



ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

# ANNUAL REPORT

# 2018





ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

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## MESSAGE FROM THE CHAIRMAN

### Dear Reader,

I am honoured to have the opportunity to get back to you through the AAB 2018 Annual Report. In this publication, you will get introduced to facts and figures on the outcomes of the banking industry as part of the Albanian economy, therefore I would ask for your understanding that considering their utmost importance, I briefly outline the main achievements of AAB for the year 2018.

Focusing on the accomplishment of our fundamental goals to improve business environment and working standards by embracing the digitalization of banking services, enhancing cooperation with other market stakeholders and raising the public awareness on financial education, I would like to highlight:

1. Following our multiple efforts, the National Payments System Committee agreed upon and approved the settlement of domestic payments in Euro, as part of the payment strategy.
2. A new guideline on bailiff tariffs was issued, as an outcome of a constructive and beneficial debate contributing to the best interest of the market, which improved the guideline on bailiff tariffs approved in 2017. Unfortunately, this guideline is not yet effective due to appeal suspension in court.
3. AAB, through the Security Committee, asked for the improvement of the guideline on additional security measures, which was enabled thanks to the cooperation with the Ministry of Interior and the General Directorate of State Police.
4. AAB organized two forums: one dedicated to increasing the use of cards as a payment instrument and the other dedicated to increasing financial inclusion through financial education.
5. For the very first time, in the framework of financial education, AAB organized a competition on money (named Money Quiz) as part of the European network, on an electronic platform with 9-year-old primary school students from all over the country. The winner attended the European Quiz in Brussels.
6. Together with the Ministry of Finance and Economy and the Bank of Albania and in close cooperation with the World Bank, the project of securities market makers was performed. Up to the end of 2018, this represented a pilot project and is currently active.
7. In close cooperation with EBRD, AAB developed the idea of establishing a comprehensive credit bureau. Upon reaching a decision, several discussions and proposals are expected to be concluded during 2019.
8. Cooperation with Master Card enabled the development of an awareness raising campaign on the use of cards.
9. AAB concluded a cooperation agreement with the Deposit Insurance Agency, the Albanian Institute of Internal Audit, as well as the establishment of the Albanian Network of Financial Education - ANFE (together with 8 other organizations).



Moreover, it is worth mentioning the involvement of AAB members in corporate social responsibility and the implementation of SDGs, which will be elaborated in a special publication.

Let me invite you to dedicate more time to all the other information included in this annual report and kindly allow me to underline the role of AAB, which represents a firmly positioned, well-organized and well-lead non-profit organization, with the vision to being a non-profit organization dedicated to the banking industry and beyond. Special thanks to all members for the support and participation in all our activities and initiatives, as well as to all our collaborators and public institutions for their cooperation and understanding, and finally, special gratitude goes to AAB staff.

I wish you a pleasant reading!

Sincerely,  
**Silvio Pedrazzi**  
Chairman

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

# BANKING SECTOR IN ALBANIA

## FACTS AND FIGURES



THE ECONOMY  
GREW BY **4.3%**



ALBANIA'S  
UNEMPLOYMENT  
RATE DROPPED  
TO **12.3%** IN **2018**  
FROM **13.7%** IN **2017**



THE FINANCIAL  
AND INSURANCE

SERVICES CONTRIBUTION  
TO GDP WAS

**2.30%**



THE RESIDENTS'  
DEPOSITS

ARE ASSESSED AT

**68.4%**  
OF THE GDP



EMPLOYMENT IN THE  
BANKING INDUSTRY

AS A PERCENTAGE OF TOTAL  
NON-AGRICULTURAL PRIVATE  
SECTOR:

**1.35%**

The banking sector, which has over 90% of the financial system's assets, ended 2018 with a positive financial result, with a good capitalization level, with excessive liquidity, at levels higher than those required by the relevant regulation, and with a better credit quality compared to the previous year.

(Source: Bank of Albania: Annual report 2018, pg. 59)



THE CAPITAL ADEQUACY RATIO INCREASED TO **18.2%** FROM **17%** DURING THE PREVIOUS YEAR



THE BUSINESS LOAN PORTFOLIO AMOUNTED TO ALL **337 992** MILLION



THE MORTGAGE LOAN PORTFOLIO AMOUNTED TO ALL **109 488** MILLION



THE LOANS IN LEK ACCOUNTED FOR **47.2%** OF THE TOTAL LOAN PORTFOLIO, OR **2.5%** HIGHER THAN THE PREVIOUS



THE LOAN APPLICATION DENIAL RATE WAS **10.5%**



THE NON-PERFORMING LOANS RATIO (NPLS) INDICATED **11.1%** FROM **13.2%** DURING THE PREVIOUS YEAR

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) completed the fifth round of the assessment of Anti-Money Laundering and Financing of Terrorism Measures. Financial entities were assessed with a "substantial /significant" level of effectiveness. In particular, banks showed a good understanding of the risks of money laundering and financing of terrorism and of legal obligations.



## BANK ACCOUNTS

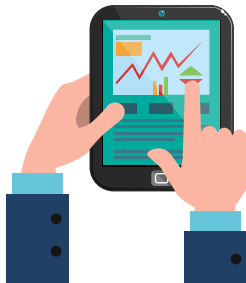
ACCESSED THROUGH INTERNET  
AMOUNTED TO

**3 115 421**



## THE NUMBER OF HOME BANKING TRANSACTIONS

**2.9** MILLION



## THE VALUE OF HOME BANKING TRANSACTIONS

ALL **886** BILLION



## INTERNET ACCESS CURRENT ACCOUNTS

**400 000**

(**12.9 %** OF TOTAL THE CURRENT  
ACCOUNTS)





THE NUMBER OF  
PAYMENT CARDS:  
**1 128 000**



THE NUMBER  
OF ATMs:  
**723**



THE NUMBER  
OF POSs:  
**8 726**



THE NUMBER OF CARD  
PAYMENTS IN POSs:  
**3.6** MILLION



THE VALUE OF CARD  
PAYMENTS IN POSs:  
ALL **21.2** BILLION



## ORGANIZATIONAL STRUCTURE

### ASSEMBLY OF MEMBERS\*

The Assembly of Members consists of the representatives of Member Banks. The following list details AAB Member Banks and the Assembly of Members:

**Alpha Bank Albania** / George Papanastasiou, Chief Executive Officer

**American Bank of Investments** / Andi Ballta, Chief Executive Officer

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

**Credins Bank** / Maltin Korkuti, Chief Executive Officer

**Credit Bank of Albania** / Sherine Kamel, Chief Executive Officer

**First Investment Bank Albania** / Bozhidar Todorov, Chief Executive Officer

**International Commercial Bank** / Gideon Van Der Broek, Chief Executive Officer

**Intesa Sanpaolo Bank Albania** / Silvio Pedrazzi, Chief Executive Officer

**Procredit Bank** / Adela Leka, Spokesperson of the Management Board

**Raiffeisen Bank Albania** / Christian Canacaris, Chief Executive Officer

**Société Générale Albania** / Frederic Blanc, Chief Executive Officer

**Tirana Bank** / Dritan Mustafa, Chief Executive Officer

**Union Bank** / Gazmend Kadriu, Chief Executive Officer

**United Bank of Albania** / Muhamed Prlja, Chief Executive Officer

\* As of December 2018

## EXECUTIVE COMMITTEE MEMBERS\*



**Silvio PEDRAZZI**,  
Chairman / Chief Executive Officer,  
Intesa Sanpaolo Bank Albania



**Adela LEKA**  
Deputy Chairperson / Spokesperson  
of the Management Board,  
Procredit Bank



**Maltin KORKUTI**  
Member / Chief Executive Officer,  
Credins Bank



**Dritan MUSTAFA**  
Member / Chief Executive Officer, Tirana  
Bank



**Andi BALLTA**  
Member / Chief Executive Officer,  
American Bank of Investments

The members of the Executive Committee are elected by the Assembly of Members for a term of two years. Members having completed their terms of office may be re-elected.

\* As of December 2018

## SECRETARIAT

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

- Implementation of the decisions of the Assembly.
- Ensuring that the members are notified about the resolutions of the Assembly of Members and the Executive Committee and executing these resolutions.
- Fulfilling the duties charged by the Executive Committee.
- Representing the Association to the governmental bodies, the Court and third parties (according to authorizations), in national and international level.
- Implementation of annual budget and business plan.
- Preparing information to be released by the Association and submitting it to the Executive Committee.
- Supervising the AAB accounts and co-operating with the Auditor;
- Drafting and signature of the AAB financial statements.



**Spiro BRUMBULLI**  
AAB Secretary General

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

## TECHNICAL COMMITTEES\*

- Bank Security Committee – Bajram Ibraj, Intesa Sanpaolo Bank Albania
- Cards Committee – Nevila Kovaci, Intesa Sanpaolo Bank Albania
- Compliance Committee – Ndue Maluta, Banka Kombëtare Tregtare
- Human Resources Committee – Entela Zigori, Intesa Sanpaolo Bank Albania
- Information Security Committee – Valsi Thomallari, Alpha Bank Albania
- Internal Audit Committee – Silvana Zoto, American Bank of Investments
- Legal Committee – Veronika Prifti, American Bank of Investments
- Public Relations Committee – Viola Smaja, Raiffeisen Bank
- Payment Systems Committee – Najada Xhaxha, Tirana Bank
- Treasury and Financial Market Committee – Suela Totokoci, Intesa Sanpaolo Bank Albania
- Risk Management Committee – Brisida Bala, Tirana Bank
- Information Technology Committee – Alketa Lamce, Intesa Sanpaolo Bank Albania

\* As of December 2018



## AAB MEMBERSHIPS

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

### International Memberships

- European Banking Federation (EBF)
- European Banking & Financial Services Training Association (EBTN)
- Banking Association for Central and Eastern Europe (BACEE)
- INTERBALKAN Forum of Banking Associations

### National Memberships

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

## HIGHLIGHTS OF AAB ACTIVITIES IN 2018

- The Assembly of Members held 4 regular meetings and the Executive Committee held 6 meetings.
- Approval of the euro-settlement project within the country.
- Instruction on Private Bailiff Tariffs.
- Guidelines for additional security measures.
- The AAB organized the Card Forum entitled "Transforming Cards and Payments toward a Cashless Economy".
- The AAB organized the Financial Education Forum entitled "Empowering Financial Education through Financial Inclusion".
- Successfully co - organized the activities during the European Money Week. The European Money Quiz was organized as part of the European Money Week.
- Market Maker pilot project.
- Three Cooperation Agreements signed.

# REGULATIONS & SUPERVISION

## Regulatory issues treated during 2018

Over the year, banks have faced several regulatory changes. Three major regulatory issues kept the banking industry busy:

**The Instruction on Private Bailiff Tariffs** - following the joint instruction issued by the Minister of Justice and Minister of Finance and Economy no. 385/7, dated 28.6.2017 "On the settlement of tariffs for services provided by private bailiffs", during the first half of 2018, AAB, through its executive bodies, continued to pose strong opposition to the said instruction, particularly against the high tariffs set on it. Finally, on 30.08.2018 the Minister of Justice and the Minister of Finance and Economy co-signed the instruction no. 30 "On some changes and addition on the joint instruction no. 385/7, dated 28.6.2017 "On the settlement of tariffs for services provided by private bailiffs", through which a reasonable adjustment to the tariffs was made.

**Fiscal package** - during 2018, the AAB Secretariat and AAB Technical Committees have thoroughly discussed the necessity for changes to the fiscal package aiming at better and more detailed regulatory acts, making them in full alignment with EU and region countries best practices. The AAB proposals mainly consisted on the necessary changes to the laws "On tax procedures", "On Value added tax", as well as on the issue of implementation of IFRS 9 standards (specific proposals of AAB prepared in cooperation with KPMG to be included in tax legislation).

**Additional security measures** - in 2018, the AAB continued to raise issues on the Guideline issued by the Minister of Interior "On determination of level and type of additional security measures". Following the concern raised by AAB, on November 6th, 2018, the Minister of Interior issues the new guideline abrogating the one objected by AAB, by taking into consideration some of the AAB concerns.

## Regulatory framework of the Bank of Albania

During 2018, AAB has been thoroughly engaged in providing comments and suggestions on the Bank of Albania draft regulations, which later on are approved by BoA's Supervisory Council, as follow:

- Amendments to regulation "On Liquidity Risk Management" – the amendments consist on increasing the required minimum level for liquid assets versus short-term indicators liabilities in foreign currency and to maintain the minimum level of such indicator for the national currency unchanged
- Amendments to regulation "On transparency for Banking and Financial Products and Services" the amendments addressed some of the problems faced by the banking sector related to customers transparency, as well as further alignment with the European Consumer Protection Directives.
- Amendments to regulation "On consumer and mortgage loans" – the amendments to this regulation were affected in the framework of the measures undertaken to control and reduce the level of euroization in the financial system as well as alignment with the requirements of the European Union Directive 2014/17/EU.
- Regulation "On extraordinary intervention plans"- This regulation provides for the definition of the content of the extraordinary intervention plan pursuant to Law "On recovery and resolution of banks in the Republic of Albania", specifying the process for assessing the possibility of extraordinary intervention; as well as identification of key categories of necessary information on extraordinary intervention.

During 2018, the AAB was widely involved, through its Technical Committees, in: the new draft law "On payment services" presented by the Bank of Albania; BoA's draft regulation "On some amendments on the regulation "On bank regulatory capital"".

## AAB ACTIVITIES

- 2 Forums
- 11 Workshops
- 2 Roundtables
- 3 Cooperation Agreements Signed

# FORUMS

## AAB Card Forum

May 4th, 2018 - The Albanian Association of Banks (AAB) organized the Card Forum with the topic: "Transforming Cards and Payments toward a Cashless Economy". This forum was organized with the support of PayLink and Asseco. Representatives from public institutions, central bank, commercial banks, international and national financial institutions, private companies, business organizations, Hellenic Associations of Banks and Kosovo as well, attended the event.

For the first time, AAB organized this technical forum using a new format, organized in two sessions, each of which conceived as a panel discussion to address issues directly related to the topic. At the end of the forum, the market stakeholders were invited to participate in an educational campaign aimed at raising the use of cards as a payment instrument. All the issues identified during this Forum were followed-up by the AAB over the next months.

Following, the AAB produced a video to promote the use of payment instruments, therefore leading to cash reduction.







## Financial Education Forum

June 29th, 2018 - The forum entitled "Empowering Financial Inclusion through Financial Education" was held. This activity was organized in cooperation with the Bank of Albania and with the support of the Albanian Securities Exchange (ALSE), Albanian Securities Trading Association (ASTA) and the Albanian Micro-finance Association (AMA). Among other participants, this forum was attended by numerous representatives from the Bank of Albania, the Ministry of Education, Sports and Youth, other public institutions, various associations, non-profit organizations, academic networks in the country, representatives of the banking and financial sector, media representatives, etc.

During the works of this forum, the ceremony of the signing of a Memorandum of Cooperation was held, between the Albanian Association of Banks, Albanian Insurers Association, Albanian Micro-finance Association, Life Insurers, Pensions and Investment Funds Association, Albanian Securities Trading Association, Albanian Securities Exchange ALSE, Junior Achievement Albania, Partners Albania for Change and Development and the National Youth Service. This Memorandum of Understanding aimed at establishing the Albanian Financial Education Network (ANFE) and increasing the inter-institutional cooperation and coordination as regards financial education.

# WORKSHOPS

## Mastering Digital Transformation & PSD2

On March 1st, AAB in cooperation with Mellon Group organized a workshop focused on digital transformation and the Second Payment Services Directive (PSD2). The activity was attended by representatives of Bank of Albania, AAB member banks and banks in Kosovo. The goal of the workshop was to provide advice to participants in the context of changing market trends, technological and regulatory environment.



## Translating SDGs into Business

On May 24th, AAB in collaboration with ICC Albania and UN in Albania, organized a workshop on Sustainable Development Goals (SDGs), which aimed at helping participants categorize the relevant targets according to whether they are reflected. The representative of AAB and ICC Albania attended the workshop.



## The annual SWIFT User Group Meeting ("UGM")

On June 7th, AAB hosted the annual meeting of UGM. The meeting consisted of two parts and was attended by member banks representatives such as: CISO – Chief Information Security Officers; IT directors/managers; SWIFT main contacts and Bank of Albania representatives. The meeting was focused on the developments on the SWIFT platform and customer security and compliance programs update.



## Digital Transformation in Banking

On June 26th, a business breakfast with representatives of member banks was organized with the topic "Digital Transformation in Banking". The focus was on the Digital Transformation path for traditional banks True Value of Omni-channel platform and Process automation. The meeting was organized in the context of AAB's strategy for promoting digital transformation and challenges of digitization. This event was organised in collaboration with Symmetric Group, partner of New Frontier Group.



## PSD 2 workshop

On September 26th, AAB in collaboration with the Banking Association for Central and Eastern Europe (BACEE) organized a PSD 2 Workshop. The activity was facilitated by Online Business Technologies. The workshop covered issues such as latest news on API initiatives in Europe and API standards as the best choice for banks.



## Workshop on career development

On October 12th, AAB organized a workshop on "Career Development" under the guidance of international trainer expert in career development, as well as on enhancing personal competencies and managerial skills. The workshop elaborated inter-active topics such as: influences in career choices, careers types, main future careers skills and a "think-tank" regarding career development.



## On Cybersecurity

The workshop, organized in the framework of Cyber Security Awareness Month, took place on October 18th. A successful event for gathering and networking for Cyber and Information Security issues, hosted by the Albanian Association of Banks. The objective of this workshop was achieved by bringing together national and international cyber security experts, by exchanging knowledge and presenting development approaches, good practices, and opportunities around the topic.



## Credit Bureau development in Albania

On October 19th, at the AAB premises a workshop was organized on the credit bureau project, with the presence of the international expert Jim Aziz from Baja Group Consultants. This workshop provided knowledge about Credit Bureau development in Albania focusing on important topics, such as: establishing a private Credit Bureau for Albania and the Albanian credit bureau potential. During the workshop, the expert clarified some concerned raised by the participants.



## The personal data protection regulation in the banking system

On November 7th, the AAB, in cooperation with the Office of Information and Data Protection Commissioner (IDP), organised a workshop on the personal data protection regulation and its impact on the banking system. In view of the compliance requirements under the EU General Data Protection Regulation (GDPR), the workshop aimed at building understanding on various provisions of this regulation and what banks needs to do in order to comply with the same. Representatives from the Bank of Albania, the Office of Information and Data Protection Commissioner and experts from the banking sector attended the workshop.



## The regulatory requirements regarding the role of internal audit in banks

On November 16th, the AAB organized a workshop on “Regulatory requirements regarding the internal audit role in banks”, considered as one of the priorities of the AAB Internal Audit Committee. During the event, the regulatory requirements affecting the internal auditor’s function and expectations in this regard were discussed.



## Going digital: How to become a fully digitized bank

On November 21st, the AAB organized a workshop on digital transformation, in partnership with the KOBIL Systems. In addition to AAB member banks representatives, the workshop was also attended by representatives from the Bank of Albania and experts from the financial system and payment systems.



# ROUNDTABLES

## Roundtable on the Italian and Albanian banking sector

On February 20th, the AAB hosted a roundtable on the Italian and Albanian banking sector. It brought together Bank of Albania's representatives, chief executive officers and high-level managers from several banks, Italian Ambassador to Tirana, as well as representatives of the Albanian and Italian Association of Banks (ABI), to discuss about the current situation, perspectives and challenges of the banking industry.

The event was welcomed by the AAB Chairman, Mr. Silvio Pedrazzi, who provided an overview of the banking system in Albania, with particular focus on the structure of the Albanian banking system and recent economic and financial trends.

On a regulatory standpoint, Mr. Deniz Deralla, Head of Supervisory Department, Bank of Albania, introduced the latest developments in the regulatory framework and relevant measures for foreign intermediaries. The Parties agreed to continue the already established collaborative efforts, strengthen the partnership and cooperation on issues of common interest.



## The General Data Protection Regulation

On May 29th, the AAB organized a roundtable on the General Data Protection Regulation (GDPR). Raiffeisen Bank experts presented the recent amendments and main requirements of the regulation, as well as shared with the attendees their experience as regards the implementation of these requirements. The event was attended by representatives from compliance, legal and information technology departments of member banks, who actively participated in the discussion.

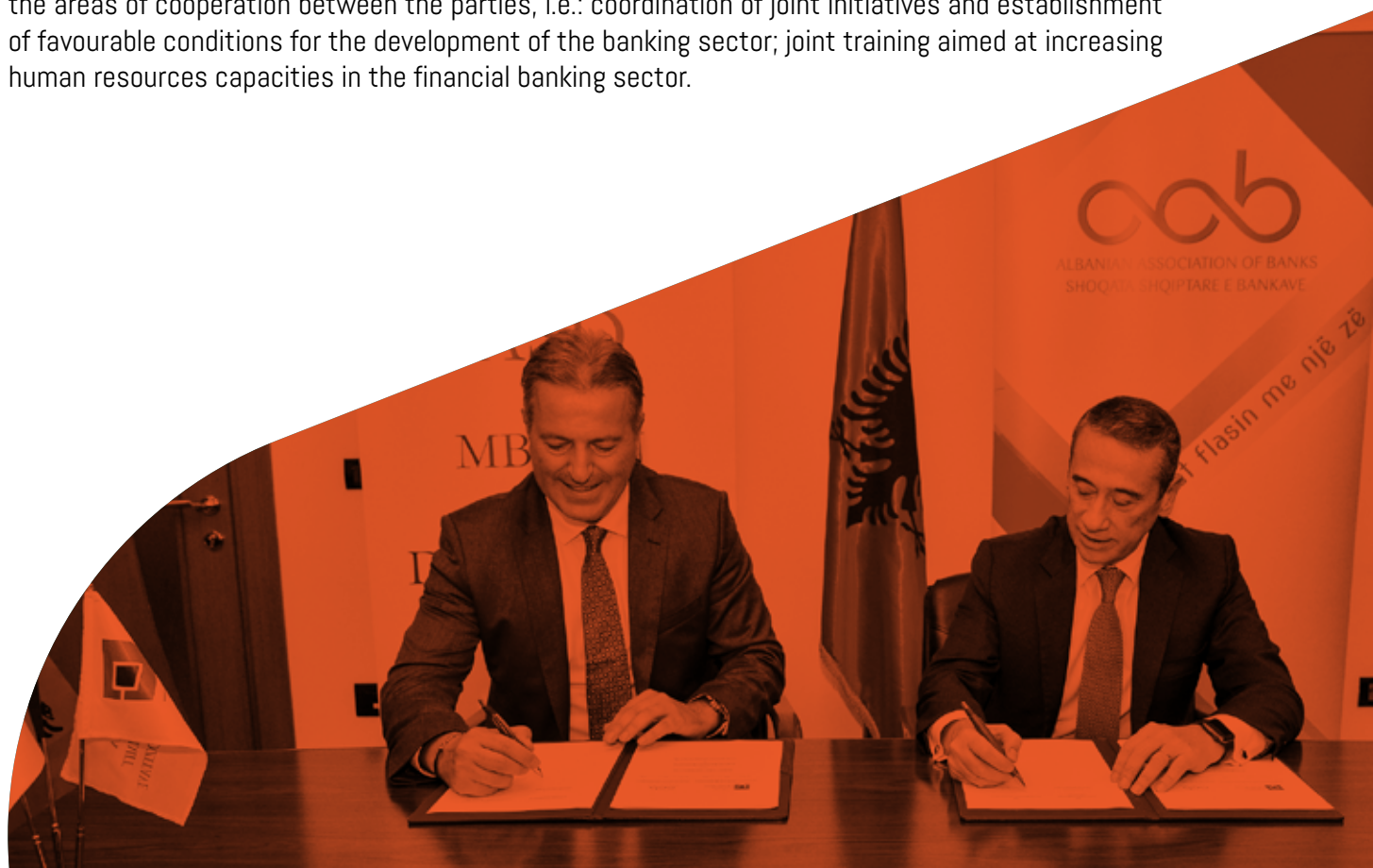


## COOPERATION AGREEMENTS

Cooperation by the AAB with other institutions and organizations continued to grow. The objective of such agreements is to ensure that, through cooperation with other organizations on matters of common interest, synergies will be obtained, therefore enhancing the efficiency in joint projects and campaigns.

Agreements signed by the AAB with other parties during 2018 are as follows:

- Memorandum of Cooperation between the Albanian Association of Banks, Albanian Insurers Association, Albanian Micro-finance Association, Life Insurers, Pensions and Investment Funds Association, Albanian Securities Trading Association, Albanian Securities Exchange ALSE, Junior Achievement Albania, Partners Albania for Change and Development and the National Youth Service. This Memorandum of Understanding aimed at establishing the Albanian Network of Financial Education (ANFE) and increasing the inter-institutional cooperation and coordination as regards financial education.
- Cooperation Agreement between the Albanian Association of Banks (AAB) and the Deposit Insurance Agency (ASD) signed on December 17th. The agreement aims at exchanging professional experiences in relevant areas of common interest, regular exchange of information, establishment of joint working groups for dealing with various issues, etc. In the framework of joint activities, the parties will organize seminars and conferences of scientific and practical nature, open lectures with pupils and students, as well as financial education campaigns for public awareness raising regarding the deposit insurance scheme in the country.
- Cooperation Agreement with the Albanian Institute of Internal Auditors (AIIA) as the result of a process of cooperation between both parties, signed on December 21st. This agreement sets out the areas of cooperation between the parties, i.e.: coordination of joint initiatives and establishment of favourable conditions for the development of the banking sector; joint training aimed at increasing human resources capacities in the financial banking sector.



# SOCIAL ACTIVITIES

## Farewell & Welcoming Cocktails

Farewell & Welcome Cocktails are unique social event where AAB says goodbye to the former Executive Directors and welcomes the new ones.

To show appreciation for their work, AAB organized several farewell cocktails during the year.

- The farewell and welcoming reception on February 8th served as a farewell to Mr. Periklis Drougkas, who left the position as Chief Executive Officer of Alpha Bank Albania and AAB Chairman, and Mr. Pierlouigi Caferra who left the position as Chief Executive Officer of Veneto Banka. In addition, it serves as a welcoming event to Mr. Georgios Papanastasiou, the new Chief Executive Officer of Alpha Bank Albania.
- On July 3rd, AAB hosted a farewell cocktail in honour of Mr. Ioannis Agathos, on the occasion of completion of his mission as CEO of NBG Bank Albania. Members of the General Assembly of AAB, representatives of the Bank of Albania and the Deposit Insurance Agency attended the event.
- During the New Year Dinner, on December 12th, AAB said farewell to Mr. Frederic Blanc, who accomplished his mandate in the position of General Manager of Société Générale Albania Bank and pursued his career in France with Société Générale Group. On behalf of AAB, Mr. Silvio Pedrazzi thanked Mr. Blanc for the cooperation and contribution dedicated to the Albanian Association of Banks and for running a good name bank in Albania. In addition, the Governor of the Bank of Albania, Mr. Gent Sejko gave special thanks to Mr. Blanc.





## Training trip with economic journalists

For the fourth consecutive year, the AAB organized the annual press trip for economics journalists. The activity was organized on November 2-4th in the town of Ioannina, Greece and was supported by the American Bank of Investments (ABI) and Union Bank. This year also, the event was designed as a combination of training and entertaining trip. The organization of such trips relies on the close collaboration between AAB, member banks and media representatives.



## New Year Dinner

On December 12th, AAB organized the End-of-Year Dinner, attended by CEOs of commercial banks and chairpersons of AAB technical committees. This end-of-year event, besides the Governor, Mr. Gent Sejko, and other representatives of the Bank of Albania, was also attended by the Deputy Prime Minister, Mrs. Senida Mesi, Data Protection and Information Officer Commissioner, Mr. Besnik Dervishi, and Director of Deposit Insurance Agency, Mr. Genci Mamani



# FINANCIAL EDUCATION



Financial education is crucial to allow everyone to better manage their personal income and expenses and to understand the economy and finance. For many years in a row, banks, individually and through the AAB, have been extremely active in this area.

## Open Forum on Albanian banking system

On January 8th, the AAB Secretary General, Dr. Spiro Brumbulli, was invited at the Epoka University in an open lecture. This event was organized by the YEN Club (Young Economics Network) and Mr. Brumbulli held an interactive presentation on the banking sector, the achievements and challenges and the sector contribution to the economy.



## Student Conference on Economics, Finance, Business and Social Sciences

On June 25th, the Economics Department of Epoka University in collaboration with Economic Society of Albania (ESA), Albanian Association of Banks and Young Economist Network organized the Student Conference on Economics, Finance, Business and Social Sciences, SCE-2018. Four main topics were the key theme of the conference: Population, Migration and Security; International Trade; Economic Growth and Development; Exchange Rates and Inflation. Dr. Spiro Brumbulli, AAB Secretary General, as a keynote speaker, introduced some hints and insights on the society challenges in Albania and beyond.

## Open lectures on Internal Audit

Throughout the month of May, AAB organized several open lectures with the participation of the members of the Internal Audit Committee.

- On May 17th, in cooperation with the Faculty of Business “Aleksandër Moisiu” (UAMD), an open lecture was organized with the topic “Getting to know Internal Auditing – a profession that makes a difference”. The lecture was led by Silvana Zoto, Head of Internal Audit, NBG Bank Albania and Chairperson of the Internal Audit Committee at AAB, and Daniela Hoxha, Internal Audit Department Manager, Banka Kombëtare Tregtare.
- On May 29th, an open lecture on the same topic was held at the European University of Tirana (UET), Faculty of Economics with the participation of Silvana Zoto. During this open lecture, she was accompanied by the Executive Director of the Albanian Stock Exchange – ALSE, Mr. Artan Gjergji, who presented the topic “Albania’s Stock Exchange as an Investment Opportunity”.
- On May 31st, in cooperation with “Aleksandër Xhuvani” University in Elbasan the lecture on the role and functions of internal audit in financial institutions was organized. The lecture was led by Ediola Biçaku and Glejdja Hibraj, Heads of Internal Audit Departments, respectively at Intesa Sanpaolo Bank Albania and Fibank Albania.



## Money Week in Albania, March 12-18

On March 12 -18 2018, the Money Week was launched in Albania, under the motto “Money matters, matter!”. The activities were organized in cooperation with the Bank of Albania (BoA) and with the support of the Ministry of Education, Sports and Youth, the Albanian Deposit Insurance Agency (DIA), Junior Achievement (JA), National Youth Service (NES), schools, public and non-public universities, etc. with the participation of:

- 5,000** children and young people
- 55** secondary schools
- 14** high schools
- 8** universities
- 14** cities



Money Week

The Launching Ceremony of the Money Week was held at the Museum of the Bank of Albania (BoA). The Governor of BoA and the Chairman of the AAB gave a welcoming address, during which they emphasized the importance of financial literacy in Albania, especially amongst younger generations. The ceremony continued with awards for the winners of three competitions, which BoA and the AAB created to celebrate Money Week.

- The first contest, on the Money Week 2018 theme “Money Matters Matter!”, targeted sixth graders who introduced creative projects, such as drawings and installations. It was supported by Raiffeisen Bank Albania. The aim of the competition was to create projects, such as drawings and installations, that clearly conveyed their concept of money management. In overall, 144 pupils from 21 primary schools presented 70 projects.

- The second competition, a video contest, invited high school students to present their messages on "Money Matters Matter", either in as a team or individually. In total, three winners were awarded out of 24 candidates who entered the competition, out of 40 students across Albania. The competition was supported by the American Bank of Investments.
- The last competition challenged university students to write argumentative essays on the topic, "Does the use of Euro in commercial transactions in Albania pose a risk?", supported by Société Generale Albania Bank.

Additionally, throughout the Week, many young people visited the Museum of BoA and other commercial banks. Students also had the opportunity to attend lectures organized at the BoA and different universities. Moreover, many TV talk shows discussed MW activities, where representatives from the Bank of Albania, Albanian Association of Banks and other experts of financial education matters spoke about the Week.

## European Money Quiz in Albania: Promoting Financial Education

On April 12th, the Albanian Association of Banks in cooperation with the Bank of Albania and the support of the Ministry of Education, Sports and Youth, hosted the European Money Quiz, where roughly 500 high schools' students across Albania competed directly against each other in a live national contest hosted via the Kahoot! online learning platform. 13-to-15-year-old children from 35 schools participated at this quiz. Questions were raised in a live video stream and answers returned immediately via the Kahoot! application. The winning team was from "Sotir Gurra" high school in Korça. In addition, the Bank of Albania awarded the winners with symbolic gifts.

On May 2018, all the winners of the national financial literacy competitions in their own country travelled to Brussels at the invitation of their national banking association. The European Money Quiz was organized for the first time this year, and 50 students from 25 countries competed in the Brussels finals. Teams from Poland, Ireland and Germany were first-ever European Money Quiz champions.



# TRAININGS

Investing in employee qualifications and skills is a key issue for AAB. Over the last years, we have conducted **25** in-house trainings with **392** bank employees trained through them, in collaboration with our **11** training partners.

**For the first time, two on-line trainings were provided for 215 employees.**

# 2018 TRAININGS

**Topic:** IFRS and Tax Training

**Date:** February 14-16

**Partner:** KPMG Albania

**Participants:** 16

**Description:** The programme covered the general reporting and tax requirements, which are considered as most relevant to the commercial entities in their capacity as banking customers and targets of the banks' credit officers, aiming to enhance their reading and interpretation of the financial information provided by entities in Albania.

**Topic:** IT auditing for non-IT auditors

**Date:** February 22-23

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

**Participants:** 18

**Description:** An interactive panel of shared experiences of participants from both the business area functions and IT audit. Besides theory, participants contributed themselves by interactive participation and working together in a case study where all kind of IT (audit) related issues come together.

**Topic:** Prove the Value of Training – ROI

**Date:** March 15-16

**Partner:** AIMS International

**Participants:** 13

**Description:** The program introduced an update of internal evaluation practices, as well planned and executed a ROI evaluation. This training enabled participants to prove the value of training programs, communicate results to stakeholders, brief/teach others the ROI Methodology, expand and enforce successful programs and redesign/discontinue ineffective programs.

**Topic:** Fraud: Advance Guard, recognizing and detecting fraudsters

**Date:** March 21-22

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

**Participants:** 22

**Description:** This course introduced participants to the benefits of adopting a system which assists in preventing, detecting, quantifying and responding to fraud threats. Attendees discovered skills and techniques which will prove valuable in the mitigation of risk from external sources.



**Topic:** Credit Assessment and Cash Flow Analysis

**Date:** April 17-19

**Partner:** House of Training – ATTF

**Participants:** 23

**Description:** This training, led by the expert Eric de Jong, intended to help future and current loan providers, investors and credit analysts to perform their job efficiently and thoroughly. The course was attended by 23 participants from banks and non-banks financial institutions.

**Topic:** Effective Risk Management  
- Tools & Practice

**Date:** April 19-20

**Partner:** IFC

**Participants:** 17

**Description:** A two-day interactive training to review the risk management practices and equip the local professionals with the necessary tools to implement the best practices at their institutions. 17 participants from 9 member banks attended the training.

**Topic:** Excellence in Conflict Management

**Date:** April 23-24

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

**Participants:** 12

**Description:** A very experience-based and practical training. The 12 attendants from member banks actively participated in dialogues, individual, pair- and groupwork, self-reflection, feedback, cases and worksheets. Dr. Siegfried Lachmair introduced new tools, instruments and techniques to assist managers to become a better conflict navigator – pretty much like a coach or mediator.

**In cooperation with ICC Albania two open seminars were provided, respectively on:**

**Model Contracts**

**Date:** April 17-18

**Participants:** 5

**Risk Management and Negotiation  
in International Contracts**

**Date:** April 19

**Participants:** 2

**Description:** These two seminars were designed for those working in international trade (private sector), in-house as well as an external consultant, who negotiate, draft, interpret and execute international contracts of sales, distribution and commercial agency. These seminars were relevant to those in procurement, sales, legal and finance sector, as well as to those who, in their role as managers, are to instruct and supervise these departments and those involved in dispute resolution.



**Topic:** Fundamentals of Blockchain in Banking

**Date:** May 7-8

**Trainer:** David Gyori

**Participants:** 11

**Description:** The training attended by 11 participants from the member banks included: The concept of Blockchain; Current blockchain projects; Security versus Blockchain; and What the bank shall do about blockchain?

**Topic:** Open Banking, APIs and PSD2

**Date:** May 9-10

**Trainer:** David Gyori

**Participants:** 11

**Description:** Payment Services Directive: The History; Risks and Responsibilities Related to PSD2; The New Role of Competition and Cooperation - were some of the topics introduced by the expert David Gyori during the two-day training attended by 11 participants.

**Topic:** Excellence in treasury sales

**Date:** 14-15 May

**Partner:** BACEE

**Participants:** 10

**Description:** This training provided deeper insights in the human elements of TS people, using presentations, communication practices and facilitation of collective work of 10 participants.

**Topic:** CIA exam review part 1

**Date:** May 22-23

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

**Participants:** 10

**Description:** This training was designed to help candidates understand the topics addressed in the first CIA Certification Exam. The training was led by Stavri Pashko and was attended by 10 participants.

**Topic:** Leading with Emotional Intelligence

**Date:** May 23-24

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

**Participants:** 14

**Description:** Some of the course objectives include: Understanding the concepts of EI for developing resonant leadership qualities; Understanding and applying principles and methods for self-awareness, emotion adjustment and management, social awareness for understanding others and relationships building and management. The course was attended by 14 participants.





**Topic:** Selling Financial Services and Managing Clients Relations

**Date:** May 28-30

**Partner:** House of Training – ATTF

**Participants:** 20

**Description:** The course provided participants with a good understanding of the selling techniques aiming to sell services & products to clients and to manage client relationship effectively.

**Topic:** Talent Assessment

**Date:** June 12-13

**Partner:** AIMS International

**Participants:** 13

**Description:** An experiential training, with insights, expertise, proven tools, case studies and practical scenarios designed to help professionals objectively evaluate the basic dimensions, drivers, and factors that define the behaviour and performance of a person in a professional setting.

**Topic:** GARP Course "Foundations of Financial Risk" and Training of Trainers

**Date:** June 18-22

**Partner:** IFC

**Participants:** 23

**Description:** A three-day GARP course, followed by an exam and a further 'train the trainer' (TOT) to teach the skills and techniques to equip candidates to deliver this course. This program delivered a deep and qualitative understanding of risk management methodologies, governance structures for the management of risk in banks, and the regulatory principles outlined by the Basel Committee on Banking Supervision. The training was attended by participants from Albania and Kosovo.

**Topic:** Fraud Management

**Date:** September 18-19

**Partner:** PricewaterhouseCoopers (PWC) in Albania

**Participants:** 15

**Description:** Among the main topics covered were the principal types of fraud, common myths related to fraud, who commits fraud and what drives fraud acts, fraudster profile, consequences of fraud – financial losses, legal consequences and reputational damage.



**Topic:** COSO – ERM  
Framework - Risk Assessment Process

**Date:** September 24-25

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

**Participants:** 19

**Description:** The training program included the role of internal auditing; risk and control frameworks; risk management; risk assessment techniques & risk-based audit engagement.

**Topic:** Teamwork - Building & Leading a winning team

**Date:** October 8-11

**Partner:** Gila Yaniv (M.A), Career Development Trainer & consultant

**Participants:** 33

**Description:** AAB facilitated the organization of a 4-day training of member banks on "Teamwork - Building & Leading a winning team". Under the guidance of the international trainer Gila Yaniv, the training provided practical indications on how to form teams to solve real work issues and to improve real work processes, review projects and progress, build fun and shared occasions into the organization's agenda.

**Topic:** Cyber and Information Security Management

**Date:** October 15 – 17

**Partner:** House of Training – ATTF

**Participants:** 26

**Description:** The training covered the various areas of Cyber Security and was attended by participants from banks, Bank of Albania and other financial institutions. At the end of this course, participants had an overview of Cybersecurity and an understanding of how to mitigate the associated risks.

**Topic:** Manager as a Coach

**Date:** October 17- 19

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

**Participants:** 13

**Description:** This interactive training was held under the guidance of Larrisa Winter. The training was designed to help managers boost their effectiveness as leaders and to drive team success by inspiring and developing their people through coaching.



**Topic:** Leading through emotional intelligence  
**Date:** November 12-13  
**Partner:** Austrian Institute of Excellence (AIEEx)  
**Participants:** 12

**Description:** A two-day interactive training, which provided a wide range of skills to help participants increase self and social awareness & improve self-management and relationship Management. The trainer of the program was Larisa Winter.

**Topic:** Identifying financial crime through enhanced due diligence on Anti – Money Laundering  
**Date:** November 12-13  
**Partner:** Albanian Institute of Internal Auditors (AIIA)  
**Participants:** 17

**Description:** The training focused on subjects such as financial, FOREX and payment services/money remittance. This workshop highlighted and cascaded information on key subject areas that are relevant to and affect all countries. Managed by seasoned UK experts and supported by local experts of the Financial Intelligence Unit, the workshop was based on discussions of case studies.

**Topic:** People Management for team managers  
**Date:** December 4-6  
**Partner:** House of Training – ATTF  
**Participants:** 17

**Description:** The training revolved around practical exercises and participants' contribution to their current business challenges related to people management. The training was led by Mr. Gilles de Mendez, Luxembourg-based expert.

**Topic:** On-line training on General Data Protection Regulation (GDPR) for Banks  
**Partner:** House of Training – ATTF  
**Allocated** 115 licenses

AAB launched the "free of charge" GRDP online training, strongly financially supported by the Luxembourg Government. ATTF has allocated 115 licenses to commercial banks' employees. The license is valid for 2 months and all users should take maximum 2 hours to finish the course. They will receive a certificate after having completed the training and after having succeeded the exam.

**Topic:** On- line training on Information Technology  
**Partner:** BIT Albania  
**On-line training for 100 users**

In collaboration with BIT Albania, AAB concluded the agreement to offer ICT on-line training for 100 users for the banking sector. The content comprises the Office Package basic and advanced level in Albanian and English language.



## PUBLICATIONS

# Annual Report 2018

The AAB Annual Report, which has been published in July, included the main developments and activities of the AAB during year 2017.



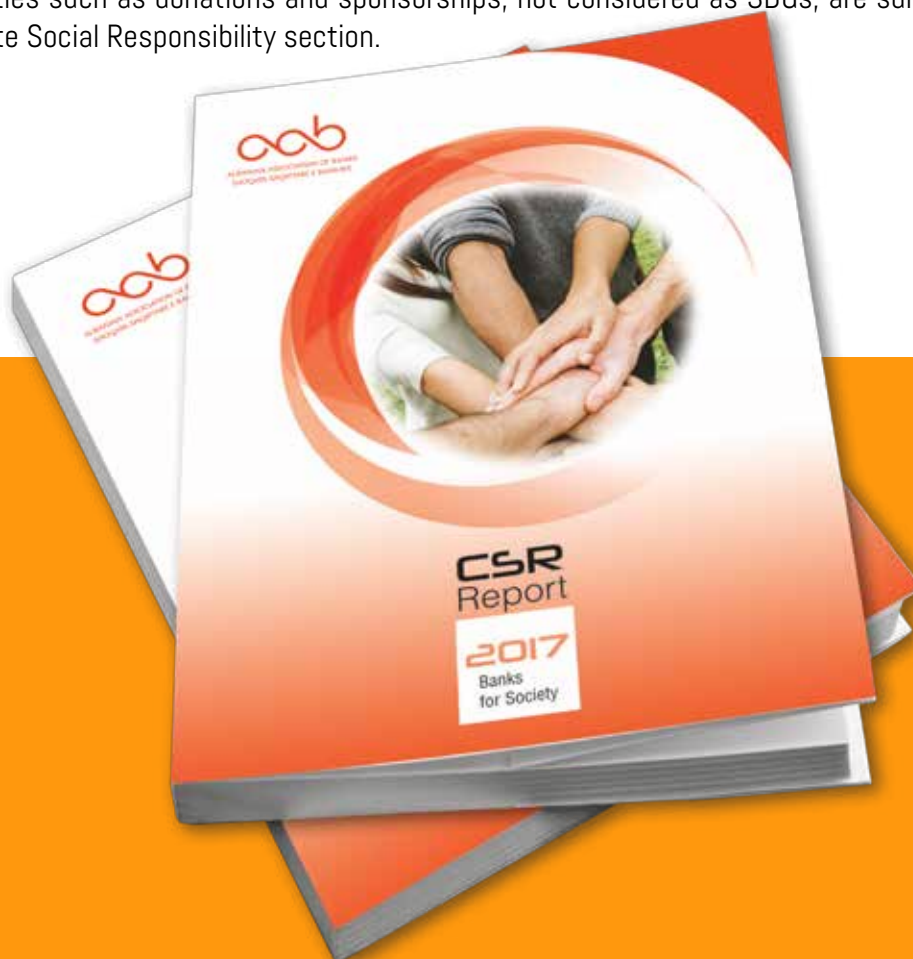
# CSR Report 2018

## Banking for Society

For three consecutive years, AAB introduced the banking contributions in compliance with the Sustainable Development Goals. The report is considered as a new standard of communication established on the provision of information as the banks contributions to the society and economy. The 2018 edition, drafted with the UN assistance and consultancy, brought upon an upgraded structure for outlining the contribution of banks in line with the Sustainable Development Goals and Corporate Social Responsibility. Moreover, the Goals are outlined in two sections:

Opportunities for Shared Values, which are those opportunities which banks expect to comprise an added value to shareholders as well as to the society, represent an action to create a more sustainable and inclusive path to economic growth, prosperity and welfare.

Other activities such as donations and sponsorships, not considered as SDGs, are summarized under the Corporate Social Responsibility section.



# “Bankieri” Magazine

Four editions of “Bankieri” Magazine were prepared and published in 2018. These include articles written by banking experts, academics, business representatives, etc. The magazines are downloadable online at social network profiles.



## Videos

Over 2018, AAB continued to publish the informative videos on Financial Education of the series “My Bank”.

- How to Become a Bank Customer
- Digital banking



# Awareness raising campaign on card usage

The AAB run a national educational campaign, with the support of Mastercard, to lower the use of cash and increase the use of alternative payment instruments, by educating cardholders in Albania on their benefits.

This campaign aimed at:

- Raising awareness on the advantages of using innovative payments in a convenient and secure way;
- Increasing trust in the use of contactless transactions for householders;
- Decreasing the volume of grey economy through the reduction of cash transactions.

The campaign features TV and radio spots. In addition, the social media campaign was posted in various platforms.



# AAB

## Communications & PR

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

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

The AAB activities received high media coverage during 2018 and the Secretary General gave more than 20 interviews throughout the year.

## Social media

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

Goals set and achieved throughout the year:

- Improved & Enhanced Website. Short videos on financial education; Short informative videos; Sponsored campaigns.
- Social media presence: update and maintain a dynamic presence of AAB through its website. Facebook, LinkedIn and Twitter.
- A new account on Instagram.
- Further development of the multi-channel social media strategy.

### Instagram

2017 0 Followers

2018 224 Followers

### facebook

2017 4064 Likes

2018 4822 Likes

### LinkedIn

2017 1039 Followers

2018 3390 Followers



# TECHNICAL COMMITTEES

## Achievements and highlights

Technical Committees gathered in more than 40 meetings during 2018 and the issues identified were followed up by the AAB Secretariat.

### Bank Security Committee

Committee members organized several meetings during the year, where they discussed on security issues and additional measures to be undertaken by members banks after the issuance of the new by-laws. The functioning of security measures, their implementation and reflection in the respective by-law amendments to service contracts with SPMS were analysed. A joint meeting with colleagues from Kosovo was organized, with the aim to better understand the incidents happened in the neighbour country. One of the major concerns was that of banks' robberies and ATMs attacks in Kosovo and the similar cases that recently occurred in Albania.

The AAB Secretariat, together with other committee members, met with the Deputy Minister of Interior, addressing the concerns relevant to the composition of the escort unit within the city and the use of security ink dye. Among other important issues discussed was the Guideline No. 130 dated 05.03.2018 "On private physical security services" and the impact that such guideline has on the banking sector.

### Card Committee

The Committee, organized on May 4th, started the activity of the year by planning and organizing the annual Card Forum, highly focused on the use of cards and cash reduction. Following up the Forum, the issues to be dealt with by the Secretariat and the Card Committee were as below:

- Financial Education Campaign.
- Communication with public institutions to increase card payments and to reduce the use of cash.
- Improvement of statistical reports published by the Bank of Albania. For this purpose, a working group was established by the Committee, to submit a request with concrete proposals to the respective structure at the Bank of Albania.

The work continues for all such initiatives.

In addition, during the year, members contributed to the review of Regulation No 11 "On Electronic Payment Instruments" and the draft strategy for retail payments.

## Compliance Committee

One of the main issues of concerns was the draft law "On some amendments and additions to the Law on Prevention of Money Laundering and Financing of Terrorism". On December 27th, the General Directorate for the Prevention of Money Laundering (GDPML) organized a meeting with the AAB's Compliance Committee, with the presence of Mr. Arlind Gjokutaj, General Director of GDPML. During the meeting, several discussions and opinions were elaborated on the banks concerns and proposals regarding the proposed amendments to the said law and agreed to review some of the proposed amendments.

## Human Resources Committee

Apart from the engagement the committee has established with the Secretariat to draft the training calendar and the financial education issues, they were also involved in discussions regarding the different by-laws issued during the year such as Decision No. 68 "On thresholds and criteria for the determination of the compensation pertaining to the salary in-kind and that is added to the salary payable during annual leave".

The Committee members considered the possibility to conduct a survey on the engagement and effectiveness of banking employees, apart from the yearly participation at the Albanian Banking System Salary Survey. The AAB Secretariat continued to elaborate the members data to produce the HR KPIs Report, in order to have a real benchmark for the sector.

## Information Security Committee

The Information Security Committee's agenda for the year focused on the good collaboration with state agencies, organizing the Cybersecurity Forum on "Managing Risk" and tailoring technical trainings for the banking community, under the agreement that AAB signed with the House of Trainings LUX. These meetings also served as a forum between members to mainly discuss the risks and incident happened lately, especially the cyber-attacks to the banking systems both from the point of view of concrete actions to be safeguarded and its management in the face of other parties /authorities. Two draft regulations i.e. "On the methodology of organization and function of CSIRT at national level" and "On the category of cybersecurity incidents and the format and elements of the report" brought by the National Authority for Electronic Certification and Cyber Security (AKCESK) were discussed during a roundtable consultation process with the relevant parties. Most of members banks' comments were taken into consideration.

The new draft law on Payment Service presented by the Bank of Albania is another topic the committee focused on during the year, especially on information security measures provided by banks to protect their services such as: online payments, e-commerce, and other transactions (including access to bank accounts through e-banking or different portals) as a request made by ALCIRT.

## Information Technology Committee

On March 23rd, the AAB Information Technology Committee organized its first meeting. During the meeting, the regulation that this committee will be governed was discussed and the Chairmanship of the

committee was also elected, i.e. Ms. Alketa Lamce, representative of Intesa Sanpaolo Bank Albania as Chairperson, Ms. Irena Rushaj, representative of Union Bank and Mr. Altin Kona, representative of Banka Kombetare Tregtare as Vice Chairperson.

On October 22nd, the Committee mainly discussed on its necessities for 2019, and the need to raise awareness regarding the requirements of the new draft law on Payment Service presented by the Bank of Albania (BoA), as well as on the importance of the workshop to be organized by BoA on such regard.

## Internal Auditors Committee

Over the year as part of the agenda, the committee held several meetings where members discussed on the regulations of BoA regarding the definition of internal audit functions, the need for clarifications and interpretations, ICAAP and collaboration with the supervisory authority, trainings of bank employees, the need for specific technical trainings, etc.

Member Banks were extremely active throughout the month of May, which is the International Internal Audit Awareness Month, aiming to promote internal audit's values. Members also placed high importance on the organization of the workshop "Regulatory requirements regarding the internal audit role in banks", organized on November 16th.

## Legal Committee

During 2018, the AAB Legal Committee has been involved in issues of the legal framework on bailiff procedure tariffs.

In January, the Legal Committee and Chairmanship of the Bank Security Committee, discussed on additional security measures to be undertaken by banks and on the provision of services for the phone signals sent to the control room of the Local Police Directorate. The discussed concerns were raised through a letter addressed to the director of Local Police Directorate.

In April, the AAB Legal Committee and Chairmanship of the AAB Treasury and Financial Market Committee discussed on the draft "Repo agreement" and "Master agreement for Financial Derivatives Transactions", and approved them in principal as sample agreements for AAB member banks, depending on each case the parties to the agreement can review the related terms and conditions.

During August, the unified proposals from members of the Legal Committee related to tax procedures were filed with the Ministry of Finance and Economy, to be later considered on the fiscal package.

In July, representatives of the AAB Secretariat and AAB Legal Committee Chairmanship held a meeting with EU experts, who assessed the country situation and drafted a final independent report for the European Commission and the beneficiary country (Albania in this case) with an assessment of the country's capacity to effectively enforce judicial decisions in civil matters, including commercial and property rights matters. AAB representatives, among other minor issues, pointed out the issue on bailiff tariffs and on the need to issue a specific law on the execution of procedures aiming to set up clear procedures, deadlines and tariffs. The reform on bailiff tariffs is considered as necessary.

## Public Relations Committee

Financial Education was the main topic of the meeting organized on February 9th. The participants were informed on the activities, scheduled to be organized by AAB during the Money Week and discussed on the possibilities of banks to support some of these activities. Another issue discussed during the meeting was the 2017 CSR Report to be prepared by AAB, and the possibility to report the activities of the banks in full alignment with the Sustainable Development Goals.

## Payment Systems Committee

The 4th meeting of the National Payments System Committee and the conference organized by the Bank of Albania with the topic "Modernization of the retail payments systems", on June 21st, 2018 were on the focus of the Committee.

The members also participated in the annual SWIFT User Group Meeting ("UGM").

## Treasury and Financial Market Committee

The Albanian Government Bond Market Development workshop represented a good opportunity for committee members to contribute to the very new pilot-project on the development of the government securities market that the Ministry of Finance, the Bank of Albania and the World Bank will initiate in Albania. The agenda covered the strengthening of government bond market and related public debt management. Different stakeholders discussed and agreed upon a viable roadmap with clear timelines and responsibilities.

## Risk Committee

Over the year, the Committee members focused on three project regulations, previously sent by the Bank of Albania for consultation, i.e.: "On the Liquidity Coverage Ratio", "On extrajudicial treatment by banks of the borrowers in financial difficulties", "On credit risk management by banks and branches of foreign banks".

Further to its communication on three project regulations, the working groups, comprised of six banks (Alpha Bank Albania, ABI Bank, BKT, Intesa Sanpaolo Bank Albania, Raiffeisen Bank and Tirana Bank), organized several meetings during August.

On August 17th, the AAB Secretariat organized a meeting with bank representatives and BoA representatives, to discuss on the latest stance of AAB regarding the Liquidity Coverage Ratio. The final draft was submitted to BoA.

## CFO Ad-hoc Committee

On December 13th, banks CFOs gathered to discuss the position of the banking industry with regards to the fiscal impact of the implementation of IFRS 9, which involved a considerable work for banks.

# OTHER MEETINGS IN 2018

## Meetings with public institutions

**On financial statements** - On January 19th, high level representatives of banks and the Director of the Supervisory Department of the Bank of Albania attended the meeting on the double balance sheets issue. As a follow-up to this meeting, banks, through the Secretariat, submitted to BoA their alternative proposals regarding the latest regulatory amendments.

**On the deregulation reform** - The deregulation reform was launched by the Albanian Government. In this context, discussions brought together the Deputy Prime Minister, ministers and banks representatives, namely:

- On February 2nd, a meeting focused on the facilitation of the services for citizens and entrepreneurship was organized. The meeting was led by the Deputy Prime Minister, Minister Mr. Ahmetaj, Minister Mrs. Qato and representatives from the Ministry of Energy and Infrastructure. The government representatives introduced the new achievements on the procedures and certifications related to their ministries.
- On February 2nd, another meeting was led by the Deputy Prime Minister, Minister Mr. Xhafaj, Minister Mrs. Xhaçka and representatives from the Ministry for Europe and Foreign Affairs. Moreover, representatives from business associations attended the meeting. The meeting focused on the deregulation of these ministries and the citizen centric approach.
- On February 5th, upon the Deputy Prime Minister Mrs. Mesi and Minister Mrs. Qato request, a business lunch was organized with business representatives regarding the proposals to further deregulations. The AAB Secretary General who attended this business lunch, introduced the needs of the banking industry to access the governmental portal e-Albania.

**Meeting with the General Directorate of Customs and General Directorate of AML&FTF** - On February 9th, a discussion meeting was held regarding the procedures for carrying monetary values transported by commercial banks through the International Airport of Rinas, based on Law no. 9917, dated 19.05.2008 "On the Prevention of Money Laundering and Financing of Terrorism", as amended, Instruction No. 15, dated 16.02.2009 of the Minister of Finance "On the prevention of money laundering and the fight for the financing of terrorism in customs system". The Parties agreed on a collaborative approach and all further steps will be undertaken based on a common agreement.

## Application of IFRS 9:

- On April 18th, the AAB Secretary General met with the Director of the General Directorate of Taxation, Mrs. Vasilika Vjero, to discuss the fiscal impact of IFRS 9 on the banking industry. During this meeting, discussions were focused on the need of a written document for GTD to better understand the accounting impact scheme of IFRS 9, the need for training of tax inspectors and better consideration on the possibilities to amend the present legal framework, if required to fix the request from the banking sector.
- On September 21st, a meeting at the General Directorate of Taxation was held. In addition, a team from KPMG participated in this meeting, which was focused on the fiscal impacts from the adoption of IFRS 9.

## Securities market developments

On April 17th, the World Bank, Bank of Albania, Ministry of Finances and banks held a meeting to discuss the draft agreements to develop the project of the government securities market.

## Public services digitalization

Was the subject of the meeting organized on May 17th, with the participation of the adviser of Deputy Prime Minister, Bank of Albania, AKSHI and AAB Secretary General.

## The bailiff tariffs issue

On June 13th, the Minister of Finance, the Minister of Justice and the Governor organized a meeting to discuss the draft guidelines filed by the Minister of Finance for Private Bailiffs on fixed and success fees. AAB was represented by its Chairman, the Executive Committee members and the Secretary General. During this meeting, representatives from IMF, World Bank, and National Chamber of Privat Bailiffs (NCHPB) were also invited. During this meeting, the AAB Chairman stated the AAB stance on the need to reduce the tariffs set on 2017, and their conformity with the proposed changes to the bailiff tariffs. Finally, the Minister of Finance and the Minister of Justice advised AAB and NCHPB to establish firm collaboration and find a common stance on the tariffs, and to present their outcome to the respective ministers within June 21st.

On June 20th, a technical meeting was held between representatives of AAB and the National Chamber of Private Bailiffs (NCHPB). AAB supported the draft presented by the Ministry of Finance and Economy and did not submit proposals for changes. AAB clearly expressed its stand pro the fixed tariffs foreseen in the project guideline submitted by the Ministry of Finance and that it was open to negotiate for success fee. Following the meeting, the proposals of NCHPB were discussed internally by the AAB Executive Committee and were later distributed to all AAB members.

## Meeting with representatives of the Immovable Property Registration Office

On November 8th, a meeting was organized at the AAB premises, with the participation of Mr. Valdrin Pjetri, Chief Registrar of the Republic of Albania, Immovable Property Registration Office. Representatives from member banks and the Immovable Property Registration Office participated in the meeting, where further cooperation on the provision of real-time payment services to the citizens was discussed.

## Meeting with the representative of Albanian Financial Supervisory Authority

On November 13th, the AAB's Treasury and Financial Market Committee welcomed at AAB the representatives of the AFSA, who introduced the new draft law on Capital Market. The aim was to develop a draft law that covers the regulation of capital markets rather than just securities. Therefore, alignment of the new law with the Markets law in the framework of the Financial Instruments Directive (MiFID) and the associated Markets in the framework of the Financial Instruments Regulation (MiFIR) will be effected, together with other relevant directives such as the Prospectus Directive, the Transparency Directive and the Market Abuse Regulation.

## MEETINGS WITH INTERNATIONAL INSTITUTIONS

### On electronic payments

In the context of the initiatives and projects in the payment market and promotion of electronic payments use, a meeting was organized with banks' representative and the MadfoatCom, a company focused on electronic payments. The meeting was organized on January 23rd, upon the interest shown by the company for the Albanian market and it was also attended by the Bank of Albania representatives and utility company's representatives.

### Credit Bureau Project

- On February 19th, a meeting was organized with CRIF company' representatives. The meeting was held in the context of the initiative to launch a Credit Bureau project in Albania.
- On June 6th, the AAB Chairman together with the AAB Secretary General met with CRIF company' representatives.
- On June 19th, the AAB Secretary General met with EBRD representatives. During this meeting, the parties discussed the progress on the Albanian Credit Bureau Project.

### The Sustainable Development Goals (SDGs)

During the meeting held on February 22nd, the UN representatives were informed that AAB has been actively engaged with the banks to make them convert their CSR activities into concrete SDGs efforts. During the last 2 years, the AAB Annual CSR Report has been drafted in accordance with SDGs and banks are reporting their annual CSR activities in line with any of the SDGs. Although it is considered as an impressive initiative, banks are currently reviewing the alignment of the SDGs to their mainstream communication as a main challenge.

### On the Economic Reform Program in Albania 2018-2020

Following the finalization of the document on Economic Reform Program (ERP) 2018-2020 by the Albanian authorities, a mission from the EC Head Quarters composed of representatives from the General Directorate of Economic and Financial Issues (DG ECFIN), the General Directorate for Neighbourhood and Enlargement (DG NEAR) and the General Directorate on Employment (DG EMPL) visited Tirana during March 1-2, 2018, to meet with state relevant institutions in charge of coordination related to the ERP process and its implementation, as well as with international organizations and other relevant stakeholders. In this context, on March 2nd, the AAB Secretary General participated at the brainstorming meeting with the EC HQ representatives.

On the NPL resolution tools - The IFC mission working on the financial sector visited Tirana on May 22-23, 2018. On May 22nd, a meeting to discuss on the NPL resolution tools that banks are using for NPL recovery in Albania was organized, also including market opportunities for the sale of NPLs and the support that IFC can provide in this area.

## Primary Market Developments in Albania

AAB facilitated the meetings organized by the parties and its participating members banks, in the framework of the Pilot Project for the Benchmark of the 5-year Government Bond. The parties agreed on the terms and conditions of the Market Maker Agreement and the Stand-By Repo Agreement, in order to supplement and strengthen market efficiency of Benchmark Bonds. Meetings will follow up with training sessions by Reuters representatives regarding the trading platform that will be used by marker markers.

On July 26th, the parties gathered to discuss the auction results and the issuance plan of the Benchmark Bonds, the market making experience in the secondary market, and an overview of steps needed to further improve conditions for market making.

On November 22nd, the banks representing the "Market Maker committee" in the framework of the pilot project for the five-year benchmark bond, held a meeting with representatives of Ministry of Finance, World Bank and Bank of Albania, where discussions were mainly focused on the auction performance in the pilot project format (Feedback), internal Market Financing/Revised Calendar After Issuing Eurobonds, discussions on the reporting of problems encountered and feedback of market developers regarding the continuity of the project after December 2018.

On the National Strategy for Retail Payments - On September 12th, in the framework of a visit of a World Bank Mission to implement the National Strategy for Retail Payments 2018-2023, on September 10-13, a special meeting was held with AAB and representatives from several banks (BKT, Intesa Sanpaolo Bank Albania, Tirana Bank, Raiffeisen Bank, Credins Bank). The topic of discussion was to analyse the payments of state institutions and their channelling through electronic payment instruments.


## Informative meetings on financial market developments

AAB is continuously providing knowledge and information to its partners, by communicating on a regular basis and making sure membership and collaborators are informed of all the latest and most relevant issues. In order for international institutions representatives to get acquainted with the financial market developments and receive detailed information on the banking sector in Albania, during the year, the AAB Secretary General organized a series of informative meetings with representatives from several international institutions and financial services companies, leaders in the financial sector. Topics discussed during these meetings: overall overview of the banking sector and industry policies on SMEs; corporate segment in Albania; detailed recommendations on how to improve access and use of financial services, Credit Bureau project, bailiffs tariffs, lending issues and consolidation of the banking supervision, regulatory developments, finance education and other challenges and problems the banking sector is facing lately.

Some of the AAB partners attending the informative meetings:

World Bank Group; European Union team; Albanian Microfinance Association; PricewaterhouseCoopers (PwC), International Finance Corporation (IFC); McKinsey; European Fund for Southeast Europe (EFSE); French Development Agency; Delubac Bank; VISA; Trans track International, etc.





FIGURES  
ON THE  
MEMBER  
BANKS

Bank	Shareholders' Structure:	Country of origin	Assets (ALLO00)	Loans, Net (ALLO00)	Investment in government Securities (ALLO00)
 <b>BKT</b> BANKA KOMBETARE TREGTARE	Calik Finansal Hizmetler A.S. 100%	Turkey	424,915,261	131,068,756	160,292,096
 <b>Raiffeisen BANK</b>	Raiffeisen SEE Region Holding GmbH 100%	Austria	222,851,339	87,092,290	60,109,547
 <b>CREDINS bank</b>	Renis Tershana 21.181% Aleksander Pilo 15.297% B.F.S.E. Holding BV 16.485% Bank' executive directors 6.727% Other 38.309%	Albania Albania Netherland Albania	193,755,728	94,239,937	43,796,570
 <b>INTESA SANPAOLO BANK</b> Albania	Intesa Sanpaolo S.p.A. 100%	Italy	171,343,934	43,928,731	57,762,514
 <b>SOCIETE GENERALE ALBANIA</b>	Société Generale 88.89% Minority Shareholder 11.11%	France Albania	82,207,133	47,470,157	18,996,325
 <b>abi</b> AMERICAN BANK OF INVESTMENTS	Tranzit shpk 100%	Albania	77,815,291	24,721,153	29,342,340
 <b>ALPHA BANK</b>	Alpha Bank A.E. 100%	Greece	77,107,771	35,459,774	9,940,006
 <b>TIRANA BANK</b>	Piraeus Bank S.A 98.83% Ioannis Tzivelis 1.17%	Greece	72,964,854	20,845,099	23,857,367
 <b>UNIONBANK</b>	Unioni Financiar Tirane Sh.p.k. 86.34% European Bank for Reconstruction and Development 10.12% Individuals 3.54%	Albania United Kingdom Albania	415,679	179,492	144,519
 <b>ProCredit Bank</b>	ProCredit Holding AG & Co. KGaA 100%	Germany	31,965,256	22,327,562	1,632,594
 <b>Fibank</b> First Investment Bank	Fibank AD 100%	Bulgaria	24,633	11,713	7,540
 <b>INTERNATIONAL COMMERCIAL BANK</b> rëndësi kanë vlerat	ICB Financial Group Holding 100%	Switzerland	10,217,996	4,887,059	3,199,341
 <b>UBA</b> Banka e Bashkuar e Shqiptarise United Bank of Albania	Islamic Development Bank 86.7% Ithmaar Bank 4.63% Dallah Albaraka Holding Co. 2.32% Business Focus SDN BHD 1.47% Saudi Brother Commercial Co. 0.58% Individuals 4.31%	Saudi Arabia Bahrain Bahrain Malaysia Saudi Arabia Saudi Arabia	8,564,860	4,726,570	n/a
 <b>CBA</b> CREDIT BANK OF ALBANIA BANKA E KREDITIT E SHQIPTARISE	Kharafi Group 100%	Kuwait	1,530,919	–	–
Total			1,375,680,653	516,958,293	409,080,759

Audited data according to IFRS, as of 31.12.2018 (1 EUR = 12342 ALL) (in thousand of ALL)

Equity Capital (ALLOOO)	Deposits (ALLOOO)	Net profit (ALLOOO)	No. of outlets	No. of employees	Nr of ATMs	Nr of Cards Issued	Debit	Credit	Nr of POS	Internet Banking	Mobile Banking	E-commerce
46,872,870	337,449,629	6,300,256	93	1,292	146	429,928	364,702	65,226	6,829	Yes	Yes	Yes
27,002,686	187,797,088	3,377,523	76	1,273	177	243,586	216,597	26,989	1,060	Yes	Yes	Yes
15,534,087	167,282,686	392,615	58	870	69	161,677	156,432	5,245	992	Yes	Yes	Yes
20,274,284	145,483,303	436,707	34	640	51	106,655	106,267	388	587	Yes	Yes	Yes
7,175,570	67,353,709	(558,531)	35	423	70	54,124	53,132	992	n/a	Yes	Yes	No
9,065,429	65,670,499	569,031	34	469	43	28,379.00	27,457	922	–	Yes	No	No
8,661,932	61,787,196	(977,956)	33	422	46	68,677	59,615	9,062	1,124	Yes	Yes	No
12,651,773	57,164,880	(1,631,469)	37	430	66	61,117	57,639	3,478	124	Yes	No	No
37,294	334,619	4,354	30	384	39	34,328	28,818	5,510	30	Yes	Yes	No
3,133,342	20,671,213	(783,528)	5	165	16	14,063	13,974	89	–	Yes	Yes	No
3,408	20,807	401,032	12	183	29	30,099	26,323	3,776	n/a	Yes	No	No
1,257,379	7,702,185	(65,792)	6	99	7	1,374	1,374	n/a	n/a	Yes	No	No
1,762,717	6,564,597	30,791	6	76	n/a	823	823	n/a	n/a	No	No	No
997,564	189,028	(68,465)	1	22	0	0	0	0	0	n/a	n/a	n/a
154,430,335	1,125,471,439	742,656,567	460	6,748	759	1,234,007	1,113,153	121,677	10,746	12	9	4

\* The Credit Bank of Albania data are as of 30 September 2018

**AAB - FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED ON 31 DECEMBER 2018**  
**(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

*Table Contents:*

**EXTERNAL AUDITOR'S REPORT**

**STATEMENT OF FINANCIAL POSITION**

**STATEMENT OF INCOME AND EXPENDITURE**

**STATEMENT OF CASH FLOW**

**NOTES ON THE FINANCIAL STATEMENTS**

# INDEPENDENT AUDITOR'S REPORT

## To the Management of Albanian Association of Banks

### **Opinion**

We have audited the financial statements of Albanian Association of Banks (AAB or the Entity), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NAS).

### **Basis for opinion**

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

### **Other matters**

Financial statements of AAB for the year ended 31 December 2017 are not audited.

### **Responsibilities of management for the financial statements**

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Ernst & Young - Ekspertë Kontabël i Autorizuar  
Albania Branch

*Ernst & Young Certified Auditors*

26 June 2019  
Tirana, Albania

Mario Vangjel  
Certified Auditor



## ALBANIAN ASSOCIATION OF BANKS

### STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018	31 December 2017
<b><u>ASSETS</u></b>			
Current Assets			
Cash on hand and at banks	4	8,325,877	18,441,678
Contributions Receivable	5	2,750,371	1,144,626
Prepaid expenses	6	280,160	365,503
<b>Total current assets</b>		<b>11,356,408</b>	<b>19,951,808</b>
Non-current Assets			
Fixed assets, net	7	1,136,034	931,706
<b>Total non-current assets</b>		<b>1,136,034</b>	<b>931,706</b>
<b>TOTAL ASSETS</b>		<b>12,492,442</b>	<b>20,883,515</b>
<b><u>LIABILITIES</u></b>			
Payable accounts		2,927,346	663,968
Accrued Invoices		17,600	-
<b>Total current liabilities</b>	8	<b>2,944,946</b>	<b>663,968</b>
<b>Net assets</b>	9	<b>9,547,496</b>	<b>20,219,546</b>
<b>TOTAL LIABILITIES</b>		<b>12,492,442</b>	<b>20,883,515</b>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 1 to 13.



**ALBANIAN ASSOCIATION OF BANKS**

**STATEMENT OF INCOME AND EXPENDITURE**

	Notes	For the year ended 31December 2018	For the year ended 31December 2017
<b><u>INCOME</u></b>			
	<b>10</b>		
Membership fee		20,164,000	39,311,000
Training fees		5,886,609	5,119,088
Sponsorship		3,757,355	542,149
<b>Total income</b>		<b>29,807,964</b>	<b>44,972,237</b>
<b><u>EXPENDITURES</u></b>			
Depreciation	<b>7</b>	(289,557)	(237,595)
Operating expenses	<b>11</b>	(14,966,667)	(15,526,243)
Promotion, publications and publicity Expenses	<b>12</b>	(3,897,246)	(4,787,866)
Administration and general expenses	<b>13</b>	(21,176,926)	(20,242,189)
Exchange Loss / Gain		(149,616)	(36,550)
<b>Total expenditures</b>		<b>(40,480,013)</b>	<b>(40,830,442)</b>
<b>Excess /deficit of income over expenditures</b>		<b>10,672,049</b>	<b>4,141,795</b>
Net assets at the beginning of the year		20,219,546	16,077,751
<b>Net assets at the end of the year</b>		<b>9,547,497</b>	<b>20,219,546</b>

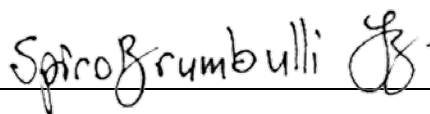
The statement of income and expenditure is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 1 to 13.

## ALBANIAN ASSOCIATION OF BANKS

### STATEMENT OF CASH FLOW

	Notes	31December 2018	31 December 2017
<i>Cash flow from operating activities</i>			
<b>Excess /deficit of income over expenditures</b>		<b>10,672,049</b>	<b>4,141,795</b>
Adjustments for:			
Depreciation	8	289,557	237,595
Payments for prepaid expenses	7	85,343	421,407
Receivable accounts		(1,605,745)	(217,804)
Proceeds for payable accounts	9	(2,280,978)	(641,588)
<b>Cash from operating activities</b>		<b>9,621,916</b>	<b>3,941,405</b>
<i>Cash flows from investing activities</i>			
Purchase of fixed assets	8	(493,886)	(254,820)
<b>Cash from investing activities</b>		<b>(493,886)</b>	<b>(254,820)</b>
<b>NET INCREASE IN CASH</b>		<b>10,115,801</b>	<b>3,686,585</b>
<b>Cash on hand at banks at the beginning of the year</b>	4	18,441,678	14,755,093
<b>Cash on hand at banks at the end of the year</b>	4	<b>8,325,877</b>	<b>18,441,678</b>

The financial statements of Albanian Association of Banks have been issued on 20.03.2019 and signed by:



**Spiro BRUMBULLI**

**Secretary General**

**Albanian Association of Banks**

The statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on the notes 1 to 13.

## ALBANIAN ASSOCIATION OF BANKS

Notes to the financial statements for the year ended on 31 December 2018  
(all amounts are expressed in LEK)

### 1. Background information

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

AAB is a not-for-profit association, seeking to promote the latest banking standards of its member banks, the development, stability, and effectiveness of the Albanian banking system in general, thus contributing to the progress of the Albanian economy. AAB is constituted by 14 voluntary members: Alpha Bank Albania; American Bank of Investments; Banka Kombëtare Tregtare; Societe Generale Albania; Credins Bank; Credit Bank of Albania; FIBank Albania; International Commercial Bank; Intesa Sanpaolo Bank Albania; ProCredit Bank; Raiffeisen Bank Albania; Tirana Bank; Union Bank and United Bank of Albania.

### 2. Basis of preparation

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

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

### 3. Significant accounting policies

#### *-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.

#### *- 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:

	31 December 2018	31 December 2017
Euro	123.42	132.95

## ALBANIAN ASSOCIATION OF BANKS

Notes to the financial statements for the year ended on 31 December 2018  
(all amounts are expressed in LEK)

### 3. Significant accounting policies (continued)

#### *- Office and IT equipment and term*

The initial valuation of the elements that meet the recognition criteria as AAM 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 AAMs 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 AAM groups:

	<b>Amortization rate</b>	<b>Used method</b>
Computer equipment	25%	Residual value
Office equipment	20%	Residual value
Other AMMs	20%	Residual value

#### *- 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, local taxes and fees, and social and health insurance contributions

### 4. Cash on hand and their equivalents

Cash on hand and at banks is composed as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Current account in ALL	6,992,962	17,120,898
Current account in EUR	1,302,003	1,215,120
Cash on hand	30,912	105,659
<b>Total</b>	<b>8,325,877</b>	<b>18,441,678</b>

### 5. Contributions Receivable

Contributions Receivable is composed as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Membership	2,750,371	1,144,626
<b>Total</b>	<b>2,750,371</b>	<b>1,144,626</b>

## ALBANIAN ASSOCIATION OF BANKS

Notes to the financial statements for the year ended on 31 December 2018  
(all amounts are expressed in LEK)

### 6. Prepaid Expenses

Prepaid expenses are composed as follows:

	31 December 2018	31 December 2017
Rent Guarantee	280,160	280,160
Health Insurance	-	85,343
<b>Total</b>	<b>280,160</b>	<b>365,503</b>

### 7. Fixed assets

Fixed assets are composed as follows:

	Furniture	Electronic Equipment	Total
<i>Cost</i>			
At 31 December 2017	2,013,701	1,477,587	3,491,288
Additions for year 2018	11,990	481,896	493,886
Reductions for year 2018	-	-	-
At 31 December 2018	2,025,691	1,959,483	3,985,174
<i>Accumulated depreciation</i>			
At 31 December 2017	1,582,954	976,628	2,559,582
Depreciation for year 2018	62,422	227,135	289,557
Reductions for year 2018	-	-	-
At 31 December 2018	1,645,376	1,203,763	2,849,139
<i>Net carrying value</i>			
At 31 December 2017	430,747	500,959	931,707
At 31 December 2018	380,315	755,720	1,136,035

### 8. Payable Accounts

Payable accounts are composed as follows:

	31 December 2018	31 December 2017
Suppliers	2,336,914	166,990
Health and Insurance Contributions	204,704	185,969
Tax at source	380,590	273,448
Withholding Tax	5,138	16,400
Personnel	-	21,160
Accrued expense	17,600	-
<b>Total</b>	<b>2,944,946</b>	<b>663,967</b>

## ALBANIAN ASSOCIATION OF BANKS

Notes to the financial statements for the year ended on 31 December 2018  
(all amounts are expressed in LEK)

### 9. Net Assets

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

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

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

<b>In ALL</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Balance carried at the beginning of the period	20,219,546	16,077,751
Increase/(decrease) from change of net assets	(10,672,049)	4,141,795
<b>Balance that is carried forward in the coming year</b>	<b>9,547,497</b>	<b>20,219,546</b>

### 10. Income

<b>In ALL</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Membership fee from member banks	20,164,000	39,311,000
Trainings for member banks	5,886,609	5,119,088
Sponsorship	3,757,355	542,149
<b>Total</b>	<b>29,807,964</b>	<b>44,972,237</b>

**ALBANIAN ASSOCIATION OF BANKS**

Notes to the financial statements for the year ended on 31 December 2018  
(all amounts are expressed in LEK)

**11. Operating Expenses**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Events and Workshop	5,285,413	8,087,915
Memberships	706,040	1,179,840
Trips	789,031	1,432,571
Trainings member banks	8,186,183	4,825,917
<b>Total</b>	<b>14,966,667</b>	<b>15,526,243</b>

**12. Promotion, publications and publicity Expenses**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Publications	3,722,704	4,394,132
Informative materials and publicity	174,542	393,733
<b>Total</b>	<b>3,897,246</b>	<b>4,787,866</b>

**13. Administration and general expenses**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Personnel Salaries	11,709,443	10,924,505
Rent	3,070,900	3,223,240
Financial Consulting Services	2,528,790	1,685,665
Health & Insurance Contributions	1,315,385	1,138,539
Communication	1,091,136	1,425,942
Stationary & Supplies	572,317	529,103
Other Expenses	302,313	514,527
Health Insurance SIGAL	275,093	313,371
Utilities	148,714	139,678
Translation Services	75,089	250,940
Bank Fee & Commissions	34,766	40,396
Legal Services	22,760	25,000
Local Taxes	15,000	15,100
Media Subscriptions	13,500	13,500
Penalties	1,720	2,683
<b>Total</b>	<b>21,176,926</b>	<b>20,242,189</b>

