of national currency, financial inclusion and access to finance, the impact of bankruptcy legislation on collateral execution, real estate financing, etc.

In the frame of the EU-AL subcommittee meeting on economic and finance issues and statistics that took place in Tirana, on September 30, 2022, the AAB Secretary General, met with Mrs. Sarah Jurreit from DG ECFIN. The parties discussed and exchanged views on the latest developments in the banking system and the economy.

Meeting with Financial Services Volunteer Corps (FSVC)

On April 4, 2022, the AAB Secretary General held a meeting with representatives of FSVC, in the framework of the implementation of their technical assistance program supported by the US State Department, for the assistance of FIU, Bank of Albania, AFSA, and GDT, to strengthen their AML / CFT supervision of subjects under their regulatory perimeter, as well as to build capacities of reporting entities through training to strengthen the level of compliance with legal requirements and international standards.



Meeting with EBRD

The meeting with the EBRD team comprising the EBRD's regional economists Ms. Ana Kresic and Ms. Olja Belic was organized on April 4, 2022. The team met with different stakeholders on a fact-finding mission to understand the country's recent economic developments, investment climate, and policy priorities.

Meeting with World Bank mission

On May 10, 2022, the AAB Secretary General held a meeting of the World Bank mission team including financial sector specialists, with special focus on agriculture lending.

Meeting on digital transformation in local government


After a series of discussions and upon request of the Ministry of the Interior to adopt the STAR3 project assistance in support of the Government's priorities for the digital transformation in local services, UNDP in cooperation with the Agency for the Support of Self-Local Government (AMVV) conducted an assessment of the aspects of local governance to evaluate its stage of readiness, identify its gaps and improve them. In light of this project, on September 14, 2022, a mission of experts from the UNDP regional office which visit Albania, met with the AAB Secretary General during the visit in Albania.

Meeting with the mission from IMF

On September 30, 2022, the AAB Secretary General held a meeting with the mission from IMF, led by Ms. Yan Sun, Advisor, European Department. The meeting focused on recent developments in the banking sector, risks to bank balance sheets, banks' appetite for government bonds holding, banks' exposure to the real estate sector, inflation, exchange rate, and monetary policy outlook, implementation of IFRS 9, etc.

Informative meetings

- On February 18, 2022, the AAB Secretary General welcomed the Agence Française de Développement (AFD) mission, organized by two economists from AFD headquarters in Paris. The Financial Advisor of the Regional Economic Service of France in Sofia also attended the meeting. This mission assessed, inter alia, the potential macroeconomic and socioeconomic consequences that climate change and the risk of transition may trigger.
- On March 1st, 2022, the AAB Secretary General welcomed a team of experts from the British Embassy in an informative meeting. This meeting was requested in terms of their visit to Tirana and discussions focused on the overview of the banking system in Albania, anti-money laundering and counter terrorism policies and practices.
- On April 27, 2022, the Secretary General met with the SECO representative, Mrs. Brigitte Bruhin, program manager at SECO Bern in charge of private sector development. SECO supports Albania in the area of private sector development through different interventions (Investment Council, Debt Resolution & Insolvency, Financial Reporting, Entrepreneurship, etc). During the meetings in Albania, the SECO mission was informed on the main challenges currently affecting financial intermediation in the country, from banking and microfinance to looking at demand and supply obstacles for credit to the private sector.
- On August 17, 2022, the AAB Secretary General met the IsDB representatives and provided an overview of the Albania banking sector. During the meeting, the representatives expressed their interest in the demand for Islamic finance and potential trade lines of Islamic trade financing products and solutions.



FIGURES
ON THE
MEMBER
BANKS

Audited data according to IFRS, as of 31.12.2022, (1 EUR = 114.23 lekë; 1 USD = 107.05 lekë) (in thousand of ALL)

Bank	Shareholders' structure	Country of origin	Assets (ALL000)	Loans, net (ALL000)		Investments in securities (ALL000)		
				Retail	Business	Government securities	Other	
 abi AMERICAN BANK OF INVESTMENTS	Tranzit sh.p.k.	100%	Albania	116,267,754	9,758,680	33,453,361	48,016,587	2,799,250
 BKT BANKA KOMBETARE TREGTARE	Calik Holding A.S.	100%	Turkey	491,473,235	43,368,841	44,945,770	143,234,051	148,271,307
 CREDINS bank	Renis Tërshana Aleksandër Pilo B.F.S.E. Holding BV ARMAAR GROUP Bank directors Të tjerë	18.12% 7.67% 15.10% 5.69% 6.88% 46.54%	Albania Albania Netherland England	297,743,538	23,888,295	107,544,970	52,181,744	35,178,818
 Fibank First Investment Bank	Fibank AD	100%	Bulgaria	50,122,288	11,395,822	13,835,315	12,060,942	648,249
 INTESA SANPAOLO BANK Albania	Intesa Sanpaolo S.p.A.	100%	Italy	192,796,592	15,633,315	38,633,917	66,241,260	6,956,206
 ProCredit Bank	ProCredit Holding AG & Co. KGaA	100%	Germany	40,940,973	2,716,115	24,979,802	1,833,348	-
 Raiffeisen BANK Pjesë e Grupit RBI	Raiffeisen SEE Region Holding GmbH	100%	Austria	281,577,274	49,843,370	68,433,324	67,903,236	14,223,592
 otpbank	OTP NYRT	100%	Hungary	176,633,751	49,643,802	51,513,432	32,192,853	3,503,686
 TIRANA BANK	Balfin Group	100%	Albania	114,701,806	17,128,948	35,581,113	28,883,082	10,774,340
 UNIONBANK	Unioni Financiar Tirane (UFT) Sh.p.k.	96.46%	Albania	91,852,015	18,839,535	22,839,886	26,623,332	2,603,009
	Individuals	3.54%	Albania					
 UBA United Bank of Albania Banka e Bashkuar e Shqipërisë	Eurosig Islamic Development Bank Other investors	66.26% 31.87% 1.87%	Albania Saudi Arabia Saudi Arabia	12,573,549	2,789,890	5,071,938	-	-
Total				1,866,682,776	245,006,612	446,832,828	479,170,435	224,958,457



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
11,222,664	76,484,985	1,802,868	21	341	28	21,404	20,346	1,058	-	✓	✓	✓
50,768,935	400,567,680	9,468,974	63	979	114	393,459	348,521	44,938	8,450	✓	✓	✓
19,396,024	263,427,978	1,164,817	50	1,052	71	149,903	143,562	6,341	2,709	✓	✓	✓
4,796,739	38,869,160	879,149	14	425	39	34,351	30,519	3,832	n/a	✓	✓	✗
22,364,641	167,115,012	1,289,763	35	700	64	115,041	113,967	1,074	654	✓	✓	✗
4,084,334	27,022,115	106,213	7	149	16	11,213	11,134	79	-	✓	✓	✓
29,398,670	247,595,216	3,843,446	74	1,275	180	331,211	295,903	35,308	2,644	✓	✓	✓
17,099,007	147,376,492	3,151,394	61	819	213	122,250	115,656	6,594	1,364	✓	✓	✗
9,776,471	97,661,951	1,051,240	33	460	71	68,614	62,136	6,478	232	✓	✓	✗
7,452,380	73,990,818	917,718	32	447	59	58,060	51,065	6,995	178	✓	✓	✓
1,125,700	11,249,002	(337,779)	6	95	-	5,011	5,011	-	-	-	-	-
177,485,564	1,551,360,409	23,337,804	396	6,742	855	1,310,517	1,197,820	112,697	16,231	10	10	6

Financial Statements and Independent Auditor's Report

Albanian Association of Banks

As of and for the year ended 31 December 2022

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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 2022, 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 2022, 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.

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 Standards on 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.

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.

- 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

18 April 2023



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 2022	31 December 2021
ASSETS			
Current Assets			
Cash on hand and at banks	4	8,080,426	3,752,601
Membership fee receivable	5	52,106	937,315
Prepaid expenses	6	280,160	483,160
Total current assets		8,412,692	5,173,076
Non-current Assets			
Fixed assets, net	7	529,130	657,862
Total non-current assets		529,130	657,862
TOTAL ASSETS		8,941,822	5,830,938
LIABILITIES			
<i>Current Liabilities</i>			
Payable accounts	8	625,580	676,699
Total current liabilities		625,580	676,699
Net assets	9	8,316,242	5,154,239
TOTAL LIABILITIES		8,941,822	5,830,938


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 18.04.2023 and signed by:


Spiro BRUMBULLI
 Secretary General
 Albanian Association of
 Banks




PricewaterhouseCoopers Consulting
 Preparer of the
 Financial Statements



Statement of Financial Activities

	Notes	31 December 2022	31 December 2021
<u>INCOME</u>			
Membership fee	10	29,676,750	24,378,915
Donations and voluntary contributions	10	1,214,593	4,777,493
Other income	10	5,451,000	3,651,623
Total Income		36,342,343	32,808,031
<u>EXPENDITURES</u>			
Depreciation	7	(120,950)	(150,668)
Operating expenses	11	(12,018,736)	(11,271,959)
Promotion and publicity expenses	12	(2,244,445)	(3,206,910)
Administration and general expenses	13	(18,730,245)	(19,213,499)
Gain / (Loss) from exchange rate	14	(59,964)	(43,935)
Total Expenditures		(33,180,340)	(33,886,971)
Change in net assets		3,162,003	(1,078,940)
Net assets at the beginning of the year		5,154,239	6,233,179
Net Assets at the end of the year		8,316,242	5,154,239

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 2022	31 December 2021
<i>Cash flow from operating activities</i>			
Excess/(Deficit) of income over expenditures		3,162,003	(1,078,940)
Adjustments for:			
Depreciation	7	126,950	150,668
Disposals of PP&E	7	7,662	37,442
Receivable accounts	5	885,209	(648,325)
Prepaid expenses	6	203,000	(203,000)
Proceeds for payable accounts	8	(51,119)	(52,234)
Cash flow from operating activities		4,333,705	(1,794,389)
<i>Cash flows from investing activities</i>			
Purchase of fixed assets	7	(5,880)	(102,699)
Cash from investing activities		(5,880)	(102,699)
NET INCREASE IN CASH		4,327,825	(1,897,088)
Cash and cash equivalent at the beginning of the year	4	3,752,601	5,649,688
Cash and cash equivalent at the end of the year	4	8,080,426	3,752,601

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) was established on 14 April 1999. The Registered Office of AAB is located at Rr. Ibrahim Rugova, Sky Tower, Floor 9, Ap. 3, Tirana, Albania.

AAB is a not-for-profit association, seeking to promote the latest banking standards of its member banks, the development, stability, and effectiveness of the Albanian banking system in general, thus contributing to the progress of the Albanian economy. AAB is constituted by 11 voluntary members: Banka Kombetare Tregtare sh.a, American Bank of Investments, Credins Bank, United Bank of Albania, First Investment Bank Albania, Intesa Sanpaolo Bank Albania, OTP Bank Albania, Procredit Bank, Raiffeisen Bank, Tirana Bank and Union Bank.

AAB had 5 employees on 31 December 2022 (2021: 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 continuity

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

The organization did not cease its work during 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 2022 all donors of the organization have disbursed their funds based on the Statute of the organization in accordance with the plan of activities for 2022. The last instalment of 2022 was approved by the decision of the assembly dated 14.12.2022. The general assembly of the organization by decision no.5 dated 15.12.2021 has approved the financial plan for 2022 for the total amount of ALL 38,570,092.

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 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:

	31 December 2022	31 December 2021
ALL/EUR	114.23	120.76

III. Office and IT equipment and term

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

Amortization rates and method according to PPE groups:

	Depreciation rate	Used method
Computer equipment	25%	Residual value
Office equipment	20%	Residual value
Other PPEs	20%	Residual value

IV. Taxes and local taxes

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

4. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Current account in ALL	7,760,482	2,611,788
Current account in EUR	284,371	1,099,007
Cash on hand	35,573	41,806
Total	8,080,426	3,752,601

5. Contributions Receivable

Contributions receivable is composed as follows:

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Membership	44,142	937,315
Receivables from suppliers	6,996	-
Salaries receivable	968	-
Total	52,106	937,315

6. Prepaid Expenses

Prepaid expenses are composed as follows:

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Rent guarantee	280,160	280,160
Prepayments	-	203,000
Total	280,160	483,160

7. Fixed Assets

Fixed assets are composed as follows:

	Furniture	Electronic Equipment	Total
Cost			
At 31 December 2021	1,919,189	1,291,756	3,210,945
Additions for year 2022	-	-	-
Reductions for year 2022	9,445	-	9,445
At 31 December 2022	1,909,744	1,291,756	3,201,500
Accumulated Depreciation			
At 31 December 2021	1,656,007	897,075	2,553,082
Depreciation for year 2022	28,280	98,670	126,950
Reductions for year 2022	(7,662)	-	(7,662)
At 31 December 2022	1,676,625	995,745	2,672,370
Net carrying value			
At 31 December 2021	263,182	394,681	657,862
At 31 December 2022	233,119	296,011	529,130

8. Payable and other liabilities

Payable and other liabilities are composed as follows:

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Personal Income Tax	389,461	416,017
Health and Insurance Contributions	221,972	246,534
Salaries Payable	-	2,148
Suppliers	-	12,000
Withholding Tax	14,147	-
Total	625,580	676,699

9. Net Assets

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

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

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

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Balance carried at the beginning of the period	5,154,239	6,233,179
Increase/(decrease) from change of net assets	3,162,003	(1,078,940)
Balance that is carried forward in the coming year	8,316,242	5,154,239

10. Income

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Membership fee from member banks	29,676,750	24,378,915
Sponsorships from banks	1,214,593	4,777,493
Trainings from member banks	5,451,000	3,651,623
Total	36,342,343	32,808,031

11. Operating Expenses

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Trainings for member banks	5,981,089	7,560,845
Events and Workshops	4,563,473	2,665,984
Memberships	1,012,620	1,045,130
Voyage	461,554	
Total	12,018,736	11,271,959

12. Promotion and publicity expenses

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Publications	2,192,485	3,155,310
Informative materials and publicity	51,960	51,600
Total	2,244,445	3,206,910

13. Administration and general expenses

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Personnel Salaries	11,632,384	12,054,391
Rent	2,864,760	2,943,100
Health & Insurance Contributions	1,302,033	1,389,301
Communication expenses	833,347	1,236,068
Financial Consulting expenses	1,026,687	540,000
Other expenses	405,759	358,112
Stationary & other supplies	258,559	219,068
Health Insurance	179,759	184,605
Utility Expenses	139,807	133,940
Cleaning Expense	3,973	12,000
Translation Services	-	44,731
Bank Fee & Commissions	39,457	29,575
Local Taxes	15,000	15,000
Media Subscriptions	17,872	12,008
Notary Expenses	10,848	41,600
Total	18,730,245	19,213,499

In September 2021, 4 (four) employees are subscribed to the volunteer pension fund “Sigal”. According to the contracts they have individually signed, they have the obligation to pay the monthly contribution quota to the scheme. It has been agreed that the quota will be withheld from their salary and that the Albanian Association of Banks will pay it to “Sigal Uniq Group Austria” on their behalf.

14. Gain / (Loss) from exchange rate

	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Loss from exchange rate	93,705	96,169
Gain from exchange rate	(33,216)	(52,234)
Interest income	(525)	-
Total	59,964	43,935

15. Conditional commitments and obligations

Legal issues

As at 31 December 2022, 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.

16. 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.

17. 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