



FINANCIAL SUPERVISORY AUTHORITY

2023

Annual Report

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Albanian Financial Supervisory Authority

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Mimoza KAÇI

General Executive Director
Albanian Financial Supervisory Authority

I am pleased to present to you the 2023 Annual Report, the most important institutional and legal document that acquaints you with the regulatory and supervisory activities of the Financial Supervisory Authority over the course of one year and outlines the priorities for the coming years. This report is the product of our efforts and work to ensure stability, integrity, and transparency in the insurance market, investment and private pension funds, and capital markets.

At the beginning of 2023, the “Financial Supervisory Authority Strategy 2023-2027” was approved, which sets out the medium-term objectives and priorities of the institution. The strategy supports the AFSA in fulfilling its mission to ensure the effective functioning of non-bank financial markets under its supervision, as well as their stability, promotion, and development, in the protection of consumer and investor interests.

The completion of the screening process in 2023 marked a year of opportunity for further progress in the negotiations for membership in the European Union. In this context, in February 2023, the negotiating team for Chapter 9, “Financial Services,” under AFSA’s auspices, successfully conducted the bilateral meeting held in Brussels, where the progress made in aligning domestic legislation in the field of financial services with European Union directives and regulations was presented with dedication and professionalism. This process was also reflected in the European Commission’s Progress Report for Albania, according to which, for Chapter 9, Albania is more advanced compared to countries that opened membership negotiations earlier. As part of the commitments undertaken at the bilateral meeting, AFSA, as the leader of Chapter 9, continues with a series of initiatives to support the full harmonization of our financial services legislation with that of the EU.

The markets under supervision followed a stabilized development and growth trajectory, with strong financial health indicators. At the end of 2023, the total assets of the supervised markets reached approximately ALL 108 billion, marking a 12% increase compared to the previous year.

AFSA has shown increased attention to creating a regulatory environment that fosters development, addresses risks, and protects the interests of consumers and investors. Throughout 2023, AFSA engaged in a series of legal and regulatory initiatives to ensure

the proper functioning, efficiency, and development of the markets under its supervision. The new law on private pension funds, approved in 2023, further improves the legal framework, promotes the development of this market, and aligns it with EU directives.

Additionally, in 2023, all the sublegal acts completing the regulatory framework implementing the law on capital markets were approved, bringing the first positive effects in the market with the issuance of corporate bonds through public offerings for the first time.

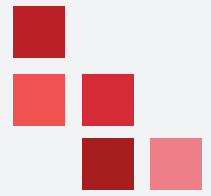
Another step toward the integration of our financial market into the European market is the creation of opportunities for Albanian citizens to invest in funds licensed in the European Union. The approval of the regulatory framework in the collective investment undertakings market has created new alternatives for investments in financial instruments and diversified portfolios in the investment funds market. These opportunities place Albania in an advanced stage regarding financial services, even without being a full member of the EU.

AFSA aims to modernize and further align the legal framework of the insurance market with the EU acquis, based on the compliance assessment report of the AFSA's standards and practices with the Insurance Core Principles (ICP), approved by the International Association of Insurance Supervisors (IAIS) in June 2023.

AFSA's activities were also enriched with initiatives aimed at the further development of the markets under supervision. The approval by the Council of Ministers of the Policy Document "On creating an enabling environment for the development of capital markets in Albania 2023-2027" constitutes a positive step in support of the development of this market. AFSA is collaborating with domestic institutions and international partners to implement the action plans outlined in this document.

To increase financial knowledge and public awareness on investment opportunities and understanding of financial products, in August 2023, AFSA adopted the "Strategy on Financial Literacy and Inclusion 2023-2027". The financial literacy activities aim to increase the participation and inclusion of interested population groups in financial markets.

AFSA further deepened its international cooperation through the signing of Memorandum of Understanding with regulators from EU countries, including Luxembourg and Austria, with the aim of exchanging information and adopting best supervisory practices.



Following the successful international collaborations and positive evaluations received from international organizations, AFSA will host the Annual Conference of the International Association of Insurance Supervisors (IAIS) in 2025. This event, being held for the first time in Albania, is the most significant annual event in the global insurance sector. This is a clear indicator of the AFSA's institutional capacities, credibility, and excellent relationships with IAIS and counterpart institutions.

Our priority in the coming years remains the strengthening of financial stability, enhancing supervisory effectiveness, aligning legislation with international standards, and advancing European integration, all in service of regulating and supervising markets to fulfil the institution's fundamental objective: protecting the interests of consumers and investors.

I hope that this Report will be of interest to you!

Mimoza KAÇI

General Executive Director

Mimoza Kaci

Mission and Functions of the Authority

The Albanian Financial Supervisory Authority (AFSA) was established pursuant to Law No. 9572, dated 03.07.2006, "On the Albanian Financial Supervisory Authority", as amended, as an independent public institution, reporting to the Albanian Parliament.

It issues licenses, regulates and supervises the activity of the insurance, securities, private pension fund markets and its operators, and other non-bank financial activities.

AFSA's main mission is to ensure effective performance of the non-bank financial markets under supervision, as well as maintain their stability, promotion and sound development. AFSA carries out its mission through its regulatory and supervisory powers. AFSA's main priority is the protection of consumers and investors interests. In carrying out its regulatory and supervisory activities, the AFSA is guided by the principles and norms of independence, transparency, and integrity.





In 2022, AFSA Board consisted of:

Chair:	Mr. Olsi Çoku,	Chairperson of the Board, Non-Executive Member
Members:	Mr. Ervin Mete,	General Executive Director [*]
	Ms. Mimoza Kaci,	Deputy Chief Executive Director ^{**}
	Mr. Ildir Gjata,	Non-Executive Member
	Mr. Deniz Deralla,	Non-Executive Member

The functions and competencies of AFSA's Board are provided in Law No. 9572, dated 03.07.2006, "On the Albanian Financial Supervisory Authority", as amended. In its implementation, the Board adopts the development policies and strategies of AFSA and of the markets under supervision, as well as the by-laws for the licensing, regulation and supervision of these markets, institutions and persons who exercise their activity in the non-bank financial markets under AFSA's supervision.

During 2023, the Board held 13 meetings and took 221 decisions. Decisions related to the insurance market account for the largest number of adopted decisions. The Board has also focused on the developments in other markets, such as collective investment undertakings and the securities market, for which important decisions have been made.

ASFA has deemed the completion of the regulatory framework for the markets under supervision as one of its priorities and has approved 15 new regulations, one manual and three instructions, as well as amended one existing instruction. Additionally, two important documents have been approved: the "Financial Supervisory Authority Strategy 2023-2027" and the "Financial Supervisory Authority Strategy on Financial Literacy and Inclusion 2023-2027." In 2023, the Board approved three memoranda of understanding with counterpart supervisory authorities and one institutional cooperation agreement.

^{*} Mr. Ervin Mete was the Executive Director until September 11, 2023, when he was relieved of this position by the Assembly of the Republic of Albania to be appointed Minister of Finance and Economy.

^{**} Mrs. Mimoza Kaçi, since September 2023, has been leading the Financial Supervisory Authority, according to the provisions of Law No. 9572, dated 03.07.2006, "On the Albanian Financial Supervisory Authority", as amended. Parliament of Albania, by the decision No. 38/2024 dated 11.04.2024 appointed Mrs. Kaçi in the position of AFSA's General Executive Director

Table 1: AFSA Board Decisions per Decision Type during 2023

<i>Decision Type</i>	<i>Number</i>
Decisions concerning companies operating in the insurance market	105
Decisions concerning the Securities Exchange and companies operating in the securities market	30
Decisions concerning companies operating in the private pension and CIUs markets	34
Interinstitutional cooperation decisions	4
Decisions concerning administrative and corrective measures toward supervised entities	28
Decisions concerning AFSA's and surveyed markets' regulatory framework	20
<i>Total Decisions</i>	221



During 2023, AFSA approved two strategic documents: the “Financial Supervisory Authority Strategy 2023-2027” and the “Strategy on Financial Literacy and Inclusion 2023-2027.” AFSA’s strategy reflects the institution’s mission and vision, by setting strategic priorities that focus on strengthening financial stability, enhancing the effectiveness of supervision and market integrity, aligning legislation with European standards, protecting the interests of consumers and investors, all of which encompass the development of green financing, as well as the digitization and advancement of information technology systems.

AFSA’s activities in 2023 reflected the priorities and strategic objectives aimed at promoting stability and the safe development of the financial markets under its supervision.

During the year, AFSA maintained diligent oversight, closely monitored key financial indicators, and ensured the transparency and integrity of non-bank financial markets under its supervision, contributing to the preservation and promotion of stability while supporting their continued development.

In 2023, the total assets in the markets under AFSA’s supervision amounted to approximately ALL 108 billion, marking a 12% increase compared to the previous year. This positive development came after a decline in the assets of the markets under supervision in 2022, due to international market events, coupled with inflationary situations and rising interest rates. From an asset perspective, the insurance market and investment funds accounted for 46.9% and 46.8% of the total markets under supervision, respectively.

At the end of 2023, the financial markets under supervision were well-capitalized and exhibited good financial health indicators.

In the insurance market, there was a notable improvement in the main financial indicators monitored by the AFSA. Insurance market assets increased by about ALL 7 billion, a 16% rise compared to 2022. Additionally, technical provisions grew by approximately ALL 1.49 billion, a 6.3% increase from 2022, with further enhancements in the coverage of technical provisions with suitable assets.

Gross written premiums in the insurance market for 2023 increased by 8.85% compared to 2022, reaching approximately ALL 23 billion in revenue. Paid gross claims also increased by 1.89% compared to 2022, amounting to ALL 6.9 billion.

The monitoring of the Albanian Insurance Bureau (AIB) was a focus for AFSA, aimed at resolving long-standing issues. Addressing these issues was one of the primary objectives of the new Law 32/2021 “On Compulsory Insurance in the Transport Sector”, which has had a significant impact on improving aspects of

the Bureau's operation, claims processing and damage compensation procedures through the Compensation Fund, as well as other aspects that have contributed to further reducing the backlog of pending claims. In 2023, it was reported that 75% of accidents caused by uninsured or unidentified vehicles were handled and paid through expedited procedures directly by insurance companies. Claims paid by the Compensation Fund in 2023 exceeded the approved fund for the year by 11.22%, or approximately an additional ALL 28 million.

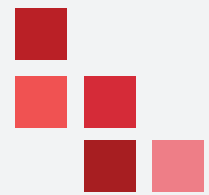
The 2021 legal amendments also enabled the reduction of brokerage commissions for compulsory motor insurance products. AFSA approved a regulation that limited commissions to a maximum level of no more than 18% starting January 2023. As a result, market-level brokerage commissions for mandatory insurance products have continued to decrease, averaging 16.4% in 2023, which is 1.2% lower compared to 2022. The reduction in brokerage commissions and insurance acquisition expenses has led to an increase in the liquidity of insurance companies, enabling them to make timely payments for claims.

The European Accident Report has been used in about 37.6% of claims handled during 2023. This practice, a new feature in the revised law, allowed for settlements by agreement between the drivers involved in accidents for claims valued up to ALL 30,000, while also reducing the documentation required for claims processing.

Collective Investment Undertakings market (CIU), which constitutes a significant part of the financial sector in Albania, has demonstrated stability throughout 2023 and has displayed an upward trend compared to the previous year. The measures implemented by the managing companies, based on AFSA's decisions to mitigate the effects of financial market fluctuations and macroeconomic indicators in 2022, continued to yield positive outcomes into 2023. The stability and upward trend of this market were evident in both asset levels within the investment funds market and in net positive flows, returns on investment for investors, and the number of investors.

As a result of these positive trends and the stabilization of the investment funds market, the measures implemented by the AFSA's Board, which increased the frequency of reporting on net settlements, liquidity indicators, and stress test results for each fund, were applied until June 2023.

The total net assets of CIU market for the period 31.12.2023 reached about ALL 50.28 billion, marking an increase of 9.19% compared to 2022, mainly influenced by the increase in the net assets of the open-ended investment funds with public offering. By December 31, 2023, the number of investors in the investment funds market reached 32,185, marking an increase of approximately 11.16% compared to the previous year.



In the investment fund market, there were positive developments in 2023, accompanied by increased demand for the recognition and licensing of new forms of investment funds. During this year, an open-ended investment fund with public offering was licensed, managed by a managing company that also administers private pension fund assets.

In 2023, two investment funds licensed in the EU were granted the right to operate in Albania, bringing innovations to the Albanian market due to their ESG (environmental, social, and corporate governance) factors.

The private pension fund market continued its growth trajectory in terms of net asset value and membership. Compared to 2022, the net asset value of this market as of December 31, 2023, reached ALL 6.7 billion, reflecting an 18.22% increase, while the number of members rose to 38,180, a 4.55% increase from the end of 2022.

During 2023, the private pension fund market was serviced by six pension funds managed by four managing companies. In addition to managing pension funds, these companies were also licensed to manage collective investment ventures.

As of December 31, 2023, investments in the private pension fund market reached ALL 6.48 billion, marking a 17.97% increase compared to 2022. Investments were mainly concentrated in government bonds of the Republic of Albania, accounting for 95.95% of the total assets in the pension fund market.

In the capital markets, 2023 saw the establishment of a comprehensive regulatory infrastructure aligned with European directives, designed to enhance transparency and market integrity. The first-time issuance of securities through a public offering is a positive signal for the development of capital markets and provides new investment alternatives for investors.

Throughout 2023, capital markets continued to focus on government securities and the private placement bond market. By the end of 2023, the amount of private placement bonds in the market reached approximately ALL 20 billion, up from about ALL 14 billion at the end of 2022.

In addition to adopting the institutional strategy for the development of supervised markets and increasing participation in financial products, AFSA also approved the “Strategy on Financial Literacy and Inclusion 2023-2027” in August 2023. This strategy outlines coordinated measures to improve financial literacy aimed at increasing public knowledge and awareness about the opportunities offered by these markets.

The year 2023 has been marked by significant developments and achievements for AFSA in the following areas:

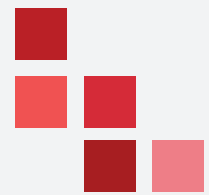
- Advancing the integration process into the European Union;
- Further aligning the legal and regulatory framework of the supervised markets with EU directives and regulations through the drafting and adoption of various legal and sub-legal acts;
- Initiatives aimed at the development of supervised markets; and
- Strengthening the regulatory and supervisory framework through enhanced international cooperation.

As part of the screening process successfully completed for Albania in 2023, AFSA led Chapter 9 “Financial Services,” where the negotiating team presented the progress made in aligning financial services legislation with the EU acquis. European Commission experts positively assessed the progress made and the commitments undertaken in Chapter 9, as well as the continued legal alignment in the field of financial services.

The progress achieved in Chapter 9 places Albania ahead of all other countries in the region in the field of financial services, as also noted in the European Commission’s 2023 Progress Report. With the advancement from the “moderately prepared” level to “moderately prepared/good level of preparation,” Chapter 9 is the only chapter where Albania is found to be more advanced compared to countries that started their membership negotiations earlier.

As part of the legal and regulatory alignment with the EU acquis and in fulfilment of the commitments of the National Plan for European Integration (NPEI), in November 2023, AFSA was assisted by a mission from the European Commission’s Technical Assistance and Information Exchange (TAIEX) program, *with experts from* the Croatian Financial Services Supervisory Agency (HANFA), on the implementation of the Solvency II supervisory regime. The recommendations provided by TAIEX experts in their final report will be considered during the preparation of amendments to the law “On Insurance and Reinsurance Activity.”

With the adoption of Law No. 76/2023 “On Private Pension Funds,” which entered into force on November 6, 2023, AFSA contributed to the further improvement and modernization of the legal framework of this market and the promotion of its development, also achieving further alignment with Directive 2016/2341/EU “On the Activities and Supervision of Institutions for Occupational Retirement



Provision” (IORP II). This law, through new forms of private pensions, improving managerial aspects, increasing transparency, reducing administrative fees, and offering a range of fiscal incentives, aims to contribute to the expansion of the private pension fund market. AFSA has initiated the process of drafting and approving subordinate legislation to implement this law.

Following the adoption of the “Law on Collective Investment Undertakings,” AFSA has approved two key regulations which, for the first time, enable the marketing and sale in Albania of collective investment undertakings licensed in an EU member state, through the recognition process of these funds and the registration of the representing agent. This allows Albanian investors to invest in funds licensed in an EU country, also placing Albania at an advanced stage in financial services even without being a full member of the EU.

In June 2023, the Executive Committee of the International Association of Insurance Supervisors (IAIS) approved the final report on AFSA's compliance with the Insurance Core Principles (ICP). The evaluation revealed a high level of compliance with the ICPs, with 10 out of 24 core principles fully met and 12 others demonstrating a high level of compliance. This assessment represents a significant advancement compared to the results of the evaluation conducted 10 years ago by the World Bank and IMF. AFSA has considered the recommendations from this evaluation process and has integrated them into the review of the legal framework in the insurance sector, aiming for further alignment with the Insurance Core Principles and European Directives in the field.

In November 2023, the first joint meeting with the World Bank was organized. As one of the main partners, the World Bank will continue to support AFSA in the upcoming assistance project titled “Financial Resilience and Development: Enhancing Financial Resilience and Access to Green and Innovative Finance.” This project is funded by the Government of the Swiss Confederation, represented by the State Secretariat for Economic Affairs (SECO). In this project, AFSA will receive assistance in the insurance sector through the implementation of the roadmap towards Solvency II and the adoption of the International Financial Reporting Standards IFRS 17, in the private pension fund market, through the drafting of necessary subordinate acts in implementation of the new law, in capital markets, with a focus on green bonds, as well as in the field of information technology through improvements in internal IT systems, reporting platforms, FinTech developments, and cybersecurity.

In August 2023, AFSA approved the Guideline on “Insurance Companies’ Reporting for the Implementation of the International Financial Reporting Standard (IFRS) 17 “Insurance Contracts.” The guideline outlines concrete steps and deadlines for intermediate reporting by insurance companies until its full implementation.

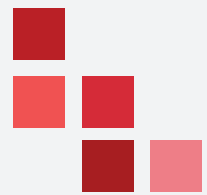
During 2023, AFSA completed the regulatory framework under Law No. 62/2020 “On Capital Markets,” aligning further with EU directives and regulations increasing transparency and investor confidence in market mechanisms and encouraging the participation of issuers and investors in this market. AFSA also finalized the approval of the regulatory framework under the law for financial markets based on distributed ledger technology, aligned with European directives in the field.

In 2023, AFSA undertook a series of initiatives in collaboration with key institutions aimed at developing the markets under its supervision. AFSA, in close cooperation with the Ministry of Finance, finalized the Policy Document “Creating an Enabling Environment for Capital Market Development in Albania, 2023-2027,” which was approved in April 2023 by the Council of Ministers. With the approval of this document, specific action plans were outlined for the development of capital markets over a 5-year period. As part of implementing this document, AFSA is collaborating with the Ministry of Finance and the Bank of Albania to promote and develop the capital markets.

In October 2023, AFSA, in cooperation with the Ministry of Finance and the World Bank, organized the International Conference “Development of the Insurance Sector – Opportunities and Challenges in Southeast Europe.” This conference featured high-level representatives from the Albanian Government, international financial institutions, financial supervisory authorities from the region and the EU, and participants from local and international markets. The conference marked an important step towards further development of the insurance sector in Albania, addressing regional common challenges, the role of insurance in disaster risk management, and challenges in developing agricultural insurance.

As part of its international cooperation efforts, AFSA has deepened its communication and collaboration with international organizations, regional and EU regulators, aiming to exchange information, share best practices, and benefit from technical assistance to enhance the effectiveness and stability of the markets under its supervision.

AFSA signed two Memoranda of Understanding with European regulatory authorities: one with the Commission de Surveillance du Secteur Financier (CSSF) of Luxembourg and one with the Austrian Financial Market Authority (FMA). These memoranda aim to strengthen cooperation between regulators, particularly concerning the regulation and supervision of collective investment undertakings (CIUs). The memorandum with



the FMA facilitates the operation of new types of CIUs in the Albanian markets and supports cross-border trading and sale of their shares.

Following positive evaluations and effective international collaboration, Albania will host the IAIS Annual Conference in 2025, the most significant annual event in the global insurance sector. This will be the first time that this major annual insurance event is held in Albania and the region. This is a significant indicator of AFSA's institutional capacities, reliability, and excellent relationships with IAIS and other counterpart institutions.

Going forward, AFSA remains committed to implementing the priorities and objectives outlined in its institutional strategy and other strategic documents, as well as fulfilling all obligations and commitments arising from the European Union integration process.

THE ROLE OF AFSA IN THE EUROPEAN INTEGRATION PROCESS

The year 2023 marked significant developments as Albania successfully concluded bilateral meetings for all chapters. In these meetings, the Albanian side presented the current situation in legal, institutional, and implementation terms of the legislative framework, highlighting existing legal, institutional, or administrative gaps compared to the EU acquis. A significant portion of these meetings was also dedicated to plans for further alignment with the EU acquis, demonstrating the commitment and clarity in meeting the key criteria for advancing the accession negotiations. The European Commission is expected to approve the Screening Report for the second group of chapters at the Council of the EU, which includes Chapter 9 “Financial Services.”

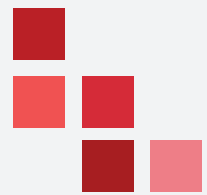
In the context of negotiations, AFSA leads Chapter 9 “Financial Services” and contributes to several chapters as part of interinstitutional groups. During the bilateral meeting for Chapter 9 held on February 13-14, 2023, in Brussels, representatives of AFSA, the Bank of Albania, and the Deposit Insurance Agency presented in detail the level of alignment with EU directives in the field.

AFSA has continued to contribute to fulfilling the obligations arising from the Stabilization and Association Agreement, the European Commission’s Progress Reports for Albania, the EU-Albania Joint Subcommittees, including the Internal Market and Competition Subcommittee, the Economic, Financial, and Statistical Issues Subcommittee, as well as the National Plan for European Integration.

AFSA has continuously monitored the implementation of the National Plan for European Integration (NPEI) for the period 2023-2025, including the drafting and approval of the acts foreseen in the NPEI by the contributing institutions of the chapter. AFSA and other contributing institutions of Chapter 9 have drafted the National Program for Accession to the European Union (NPAEU) 2024-2030 and the National Plan for European Integration (NPEI) 2024-2026.

AFSA has played a leading role in coordinating work with contributing institutions for this chapter through frequent meetings of inter-institutional working groups for European integration and cooperation with the Office of the Chief Negotiator.

As part of the commitments from the bilateral meeting, AFSA established a joint working group with experts from AFSA and the Bank of Albania and began preparing a roadmap for the transposition of Directive 2002/87/EC of the European Parliament and Council dated December 16, 2002, on supplementary supervision of credit institutions, insurance undertakings, and investment firms in a financial conglomerate.



AFSA has continued its collaboration with members of the European Integration Partnership Platform (PPIE) through organizing discussion and advisory tables. The PPIE platform is also supported by the “Support for Accession Negotiations for Economic Chapters of Acquis” project (SANECA II), funded by the German Federal Ministry for Economic Cooperation and Development and implemented by GIZ in Albania.

In November 2023, the European Commission published the Progress Report 2023 for Albania, which describes the progress made by Albania in Chapter 9 “Financial Services,” which includes the banking sector, insurance, private pensions, as well as investment services and capital markets. The report assesses that Albania is at a moderate to good level of preparedness in the field of financial services. The report assesses that Albania is at a level of moderate to good preparedness in the field of financial services. Progress was also noted in aligning national capital market legislation with the relevant EU acquis and in incorporating sustainable financial principles into banking and non-banking strategic policies and objectives.

Chapter 1

Supervised Markets Performance

During 2023, the total assets in the markets under AFSA supervision reached approximately ALL 108 billion, representing a 12% increase compared to the previous year. In terms of assets, the investment fund and insurance markets constitute the major portion of the total assets of the markets under supervision.

1.1 Capital Markets and Collective Investment Undertakings

Collective investment undertakings market

The Collective Investment Undertakings (CIUs) market, representing a significant portion of the financial sector in Albania, demonstrated stability and an upward trend in 2023 compared to the previous year. The stability and growth trend of this market were observed both in terms of market assets for investment funds and in the level of positive net flows, investment returns for investors, and the number of investors. Measures taken by managing companies, supported by decisions from AFSA to address the effects of financial market fluctuations and macroeconomic indicators during 2022, continued to have a positive effect in 2023, contributing to the stability and growth of the market.

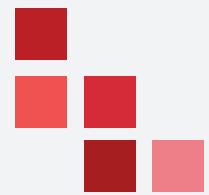
The total net assets of CIU market for the period 31.12.2023 reached about ALL 50.28 billion, marking an increase of 9.19% compared to 2022, mainly influenced by the increase in the net assets of the open-ended investment funds with public offering. For the same period, the total net assets of open-ended investment funds with public offering amounted to approximately ALL 45.45 billion, reflecting a 9.62% increase compared to the end of 2022. The total net assets of alternative investment funds as of December 31, 2023, were valued at ALL 4.83 billion, showing a 5.31% increase compared to the end of 2022.

The number of investors in the investment fund market as of December 31, 2023, was 32,185, including 4 investors in alternative investment funds. The number of investors in open-ended investment funds with public offering was 32,181 as of December 31, 2023, marking an 11.16% increase over the year.

Throughout 2023, the assets of Collective Investment Undertakings (CIUs) were managed by five managing companies, three of which also managed pension funds in addition to CIU.

The CIUs market saw positive developments in 2023, accompanied by increased demand for the recognition and licensing of new forms of CIUs.

During this year, AFSA licensed a new open-ended investment fund with public offering, managed by a company that also manages private pension fund assets.



The market for open-ended investment funds with public offering is predominantly invested in government bonds and treasury bills of the Republic of Albania, which constitute 78.62% of the market's assets, compared to 75.93% at the end of 2022.

In the context of compliance with the liquidity regulatory requirements, the managing companies have taken care that open-ended investment funds with public offering, which invest in inactive markets, shall maintain liquidity in accordance with the requirements of the applicable regulatory framework. Until the end of June 2023, AFSA maintained measures related to increasing the reporting frequency for each fund regarding net redemptions, liquidity indicators, and stress test results. These measures were not continued in the second half of 2023 due to the positive trend in these indicators and the stabilization of the CIUs market.

Capital Markets

Throughout 2023, AFSA played an initiative-taking role in promoting the development of capital markets in the country, aiming to enhance transparency and market integrity through the drafting and approval of subordinate acts in implementation of Law No. 62/2020 on Capital Markets, in accordance with EU directives and regulations. With their approval in 2023, the regulatory framework for the regulation and proper functioning of capital markets is considered complete. The new regulatory requirements aim to enhance investor confidence in market mechanisms and encourage participation from issuers and investors.

The adoption of Regulation No. 4 dated January 26, 2023, "On the Form and Content of the Prospectus Published When Securities Are Offered to the Public and/or Admitted to Trading on a Regulated Market," established a suitable regulatory framework for the issuance of publicly offered securities. In April 2023, AFSA's Board, through Decision No. 72 dated April 28, 2023, approved for the first time the prospectus of a non-bank financial institution for the issuance of bonds with public offering. The first-time issuance of securities by a company through a public offering is a positive signal for the development of the capital markets and new investment alternatives available to Albanian investors for diversifying their portfolios, in line with their characteristics and risk profile. This public offering activated all the mechanisms of the capital markets that support the issuance and trading of securities, such as financial intermediaries, the Stock Exchange, and the Central Securities Depository.

The trading and post-trading infrastructure proved to be functional. Additionally, this issuance adds a new financial instrument to the Albanian capital market, broadening its range.

In support of capital market development, AFSA, in collaboration with the Ministry of Finance, finalized in 2023 the policy document “On Creating an Enabling Environment for the Development of Capital Markets in Albania, 2023-2027.” This document was approved by the Council of Ministers with Decision No. 266, dated April 26, 2023, and aims primarily at developing capital markets in Albania as a sustainable financing alternative compared to traditional financing sources. This document contains concrete action plans for the development of capital markets over a five-year period. In this context, AFSA has begun working on implementing the action plans, collaborating with the Ministry of Finance, international institutions, and through technical assistance.

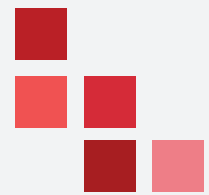
During 2023, the following entities operated in the capital market:

- 11 entities, including 9 banks for providing investment services and custody auxiliary services, 2 brokerage companies, of which one is temporarily suspended;
- 1 Securities Exchange;
- 1 Registrar of Securities and Central Depository of Securities, which, in addition to the registration service, also performs the clearing and settlement of securities.

Table 2: Capital Market Participants and Entities, December 2023

(In number)

Investment firms/Banks	Banks that provide securities custody services	Banks that provide portfolio management service
11	9	1
Banks that provide consulting services and providing investment recommendations	Banks that provide the service of underwriting financial instruments	Banks that provide online investment services
1	2	2
Private Placement Bonds Issuer	Securities Exchange (Regulated Market)	Central Securities Depository
Private placement issuers 11 Public Offerings Issuers 1	1	1



Government securities retail market

Capital markets are dominated by the government securities market and the bond market, with the majority being in the market private placement bonds.

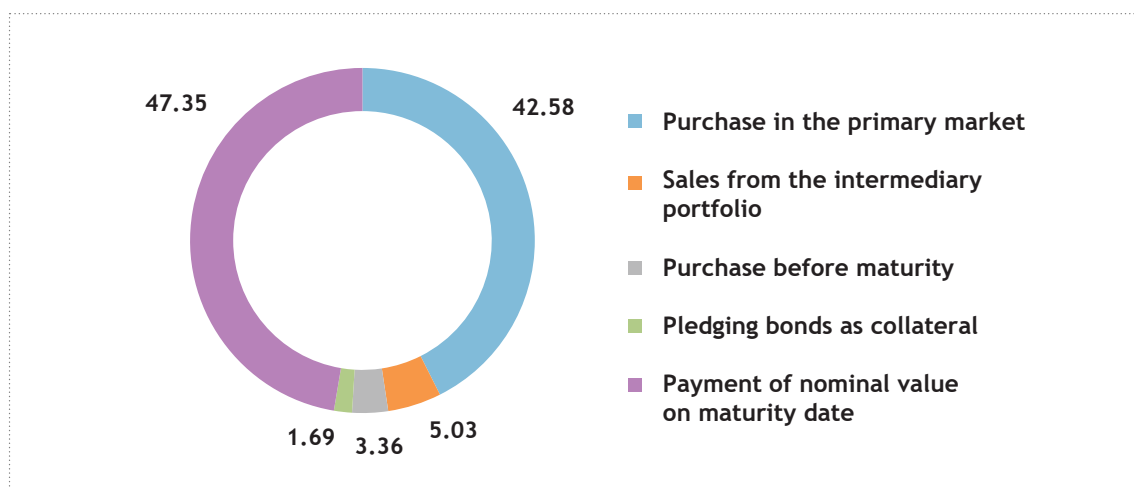
The Albanian Government Securities Market remains the largest and most active section, dominating the capital market. Government securities are traded on the Albanian Stock Exchange and the Retail Market, organized as an over the counter (OTC) market. The total volume of transactions executed in the Government securities retail market in 2023 reached about ALL 94.2 billion. According to AFSA's statistical data for the period January-December 2023, in the retail government securities market, the dominant transactions are the "Purchase in the Primary Market," which accounts for about 42.58% of the total transaction volume, and the "Repayment of Nominal Value at Maturity," which constitutes about 47.35% of the total transaction volume. Regarding activity in the secondary market, it represents approximately 8.4% of the total transactions conducted in this market.

In 2023, the purchases volume in the primary market by retail clients, through licensed bank entities, reached ALL 40.1 billion, marking a decrease of 23.6% compared to 2022.

Participation in the secondary market for Government securities in 2023 was dominated by individual investors, who executed 99.31% of all transactions in this market.

Chart 1: Government Securities Retail Market Transactions, 2023

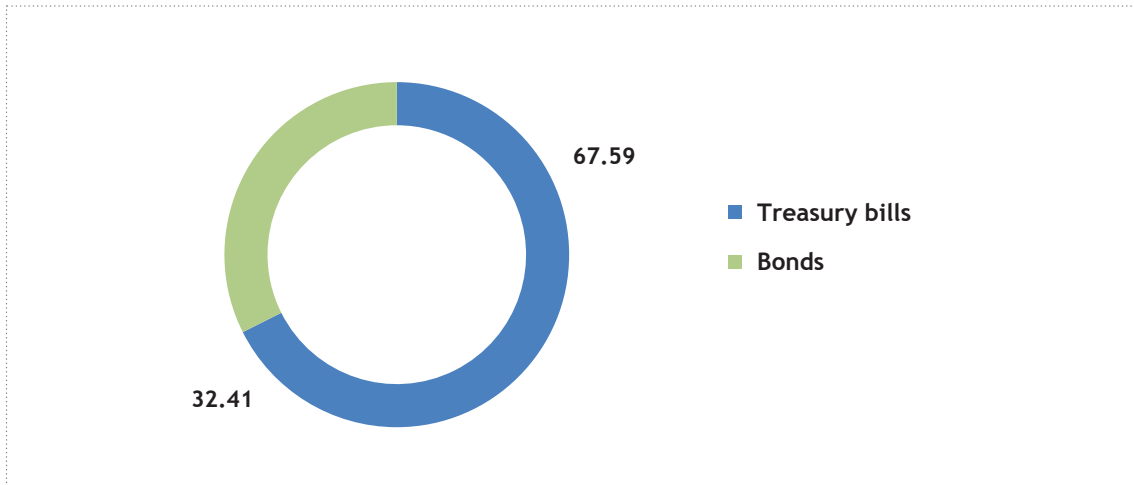
(In %)



The volume of government securities' secondary market in 2023 was dominated at 67.59% by transactions in short-term instruments (T-Bills) and, at 32.41% by transactions in long-term instruments (T-Bonds).

Chart 2: Secondary Market Volume by Type of Securities, 2023

(In %)



1.2 Insurance Market

The insurance market has 12 operational insurance companies even during 2023. The volume of gross written premiums reached approximately ALL 22.9 billion, experiencing an increase of about 8.85% compared to 2022. Gross written premium income increased in both Life and Non-Life insurance activity.

In the Life Insurance sector, in 2023, gross written premiums increased by 10.24% compared to the previous year. This revenue growth was primarily driven by the debtor life insurance portfolio, which accounts for approximately 118.53% of the total increase in life insurance premiums.

In non-life insurance, gross written premiums in 2023 increased by 8.73% compared to 2022. The income increase happened mainly due to the compulsory motor vehicle insurance portfolio, by about 53.64% of the total increase of Non-Life insurance premiums.

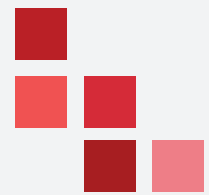


Chart 3: Performance of gross premiums written per year

(In ALL mln.)

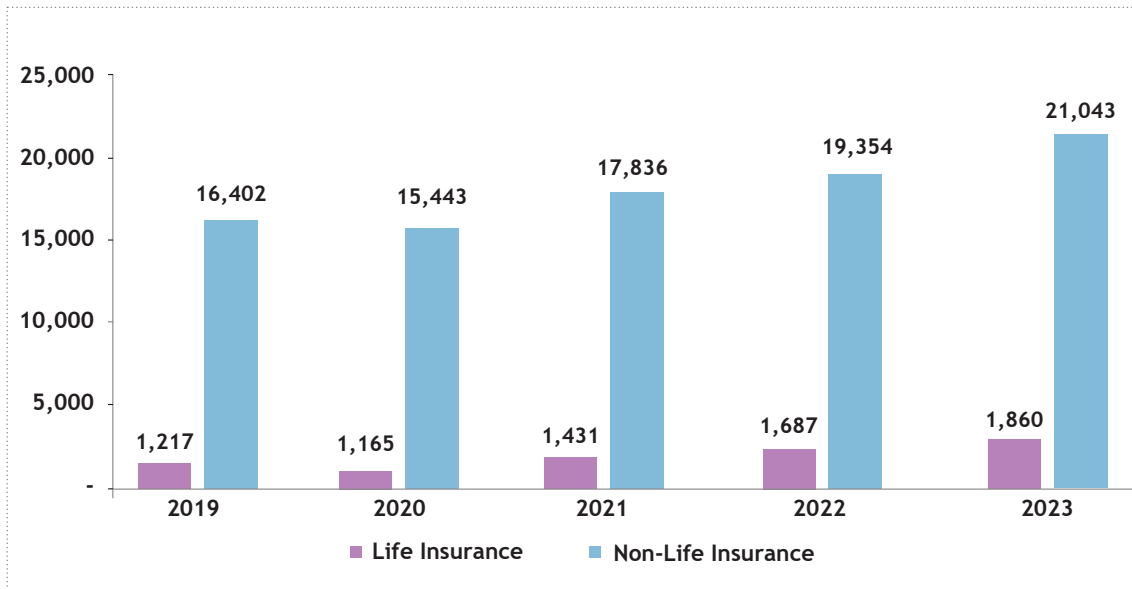
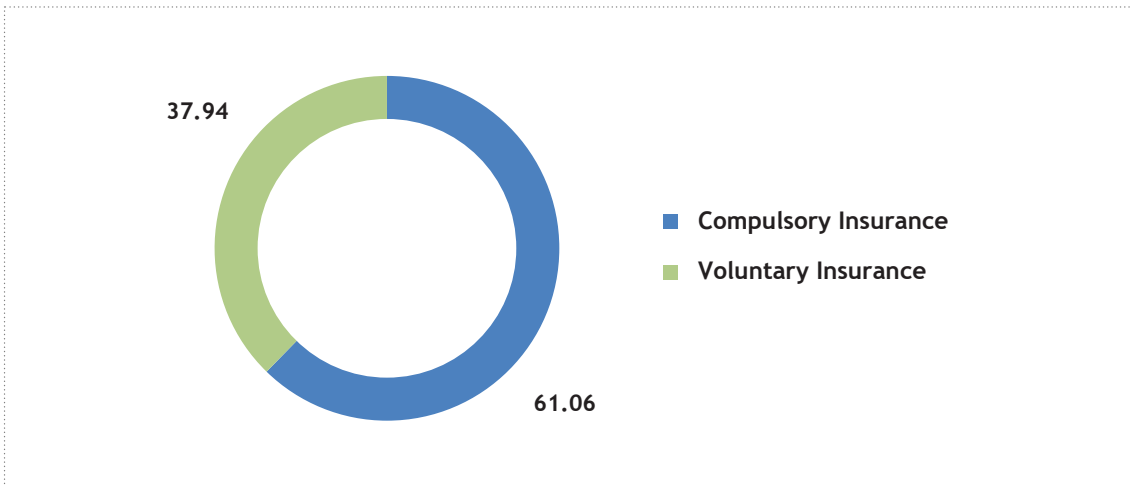


Chart 4: Gross Premiums Written per Insurance Type, 2023

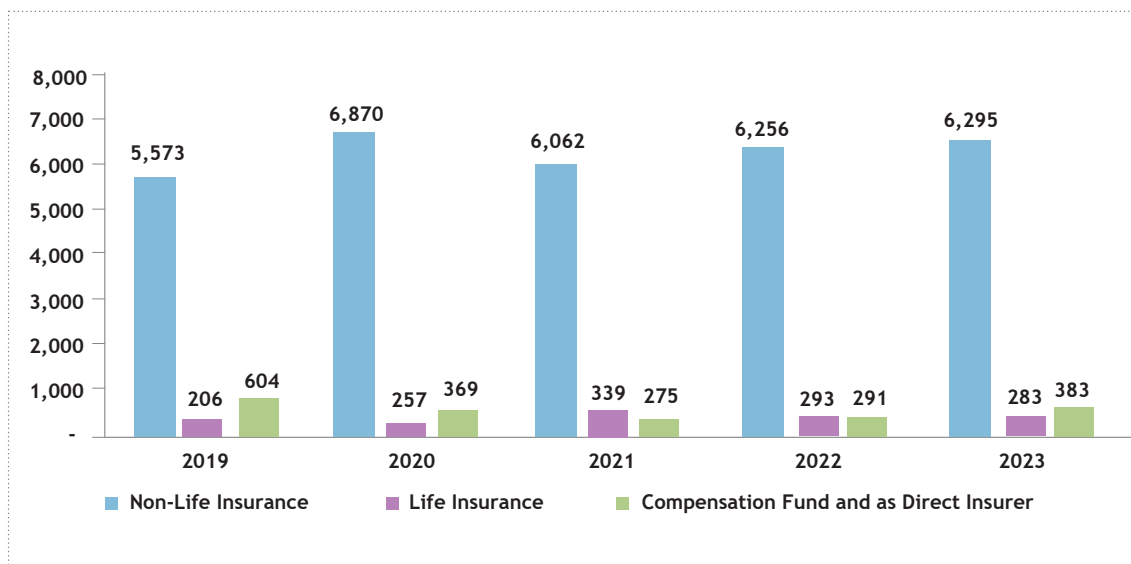
(In %)



The total amount of gross claims paid for 2023 reached ALL 6.96 billion, with an increase of 1.77% compared to 2022. The Non-Life insurance claims settlement amounted to ALL 6.3 billion, whereas the Life insurance claims settled amounted to ALL 283 million. The rest of about ALL 383 million of the settled claims consist of the claims of the Compensation Fund and Claims paid as a direct insurer. Compensation Fund paid claims in 2023 reached about 111.22% of the approved Compensation Fund obligation by AFSA for the year, resulting in a surplus of approximately ALL 28 million.

Chart 5: Performance of gross paid claims per year

(In ALL mln.)



1.3 Private Pension Funds Market

During 2023, the private pension fund market continued its upward trend, both in terms of contributions made, assets under management, number of members, and the price per unit for each fund.

The private pension fund market was active with six pension funds, two of which began their operations in 2023. These pension funds are managed by four managing companies, which, in addition to managing pension funds, are also licensed to manage collective investment undertakings. Despite the positive performance, increasing participation in private pension funds remains a challenge for the development of this market.

The year 2023 was significant for the improvement of legislation in the field of private pension funds. AFSA completed the drafting of the law "On Private Pension Funds," which was aligned at a high level with Directive (EU) 2016/2341 (IORP II). The Albanian Parliament in September 2023 approved Law No. 76/2023 "On Private Pension Funds" in September 2023, which came into force on November 6, 2023. With the enactment of the law, AFSA has continued with the process of drafting subordinate legislation in its implementation, some of which have already passed the approval phase.



2.1 Capital and Collective Investment Undertakings Market Supervision

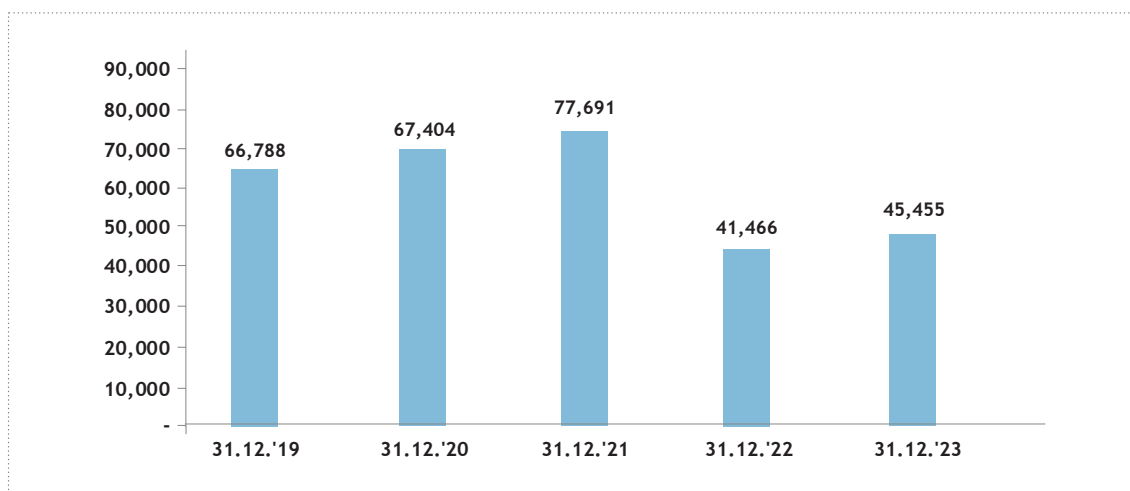
Open-ended investment funds market with public offering

2.1.1 Financial Position

During 2023, eleven open-ended investment funds with public offering exercised their activity in the CIS market. These investment funds were managed by five managing companies, three of which, in addition to managing collective investment undertakings (CIUs), also manage private pension funds.

The net assets of the open-ended investment funds with public offering amounted to ALL 45.45 billion on December 31, 2023, reflecting an increase of approximately ALL 4 billion, or 9.62%, compared to 2022. As of December 31, 2023, the number of investors in open-ended investment funds with public offering was 32,181 marking an increase of 11.16% during the year.

Chart 6: Net market assets of open-ended investment funds with public offering (In ALL mln.)



Investments of open-ended investment funds with public offering consist of Government Bonds within and outside the Republic of Albania, government treasury bills of the Republic of Albania, foreign companies' bonds, investment fund shares and shares in foreign companies.

The following table reflects the performance of the market portfolio of open-ended investment funds with public offering, according to quarterly periods, for the year 2023.

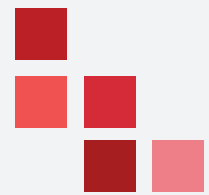
Table 3: Data on open-ended investment funds with public offering portfolio, according to quarterly periods of 2023 *(In ALL mln.)*

Description	Value			
	31.03.2023	30.06.2023	30.09.2023	31.12.2023
Fund's net assets	41,995	43,298	44,757	45,455
Total Net Assets	42,068	43,375	45,280	45,557
of which:				
Government Bonds (domestic and foreign)	30,320	31,472	31,685	29,432
Corporate Bonds	555	574	621	551
T-Bills	3,510	3,324	4,295	6,696
Investments on investment funds shares	1,359	1,188	1,184	1,056
Shares in foreign companies	417	434	447	464
Cash	5,426	5,832	6,615	6,812
Other assets	480	552	434	547
Total Funds Liabilities	73	77	524	102

The change of the open-ended investment market funds with public offering in 2023 compared to 2022, as well as the share that each portfolio components occupies in the total assets in 2022 and 2023 is reflected in the following table.

Table 4: Changes in the Composition of the Open-Ended Investment Funds with Public Offering Portfolio, 31.12.2022 - 31.12.2023

Description	Value (In ALL mln.)		Change (In %)	Share to total (In %)	
	31.12.'22	31.12.'23	31.12.'23 31.12.'23	31.12.'22	31.12.'23
Fund's net assets	41,466	45,455	9.62		
Total Net Assets	41,712	45,557	9.22	100	100
of which:					
Government Bonds (Albanian and Foreign)	27,862	29,432	5.63	66.80	64.60
Corporate Bonds	556	551	-0.95	1.33	1.21
T-Bills	3,930	6,696	66.66	9.42	14.70
Investments on investment funds shares	1,343	1,056	-21.35	3.22	2.32
Shares in foreign companies	395	464	54.37	0.95	1.02
Cash	7,136	6,812	-4.54	17.11	14.95
Other assets	490	547	11.67	1.17	1.20
Total Funds Liabilities	246	102	-58.49	0.59	0.22



The below charts outline the asset market structure of investment funds in 2022 and 2023.

Chart 7: Assets structure of open-ended investment funds with public offering
31.12.2022

(In %)

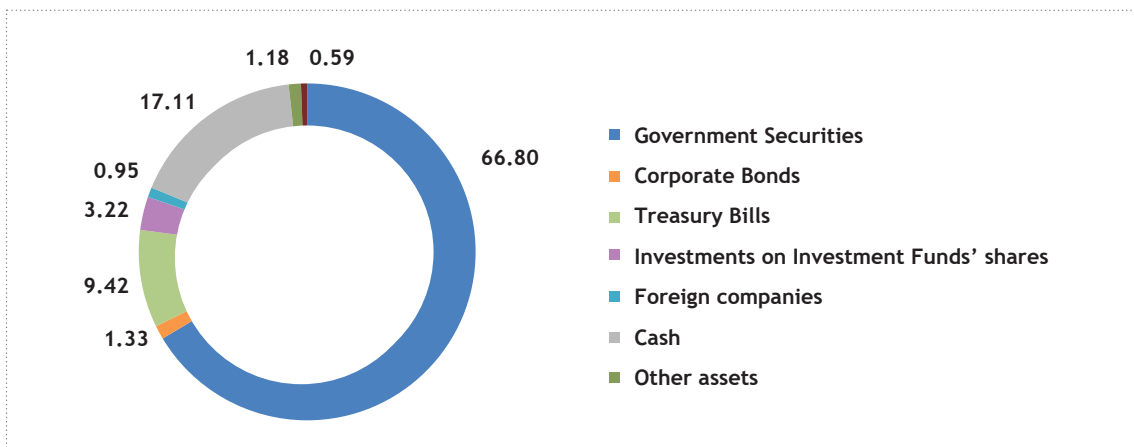
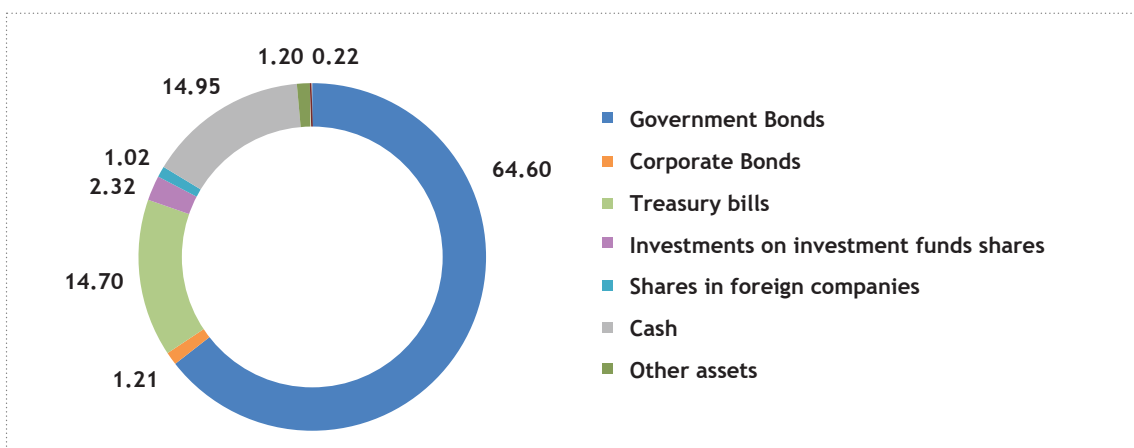


Chart 8: Assets structure of open-ended investment funds with public offering
31.12.2023

(In %)

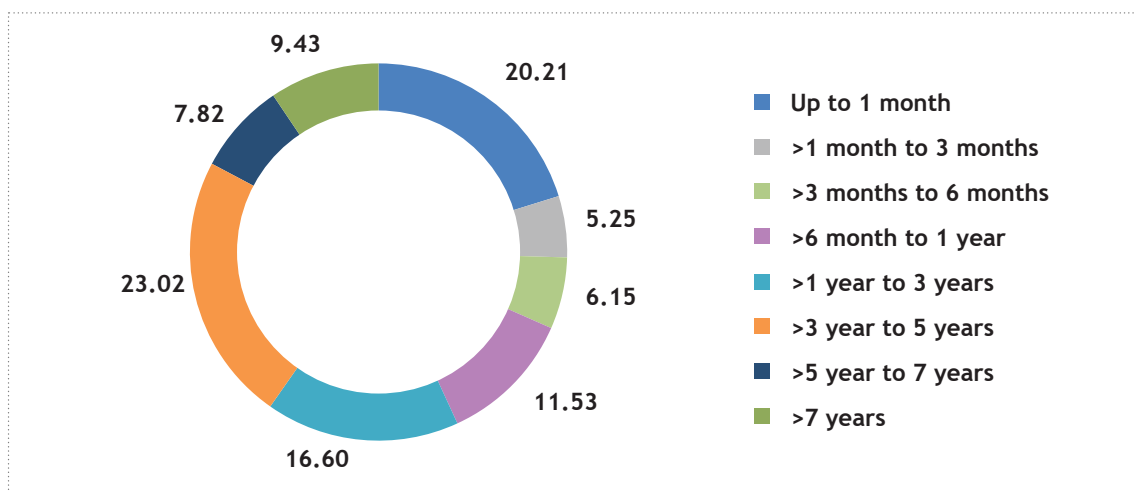


In compliance with the requirements posed by the liquidity regulation, managing companies ensure that open-ended investment funds with public offering which invest in inactive markets maintain liquidity, pursuant to the regulatory requirements in force.

As noted in the graph below for December 31, 2023, investments in open-ended investment funds with public offering market in financial instruments, such as debt securities, cash and deposits, and investment fund units maturing within one month, constitute 20.21%, showing a slight decrease compared to 2022.

The decrease in inflation during 2023 and the country's economic stability allowed investment fund managing companies to reduce the high liquidity levels of 2022 or to concentrate investments in short-term instruments.

Chart 9: Distribution of remaining maturity of financial instruments in the open-ended investment funds with public offering market as of December 31, 2023 (In %)

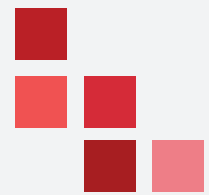


2.1.2 Inspections

During 2023, AFSA conducted comprehensive risk-based inspections at two managing companies that oversee collective investment undertakings. The focus of this inspection was:

- Evaluation of the present risk and compliance with regulatory obligations by the administrative company in its operations.
- Revision of the implementation of recommendations from previous inspections related to Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF).

In the context of this inspection, particular attention was focused on issues related to management and governance of the asset managing company, investors, products, and distribution channels, operational processes of the company's activities, risks and their careful management, control functions and controls performed by the asset managing company, capital and liquidity. During this inspection, the implementation of the applicable legal and regulatory framework related to the managing company's activities concerning the investment funds under its administration was also assessed. Following each inspection, AFSA has provided the relevant recommendations addressing the implementation of the respective measures by the managing companies.



Capital Markets

The enhancement of AFSA's supervisory role in the capital markets in 2023 was accompanied by the approval of new subordinate legislation, aligned with European directives in the field, which establishes monitoring and supervisory standards for all entities under supervision. The establishment of reporting standards for entities operating in the capital markets supports the analytical process of these entities' activities in accordance with the licenses they hold. Additionally, following the completion of the suitability process for entities operating in the capital markets with the requirements of Law No. 62/2020, AFSA continued with on-site inspections in 2023 to ensure that the activities carried out by the entities comply with the applicable legal and regulatory framework.

Regulated market – Albanian Securities Exchange, ALSE

Since the commencement of the activity of the Albanian Stock Exchange (ALSE) in February 2018, until December 2023, the Exchange has achieved a trading volume of approximately ALL 3.7 billion, of which ALL 35.1 million pertains to the trading volume realized during 2023. Since the start of its operations, ALSE has only traded Albanian government securities.

For the first time in 2023, bonds issued by a non-bank financial institution through a public offering were admitted for trading on the Albanian Stock Exchange, following AFSA's approval of the prospectus for this issuance. These bonds are continuously traded by the members of the stock exchange (banks) on behalf of their clients.

Table 5: Performance of trading volume of the stock exchange over the years

(In ALL mln.)

	2019	2020	2021	2022	2023
Trading volume on securities exchange	1,474	452	303	348.2	35.1

The decrease in trading volume on the stock exchange in 2023 is attributed to the lack of transactions by professional clients, who typically trade in larger volumes than individual clients, and the use of the OTC (over-the-counter) market for government securities transactions. The Albanian Securities Exchange currently has 3 members (banks), which carry out transactions to the account of their portfolio and clients. In total, transactions involving government securities in 2023 were predominantly in treasury bonds, conducted in ALL and on behalf of individual clients.

Post Trade Infrastructure

The post-trade infrastructure became fully operational in March 2021 with the acceptance of the company “Albanian Registry of Securities, ALREG”, as an indirect participant in the AIPS system of the Bank of Albania, which is a high-value interbank payment system. This membership of ALREG as a participant in this system provides the process related to the finalization of the settlement of the title transaction. ALREG has registered private placement issued bonds and several shares. With the approval of the first public offering in 2023, ALREG successfully performed the clearing and settlement functions for corporate bonds issued by a non-bank financial institution.

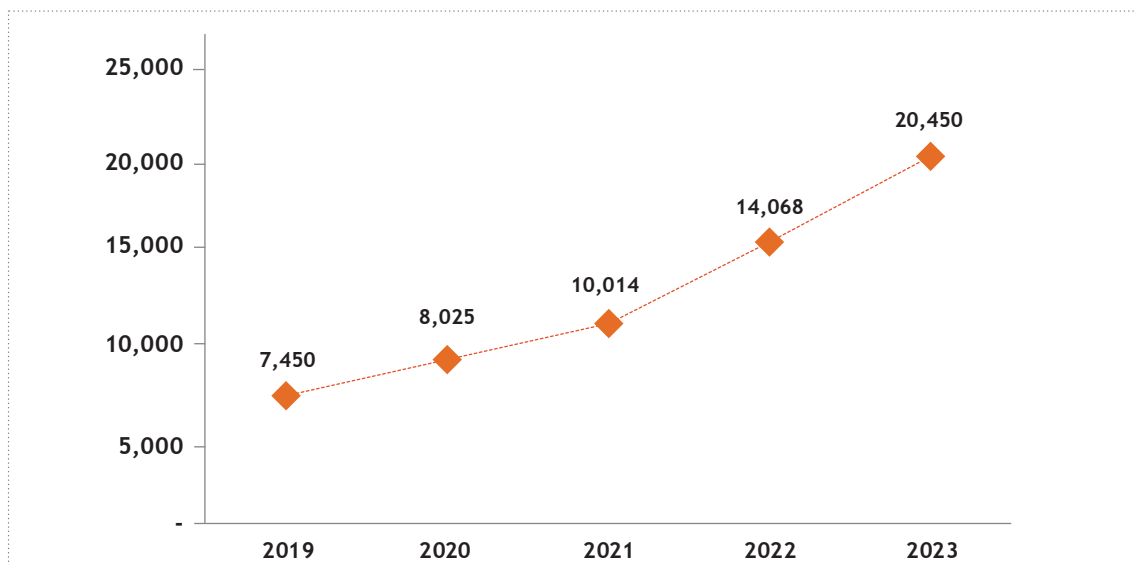
Since its licensing in 2019, the ALREG company, has registered 28 bonds issues via private placement, with a value of about ALL 17.9 billion. During 2023, ALREG registered 9 issuances amounting to approximately ALL 8.1 billion. Bonds issued through the public offering and registered with ALREG amounted to ALL 500 million.

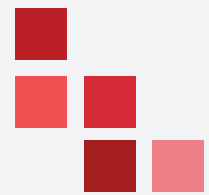
Private placement bonds market

The private placement bonds market has consolidated with significant year-over-year growth. The outstanding amount of this of financial instrument reached from approx. ALL 14 billion at the end of 2022 to approx. ALL 20 billion at the end of 2023, marking an increase of approx. 46%. Currently, there are 11 private placement bond issuers on the market, of which 7 banks, 2 micro credit institution and 2 commercial company. Throughout 2023, AFSA has registered 10 offering memorandum prepared by 6 issuers (4 banks and 2 micro credit institutions). Throughout 2023, banks continued to be the most frequent issuers for regulatory capital purposes.

Chart 10: Outstanding Private Placement Bonds

(In ALL mln.)





Public Offering Bond Market

In 2023, a non-bank financial institution issued bonds through a public offering. The public offering was successfully completed with the full subscription of the offered amount of ALL 500 million. This was the first time that a company's securities were offered to the public, marking a significant milestone for this market and serving as a model for similar issuances by other entities. This development aims to provide access to capital through new financing alternatives beyond traditional bank financing.

Inspections

Following the completion of the suitability assessment of entities operating in capital markets, AFSA conducted two thematic inspections at two entities (banks) during 2023 to evaluate their compliance with the legal and regulatory framework in force for capital markets. Inspections focused on:

- The evaluation of the activity and compliance with legal and regulatory requirements for the execution and transmission of orders, as well as the execution of orders on behalf of clients, includes:
- Assessment of the Suitability of Clients: Evaluating client suitability for receiving these services.
- Verification of Procedures: Checking procedures for providing custodial and administration services of financial instruments on behalf of clients.
- Certification Procedures: Implementing procedures for the certification of key personnel.

At the end of the inspection process, findings and recommendations were communicated to the entities, and their implementation is continuously monitored by AFSA.

2.2 Insurance Market Supervision

2.2.1 Financial Position

During 2023, AFSA continuously monitored and followed the insurance market dynamics, assessing companies' financial position at an individual level and the entire insurance market in its entirety. AFSA continued to monitor the compliance of legal requirements of the insurance companies' Guarantee Fund and the implementation of rules for its investment, pursuant to the legal and regulatory requirements.

Table 6: Insurance Market Financial data, Assets*

(In ALL mln.)

	31.12' 19	31.12' 20	31.12' 20	31.12' 22	31.12' 23
Total assets	38,803	38,865	40,571	43,550	43,550
Life	4,105	4,814	5,075	5,264	50,682
Non-Life	34,699	34,051	35,496	38,286	45,020
Total Investments	22,151	25,029	27,585	30,575	36,890
Life	3,578	4,258	4,401	4,473	4,823
Non-Life	18,574	20,770	23,184	26,102	32,068

*The assets of the Non-Life insurance market do not include investments in the capital of SIGAL UNIQA GROUP AUSTRIA sh.a. to Sigal Life UNIQA GROUP AUSTRIA sh.a., Eurosig sh.a. to Insig sh.a. and Insig Jetë sh.a. and Albsig sh.a. to Albsig Jetë sh.a.

As of 31.12.2023, the total assets of the insurance market amounted to approximately ALL 50.7 billion, where 89% of the total assets are held by Non-Life insurance companies, and 11% belong to Life insurance companies. For such period, assets have slightly increased by ALL 7 billion or 16% compared to 31.12.2022.

The increase in total assets has been primarily driven by the growth in the Non-Life sector, which increased by about ALL 6.7 billion, or approximately 18% more compared to 31.12.2022. The life insurance sector has also seen an increase in total assets by approximately ALL 398 million, or 8%, compared to December 31, 2022. Such increase for both sectors has come as a result of the positive financial performance of insurance companies during 2023 and the increase in the amount of investments.

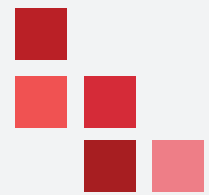
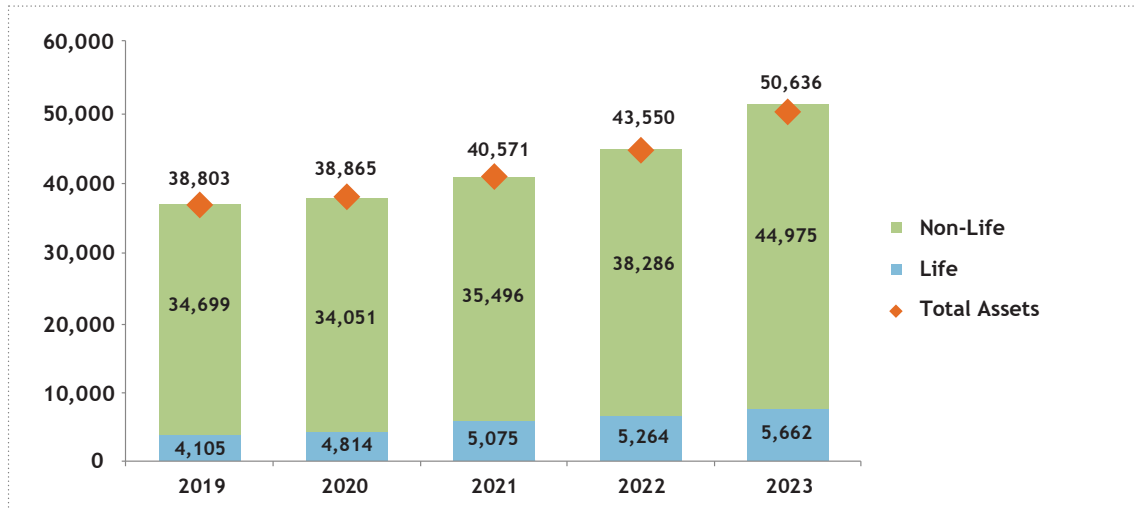


Chart 11: Total Assets for the Non-Life, Life Insurance Market Over the Years (In ALL mln.)

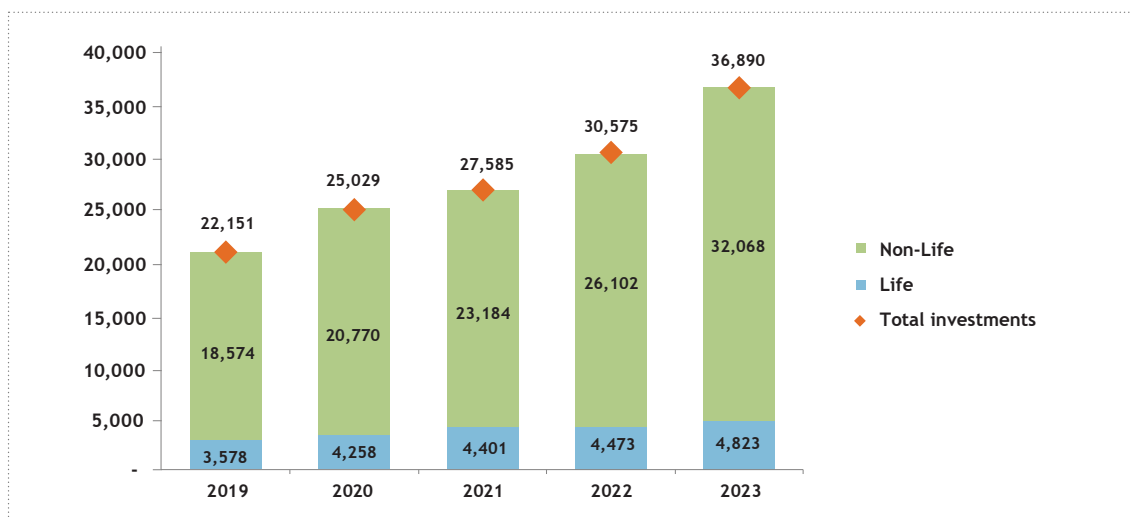


For the Non-Life insurance sector, the assets increase has mainly resulted from the increase in the category of “Investments in land, buildings, and financial investments” by approximately ALL 6 billion, or 23% more compared to 31.12.2022.

For the Life insurance sector, the growth in assets is primarily due to the increase in “Investments in land, buildings, and financial investments” by about ALL 349 million, or 8% more compared to 31.12.2022.

For the insurance market in general, investments continued to dominate total assets as of 31.12.2023, valued at ALL 36.9 billion, making up about 73% of the total. The increase in investments compared to the previous year is approximately ALL 6.3 billion or 21% more.

Chart 12: Total Investments for the Non-Life, Life Insurance Market Over the Years (In ALL mln.)



The main developments in the asset structure for both sectors of the insurance market, compared to December 31, 2022, are as follows:

Deposits persist to occupy the main share of assets with around 32%, followed by “Land and buildings” and “Treasury bills and bonds”, respectively with around 13.2% and 12.5%. Compared to 31.12.2022, deposits have increased by ALL 2.1 billion, or 15%. Increase in Debtors: A 20% increase, or ALL 564 million, driven by a 21% rise in debtors in the Non-Life insurance market, amounting to ALL 546 million.

Find below a graphical representation of the asset structure performance for the period 31.12.2019 until 31.12.2023.

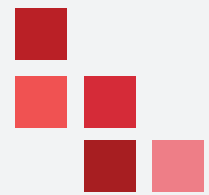


Chart 13: Insurance Market Asset Structure 2019-2023

(In %)

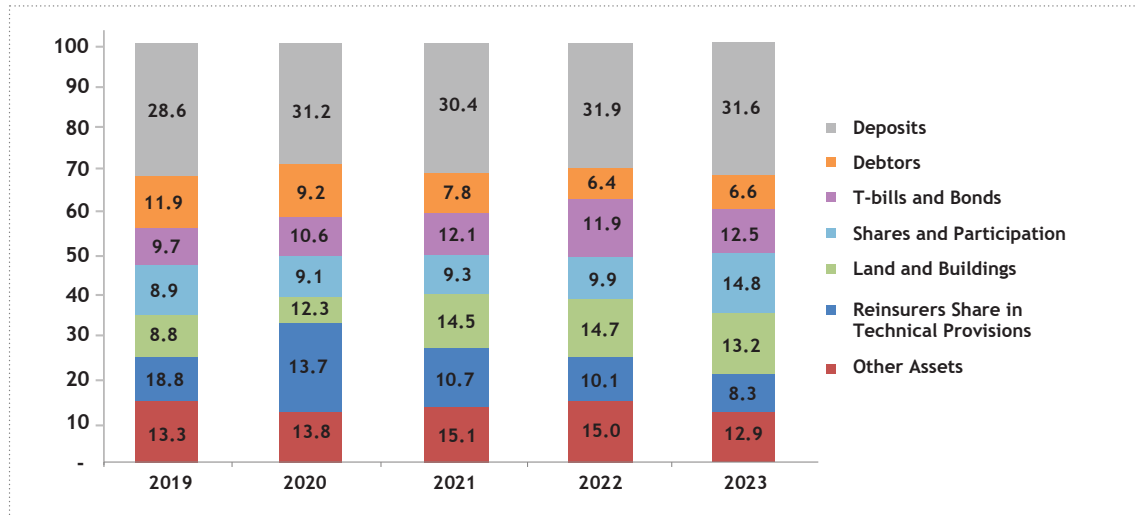


Table 7: Insurance Market Financial Data, Liabilities*

(In ALL mln.)

	31.12.'19	31.12.'20	31.12'21	31.12'22	31.12'23
Total Liabilities	38,803	38,865	40,571	43,550	50,682
Life	4,105	4,814	5,075	5,264	5,662
Non-Life	34,699	34,051	35,496	38,286	45,020
Gross technical provisions	22,100	20,986	22,020	23,719	25,307
Life	1,902	2,031	2,236	2,415	2,490
Non-Life	20,199	18,956	19,783	21,304	22,817
Total own equity	11,145	12,651	13,059	13,658	17,290
Life	2,019	2,419	2,454	2,384	2,713
Non-Life	9,126	10,232	10,605	11,274	14,577
Total subscribed capital	7,366	7,473	7,743	7,783	9,542
Life	1,632	1,882	1,882	1,882	1,891
Non-Life	5,734	5,591	5,861	5,901	7,651

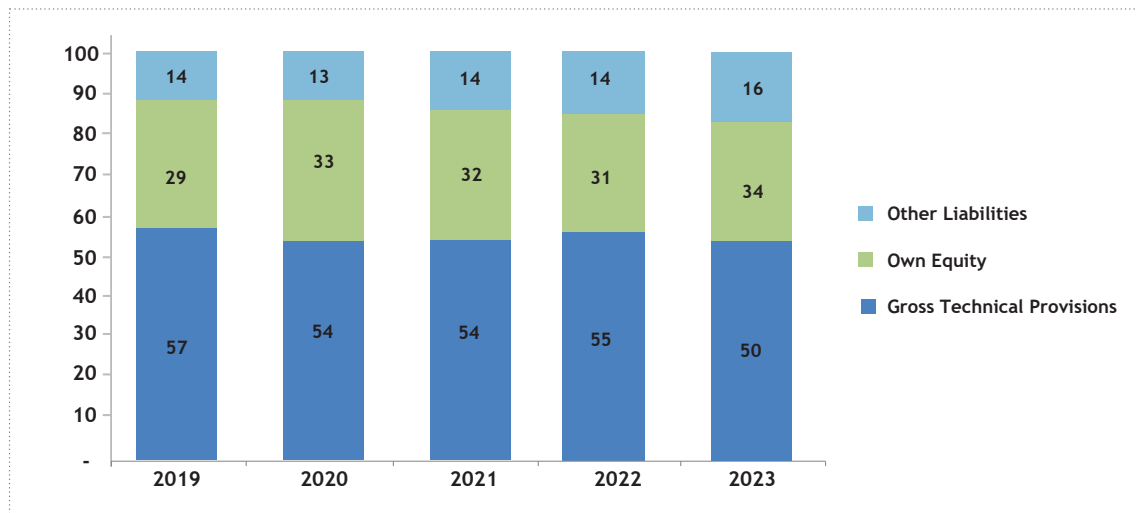
Non-Life market liabilities are exclusive of investments in capital by SIGAL UNIQA GROUP AUSTRIA sh.a. to Sigal Life UNIQA GROUP AUSTRIA sh.a., Eurosig sh.a. to Insig sh.a. and Insig Jetë sh.a. and Albsig sh.a. to Albsig Jetë sh.a.

** The request for capital increase of a non-life insurance company is under consideration by AFSA.*

The liability structure of the insurance market continues to be dominated by the items of technical provisions with 50% as well as “Own equity,” which represents the residual interest in the company’s assets after all liabilities have been deducted, at 34%. The remaining 16% of the liabilities are other obligations. The increase in the total liabilities for the insurance market during 2023 was mainly influenced by an increase in the companies’ own capital, which grew by ALL 3.6 billion, or approximately 27%, due to higher net profits for the period and retained earnings.

Chart 14: Insurance Market Liability Structure

(In %)



As of December 31, 2023, the assets covering technical and mathematical provisions for the insurance market amounted to approximately ALL 39.5 billion, of which ALL 36.3 billion are assets in the Non-Life insurance market and around ALL 3.3 billion are assets in the life insurance market. The coverage ratio of technical provisions with appropriate assets for Non-Life insurance companies during this period increased to 159%, from 133.5% as of 31.12.2022. Meanwhile, for Life insurance companies, the coverage of mathematical provisions as of 31.12.2023 stands at 131.1%, compared to 118.3% as of 31.12.2022.

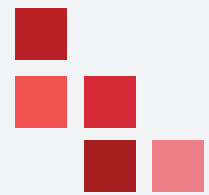
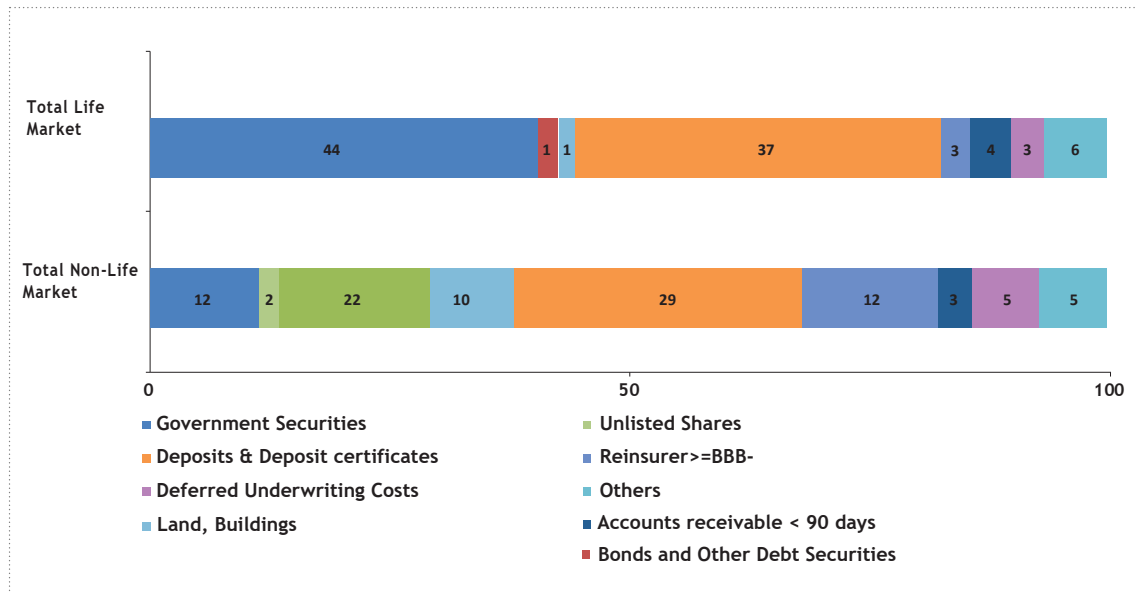


Chart 15: Technical and Mathematical Provisions 'Assets' Structure

(In %)

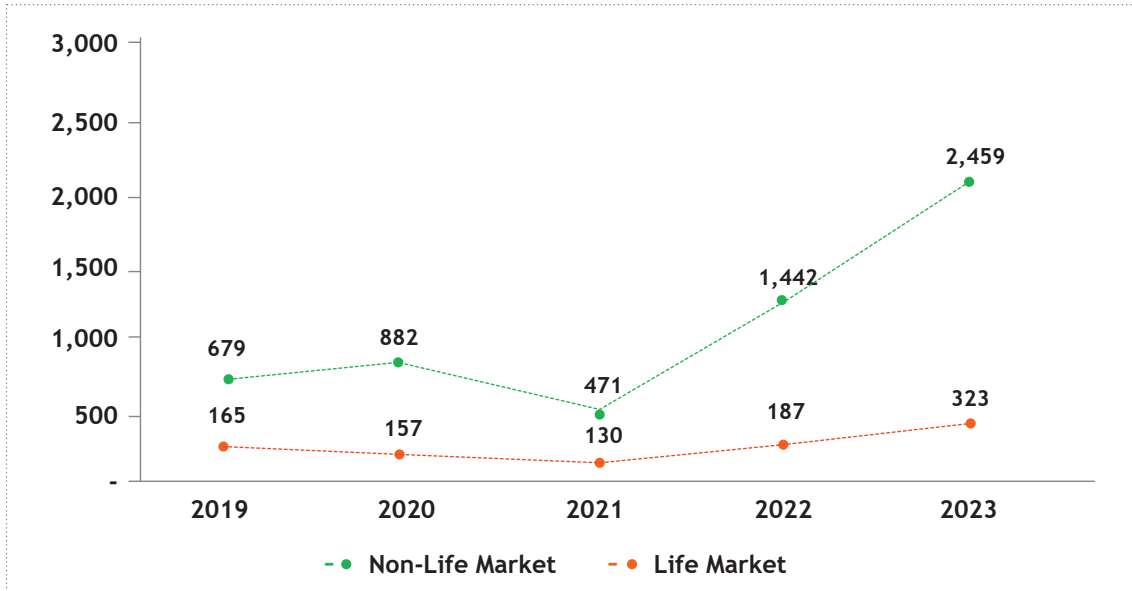


Financial Results

Throughout 2023, the insurance market resulted with a positive performance. The overall financial result for 31.12.2023 amounted to ALL 2.78 billion. Respectively, the Non-Life insurance market reported a profit of ALL 2.46 billion, while the Life market recorded a profit of ALL 323 million. The financial result in the Non-Life market for 2023 was mainly influenced by the increase in gross written premiums, which were at the level of ALL 21 billion, while operating expenses were kept at the same levels as last year. There was also positive growth in investment income, which totalled ALL 677 million, mainly influenced by the increase in interest rates, dividends, etc. Moreover, in the Life insurance market, the financial result was affected by the increase in gross written premiums, which accounted for ALL 1.86 billion.

Chart 16: Financial Results for the Non-Life and Life Insurance Markets

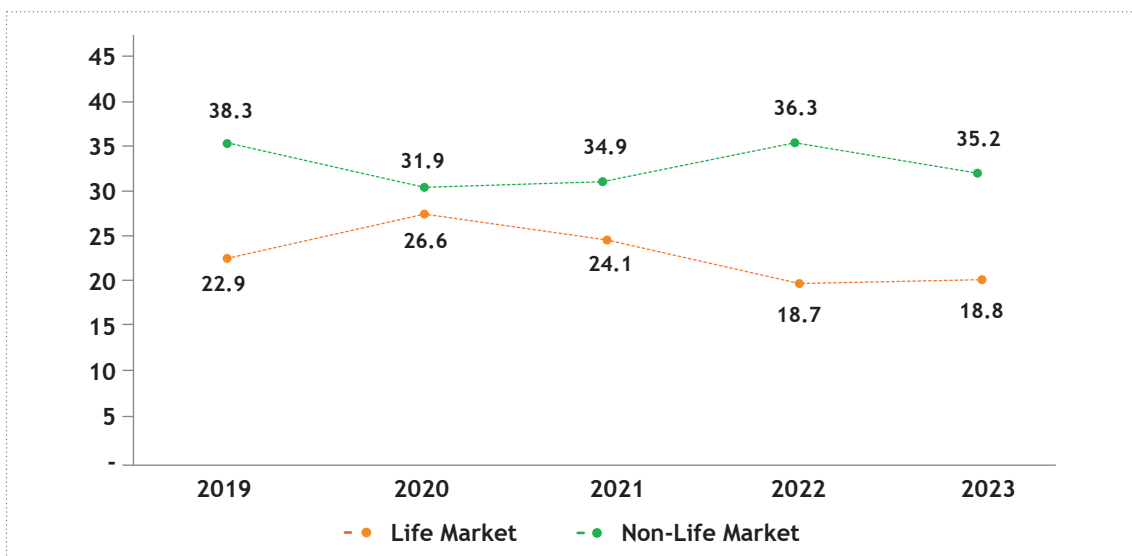
(In ALL mln.)

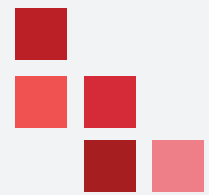


Loss/premium ratio: Unpaid claims, excluding the payment of claims by reinsurers (net claims) in relation to net premiums earned on 31.12.2023, for the Non-Life market resulted in 35.2%, from 36.3% compared to a year ago. For the Life insurance market, the claims/earned premium ratio for 31.12.2023 is 18.8%, compared to 18.7% as of 31.12.2022.

Chart 17: Claims/Premium Ratio for the Non-Life and Life Market

(In %)

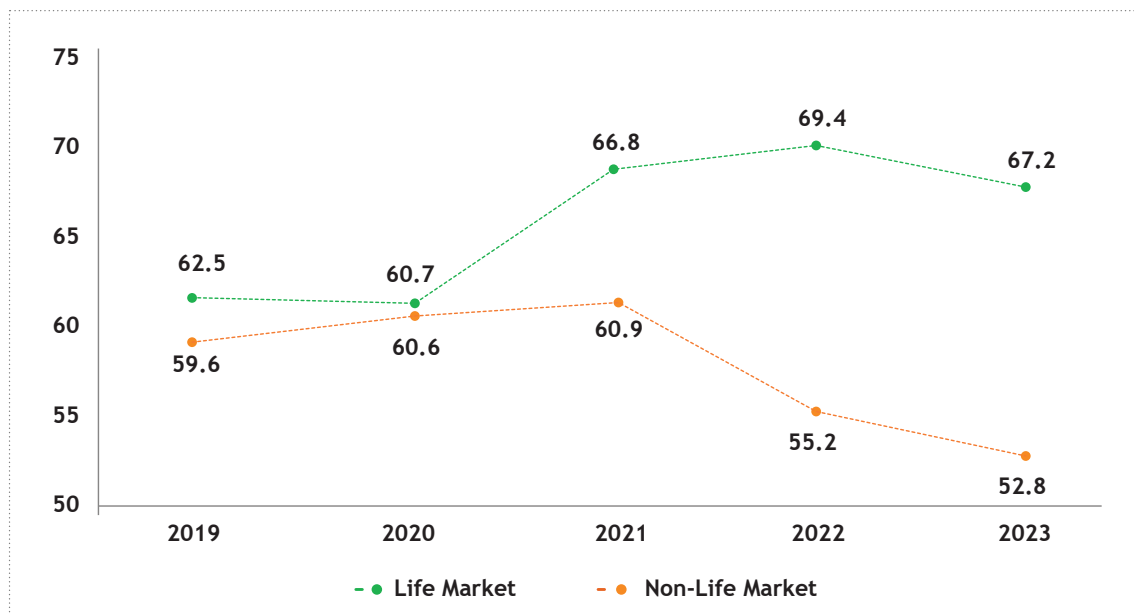




The expense ratio represents the ratio between net operating expenses and net other insurance expenses versus net premiums earned. For the non-life insurance market, the ratio as of December 31, 2023, stands at approximately 55.1%, compared to 55.2% as of December 31, 2022. Expenses for 2023 remained at the same levels as in 2022 for the non-life insurance market. For the life insurance market, the expense ratio as of December 31, 2023, is 67.2%, down from 69.4% a year earlier, reflecting a decrease of about 2.2%.

Chart 18: Expenses Ratio for the Non-Life and Life Market

(In %)



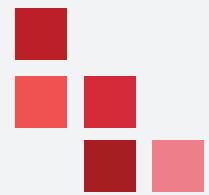
Off-site supervision

In accordance with the regulatory framework, AFSA has conducted off-site supervision through monitoring, collecting, and verifying reports submitted by insurance companies and other institutions. Off-site supervision focuses on processing and analysing the information collected from periodic or ad-hoc reports of insurance companies, with particular emphasis on financial and actuarial analyses. More specifically, the off-site supervision objectives for the reporting period were as follows:

- Drafting of the off-site financial analysis reports for Non-Life and Life insurance companies on quarterly periods, based on review and processing of data submitted by insurance company reports, as well as in information from on-site inspections and previous financial analyses;
- Review of external auditor's report for the insurance companies in relation to their activity during the previous year;
- Monitoring the performance of the liquidity rate of insurance companies;
- Review of annual reports of the internal auditors of insurance companies;
- Review of annual business plans of companies;
- Monitoring of the annual report of companies;
- Analysis of self-assessment reports of the Non-Life insurance companies;
- Calculation on a quarterly basis of technical and mathematical provisions, as well as calculation of the minimum solvency margin level of insurance companies;
- Analysis of reinsurance agreements, as well as quality assessment of the reinsurer;
- Risk monitoring with a value greater than 10% of the capital for each specific risk and monitoring of claims over ALL 10 million;
- Risk premium calculation at market level, for compulsory motor vehicle insurance contracts, in accordance with the rules of the actuarial profession and the applicable legislation.

Implementation of IFRS 17 "Insurance Contracts"

To ensure insurance companies take measures for the implementation of IFRS 17, insurance companies, as public interest unit, prepare and report financial statements in accordance with International Financial Reporting Standards (IFRS), of which IFRS 17 "Insurance Contracts" is a part. The AFSA, through Board Decision No. 146, dated August 31, 2023, has approved the "Guideline on Insurance Companies' Reporting for the Implementation of IFRS 17 Insurance Contracts."



The implementation of IFRS 17 is expected to have a broad impact on the presentation of financial statements and directly affect the methodology for calculating and assessing provisions. In addition to assessing provisions at market value, new concepts such as the contractual service margin and risk adjustment are included. The implementation of IFRS 17 is anticipated to affect financial statements, including the financial results of insurance companies.

AFSA is committed to monitoring the implementation of the work plan for IFRS 17 and the reporting of companies concerning the requirements of this standard.

Roadmap for the implementation of Solvency II supervisory regime

The implementation of Solvency II is a major priority for AFSA in the context of preparing the country for EU membership. Solvency II is expected to bring significant changes to the risk management culture within insurance companies. Good capitalization of insurers will enable the sector to withstand unforeseen shocks. The main objectives of Solvency II are: improving consumer protection, modernizing supervision, increasing international competitiveness of EU insurers, aligning with international reporting and accounting standards, deepening market harmonization and integration within the EU.

AFSA, with the consultation of the World Bank, has approved with Board Decision No. 2, dated 26.01.2023 a roadmap for implementing the Solvency II regime in our country. The main objectives of the roadmap are:

- Assessment of Financial Statements to evaluate the market's financial statements to identify deviations from the current regime;
- Conducting training to build capacity on the three pillars:
- Development of the necessary tools for conducting the Quantitative Impact Study (QIS).
- Development of the Own Risk and Solvency Assessment (ORSA), including the relevant formats and tools.
- Drafting the new insurance law and relevant regulations based on EU requirements.

- Defining the specifications for the regulatory IT system in accordance with Solvency II (including flexibility for potential changes).
- Developing the necessary supervisory capacities for the implementation of Solvency II.

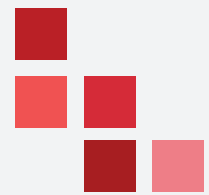
This new supervisory regime requires the preparation of a special annual report on the solvency and financial condition of insurance and reinsurance companies, as well as a supervisory report called the Regular Supervisory Report (RSR).

From the start of the implementation of the roadmap, preparatory activities are planned to span five years. The sixth year is planned for the approval of regulations and will also serve as a testing year, where insurers will report under Solvency II along with the current solvency regulations. The final (seventh) year will be the year of the full implementation of the Solvency II regulatory system.

AFSA also considers the role of insurance companies in this process to be important. Therefore, representatives from insurance companies will be invited to participate in the trainings planned as part of the SECO III project, developed with the assistance of the World Bank.

Structure of the Solvency II Regulatory Framework

- **Pillar 1 defines quantitative requirements**, including rules for the valuation of assets, liabilities (particularly technical provisions), the calculation of capital requirements, and the identification of suitable own funds to meet these requirements.
- **Pillar 2 defines qualitative requirements**, including risk management, governance systems, and the Own Risk and Solvency Assessment (ORSA), which involves careful capital planning and management, stress testing, and scenario analysis to ensure solvency at all times.
- **Pillar 3 covers supervisory reporting and public disclosure** to third parties. Companies are required to publicly disclose details of the risks they assume, their capital adequacy, and the risk management measures they have implemented. Transparency and information disclosure aim to establish proper market discipline.



2.2.2 Inspections

Full risk-based inspections

During 2023, AFSA carried out a full on-site inspection in two of the life insurance companies according to the risk-based methodology. Risk-based inspections focus on the assessment of the main risks which insurance companies are exposed to, based on their business activities, as well as on the management and mitigation of these risks by the senior management of the company, by estimating the responsibilities of the Supervisory Council and the senior management of the insurance company in maintaining its financial soundness.

These inspections focused on assessing the credit, insurance, operational, legal/regulatory and strategic risk assessment as well as assessing the quality of capital, profits and specific elements of the assets of the company's financial statements. Furthermore, these inspections focus on the assessment of risk management, internal control systems, including the supervision of the by the management levels of the company activity.

Concluding the inspections, AFSA assessed the risk for each activity of the inspected insurance companies and updated their risk profile. The risk profile serves as a basis for setting supervisory priorities and allocating the appropriate capacities according to the level of risk exposure.

Thematic inspections

In 2023, seven thematic inspections were carried out at non-life insurance companies, focusing on issues directly related to consumer protection and verifying the continuation of the implementation of recommendations made by AFSA in previous inspections, as well as compliance with the current legal and regulatory framework.

Verification of procedures and deadlines for compensation, mainly for compulsory motor insurance claims, implementation of the recommendations of the decisions of the AFSA's Board, etc. consisted of the subject of five of the thematic inspections carried out, where the following were verified:

- The implementation of legal and regulatory requirements in force, standards and operational procedures for the administration of claims documentation were verified, according to the reporting line and level of competences, mainly for pending and settled claims;

- Handing compensation complaints;
- Accuracy of AFSA reporting of claims technical provisions, etc.

Furthermore in accordance with the regulatory framework in force and the general conditions approved by AFSA for contracts related to builder's liability, three other thematic inspections were carried out, in order to examine the process of obtaining insurance for this liability, focusing on:

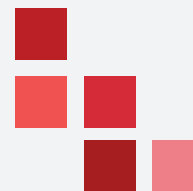
- Suitability eligibility of the general elements and terms of the contracts issued during the inspection period, with the legal basis in force;
- Internal underwriting procedures and responsibilities contracted by the insurance company;
- Reinsurance coverage for insurance contracts related to builder's liability.

At the end of inspections, AFSA informed the companies regarding the relevant findings and recommendations, as well as addressed the identified problems and the necessary measures to be taken by the insurance companies through Board Decisions. The follow-up and implementation of these decisions is continuously monitored by AFSA, in terms of respecting the deadlines and fulfilling their requirements.

2.2.3 Groups Supervision

Pursuant to Law no. 52/2014 "On the activity of insurance and reinsurance", AFSA performs the complementary supervision of insurance companies clustered into insurance groups. The insurance group, for supervisory purposes, consists of two or more legal entities where at least one is an insurance company and the other one has a significant impact on the insurance company. The significant impact is determined based on the criteria of direct or indirect participation, impact and/or various contractual obligations, intra-group connections, risk exposure, risk concentration, risk transfer, percentage of ownership and/or transactions within the Group.

During 2023, four insurance groups operated in the Albanian insurance market, two of which have a local capital and the other two have a foreign capital.



Effective supervision of insurance groups is based on the International Core Principles, approved by the International Association of Insurance Supervisors (IAIS), as well as on the cooperation agreements signed by AFSA with the supervisors of the countries with Albanian capital insurance companies and supervisors of international insurance groups operating in Albania.

In 2023, meetings were held within the framework of supervisory colleges for insurance groups, including Uniqa Group Austria and Vienna Insurance Group. The supervisory colleges' objective is the effective supervision of insurance and reinsurance companies, through the exchange of information concerning the performance of their activity. AFSA reported on the progress of insurance companies, part of "Uniqa Group Austria" and "Vienna Insurance Group", operating in Albania.

AFSA proceeded with meetings with representatives of the Central Bank of Kosovo (CBK), within the regional supervisory colleges for two insurance groups, in the capacity of the regulatory authority of the parent companies of the insurance groups that exercise their activity in the Republic of Kosovo. In these colleges, the performance of insurance companies and other issues of mutual interest for the two regulators were discussed.

2.2.4 Technical Provisions

An important indicator in assessing the insurance companies' financial soundness is level of technical provisions. AFSA assesses whether the technical provisions are sufficient, in compliance with the legal basis in force and the level of risk contracted by the companies. Failure to fulfil this obligation constitutes a violation of the insurance companies' management rules.

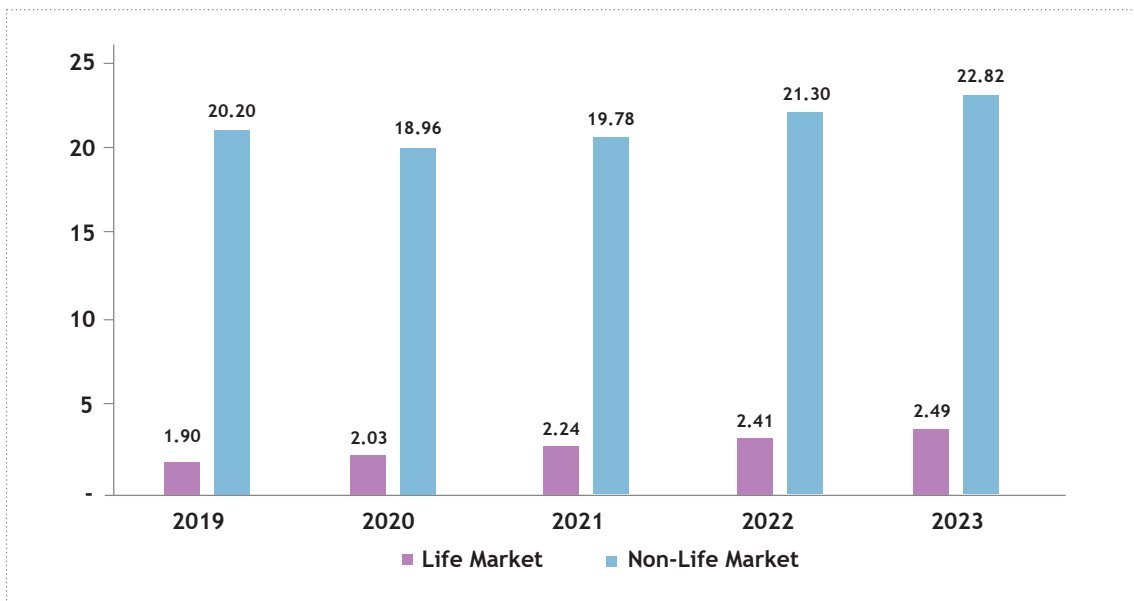
The market-level performance of technical provisions in years has shown a growing trend, maintaining the structure of Life and Non-life activity. At the end of 2023, the total gross technical provisions for Life and Non-Life activities reach approximately ALL 25.31 billion. Compared to 2022, where the value of gross technical provisions in the market was around ALL 23.72 billion, in 2023 there is a noticeable increase in the value of gross technical provisions at the market level, by about 6.7% or approximately ALL 1.59 billion, influenced by both activities. For non-life activities, the increase is around ALL 1.51 billion, or approximately 7.1%, while for companies engaged in life activities, there is an increase in gross technical provisions of about ALL 75.2 million, or approximately 3.1%.

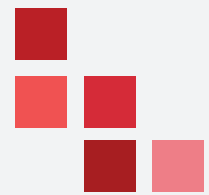
Related to this activity, the highest share pertains to the gross technical provisions of Non-Life insurance companies, with 90.2% of the total gross technical provisions or about ALL 22.82 billion. Whereas the gross technical provisions for the Life insurance activity reach ALL 2.49 billion, or 9.8% of the total. This structure also reflects the ratio of gross written premiums for Non-Life/Life activities: 91.9% and 8.1%, respectively.

From the data at the market level, reflected in the graph below, an increase in the trend of the technical provision on claims and premiums is detected.

Chart 19: Gross Technical Provisions

(In ALL billion)





Technical Provisions

Technical provisions represent amounts calculated based on the forecasts and on certain actuarial modalities, provided by the insurer in view of covering liabilities arising from insurance contracts.

Technical provisions include:

- Premium provisions, which consist in provisions on unearned premiums and unexpired risks. These provisions are created in proportion to the written premiums related to insurance coverage, which are still valid upon the termination of the financial period during which these provisions are made;
- Provisions for bonuses and rebates, which are created at the same level as the amount of payments received by the insured based on the right to benefits arising from the insurance contracts: the right to partial reduction of the insurance premium (rebates) and the right to a refund of parts of the insurance premium in case of early termination of the insurance contract;
- Claims technical provisions, which are created in cases of an insurance event before the termination of the insurance contract term, and which valuation is made at the same level as the responsibilities assumed by the insurance company through the insurance contract;
- Provisions for investment risks protection;
- Other technical provisions. These provisions are created by insurance companies in view of covering the expected liabilities and risks arising from major claims, which derive from liability insurance on claims from nuclear hazards, the liability of the manufacturer of pharmaceutical products as well as the risks of flood and earthquake.

Mathematical provisions are created at the same level as the current value of future liabilities arising from life insurance contracts, less the current value provided by future premiums to be paid under the said contract.

Gross technical provisions for compulsory motor vehicle insurance (MTPL)

Gross technical provisions for the MTPL product holds the largest specific share in the total technical provisions of the Non-Life market. As of December 31, 2023, this indicator reaches approximately ALL 15.13 billion, showing an increase of about 6.76% compared to the previous year. The share of gross technical provisions for the MTPL portfolio is 66%, almost at the same levels as at the end of 2022.

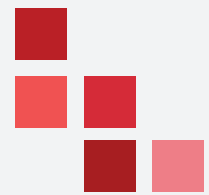
According to the data regarding the share and structure of technical provisions for mandatory insurance, it is observed that the highest weight is held by the technical provision for claims, compared to the provision for unearned premiums, maintaining the same allocation structure throughout 2023. Continuously, AFSA has provided recommendations for the ongoing improvement of the technical provision indicator for claims from mandatory insurance, in line with the growth of the insurance market activity. These recommendations are based on the analysis of the data on insurance companies, the findings from on-the-site inspections, and the information on claims in court proceedings, related to the obligations and risks which insurance companies are exposed to.

Table 8: Share and Structure of Compulsory Insurance Technical Provisions (In ALL billion)

<i>Specific share of compulsory insurance's technical provisions</i>	2019	2020	2021	2022	2023
Total gross provisions MTPL	11.80	12.37	13.23	14.17	15.13
Total gross provisions Non-Life	20.20	18.96	19.78	21.30	22.82
Specific share of compulsory insurance compared to the total in the market (In %)	58	65	67	67	66
<i>Structure of compulsory insurance technical provisions (In %)</i>	2019	2020	2021	2022	2023
Technical provision on losses MTPL	56	56	56	56	56
Unearned insurance provision MTPL	44	44	44	44	44
Total gross provisions MTPL	100	100	100	100	100

The application for calculating claims to the person in road accidents

Upon the entry into force of Law no. 32/2021 “On compulsory insurance in the transport sector”, and the adoption by AFSA of Regulation No. 125, dated 28.07.2021, “On determining the rules and methodology for calculating compensation covered by compulsory insurance contracts in the transport sector”, AFSA developed the claims calculation application toward persons, in cases of motor vehicle accidents. The calculator is based on several assumptions, the calculated values are indicative and intended to inform users on the amount of compensation in cases of personal injury, resulting in permanent disability or death. The application is designed to calculate the compensation value in cases of claims to a person resulting in permanent disability or death.



The main innovations brought about by the development of this application for the insured and field professionals are as follows:

- Automatic calculation of the value of the claim;
- Transparency on the value of property claims and non-property claim, and the reflection of the value for each figure of claim;
- Consumer literacy in the field of insurance.

This application assists beneficiaries, as well as professionals and experts in the field, in evaluating damages and handling compensation claims.

2.2.5 Reinsurance

Reinsurance is the main form of risk transfer in the insurance industry in the Republic of Albania, playing an important role in the development and stability of this market. Based on the legal framework and regulatory acts approved by AFSA, insurance companies are required to reinsure with a reinsurance company the portion of the risk insured that exceeds the allowed limit of 10% of the capital value. By means of reinsurance, insurance companies engage in reducing exposure to major risks, improve capital requirements (solvency), increase chances to insure more risks, and receive technical and financial assistance from reinsurance companies. The reinsurance activity is well consolidated, further influenced by the requirements set out in Regulation no. 85/1, dated 30.09.2015 “On reinsurance criteria”, as amended.

By virtue of these legal and regulatory requirements, the insurance companies report to the AFSA on their annual reinsurance programme. Based on its supervisory function, the ASFA follows on the progress of this programme implementation and its related contracts, aiming at ensuring continuous financial stability of the standards for the retaining of risk by these insurance companies and the criteria related to the reinsurance quality.

The Reinsurance agreements in the Non-Life insurance portfolios are non-proportional, primarily Excess of Loss, and proportional, Quota Share/Surplus. In Life insurance, the reinsurance coverage is attained by means of reinsurance agreements of a proportional form, Surplus and Quota Share type.

On the 31.12.2023, the reinsurance ceded premiums are:

- For the total insurance market, the value of reinsured premiums is approximately ALL 3.57 billion, or 15.59% of the gross written premiums in the market. The amount of premiums ceded to reinsurance at the market level increased by approximately ALL 352 million, or about 10.94%, compared to the end of 2022.
- For the Non-Life insurance activity, the value is approximately ALL 3.45 billion, or 16.42% of the gross written premiums. The amount of premiums ceded to reinsurance for the entire non-life insurance activity increased by approximately ALL 326.71 million, or about 10.45%, compared to the end of 2022.

In 2023, compared to 2022, there has been an increase in premiums ceded in reinsurance across almost all portfolios. For the year 2023, the largest share of total premiums ceded is held by “Motor” products, with approximately 53.13% of the total, and “Fire and Other Damage to Property Insurance” products, with approximately 33.67%.

Table 9: Reinsurance Ceded Premiums by Main Portfolios, 2022 and 2023 *(In ALL mln.)*

<i>Insurance Type</i>	<i>2022</i>	<i>2023</i>
Accident and Health Insurance	52	43
Motor Vehicle Insurance	1,720	1,835
Fire and Other Damage to Property Insurance	987	1,163
Responsibility	175	187
Other	192	226
Total	3,127	3,453

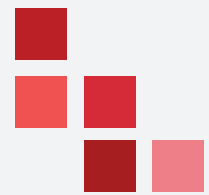
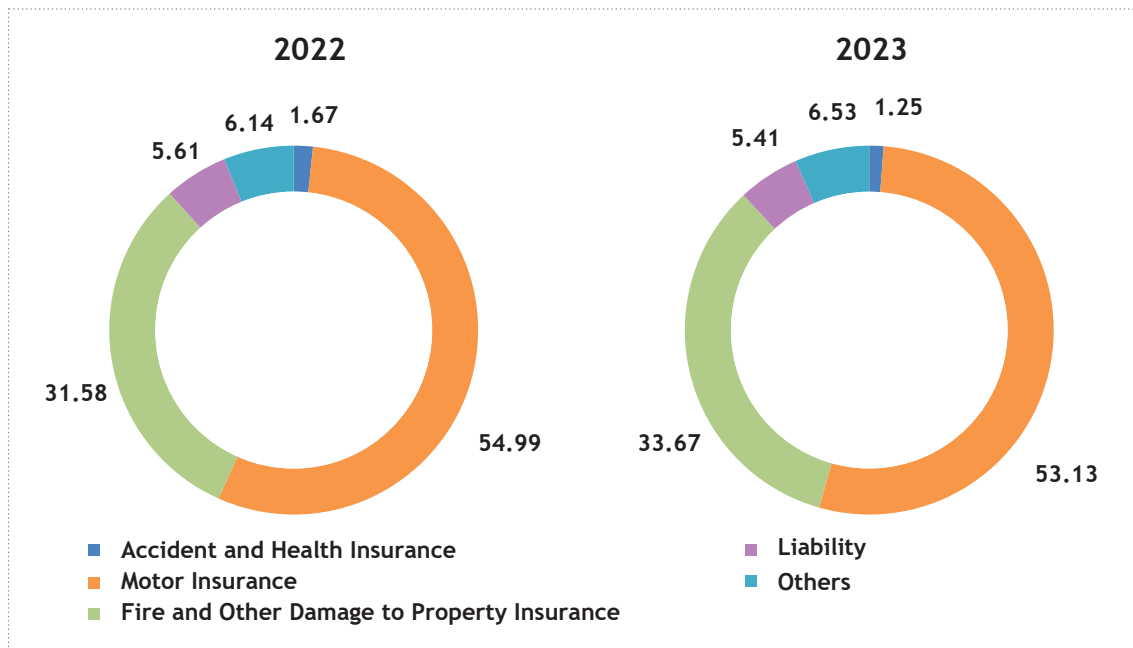


Chart 20: Specific Weight of Reinsurance by Major Portfolios for 2023 Compared to 2022 (In %)



Pursuant and in compliance to the regulation no. 57, dated 26.05.2017 “On the calculation of the Net Retention of the Maximum Aggregate Coverage of risks deriving from insurance contracts”, referring to the exposure on 31.12.2023, insurance companies have also reported the net aggregate retention rate for earthquake insurance. Based on the existing reinsurance agreements, the insurance market can cover, without affecting financial indicators, claims up to approximately EUR 200 million. The reinsurance was carried out in compliance with the requirements of regulation no. 85/1, dated 30.09.2015 “On reinsurance criteria”, as amended.

Referring to the rating agencies Standard & Poors, Fitch, Moody’s, etc., the quality of the main reinsurers of the agreements that currently cover the risks ceded to reinsurance by insurance companies results in at least A category, which means it is even better than the one required by the applicable regulatory framework.

The practices exercised by insurance companies, as well as the supervision by AFSA regarding reinsurance activities, were assessed by the International Association of Insurance Supervisors (IAIS) Expert Team as being in full compliance with the core international insurance principles approved by IAIS.

Own Risk and Solvency Assessment (ORSA)

The Own Risk and Solvency Assessment (ORSA) report is submitted to AFSA, with an annual frequency, by each company operating in the Life and Non-Life insurance classes. The obligation for periodic reporting is outlined in Regulation No. 18 dated April 28, 2015, “On the Rules for Organizing the Risk Management System in Insurance Companies.” This obligation is in line with the standards of the International Association of Insurance Supervisors (IAIS).

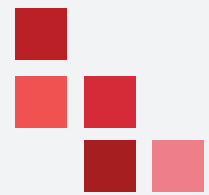
The criteria on the content of the report are defined in Article 12 of the regulation, thus ensuring a standard form of the report and comparability of the information presented. Each report fully reflects the following elements:

- Risk management framework;
- Categories of risks;
- Reporting framework;
- Capital administration;
- Identified risks and their assessment;
- Business continuity plans and coping with unforeseen situations;
- Recommendations and measures;
- General risk profile.

This report allows AFSA to objectively assess the exposure of each insurance company to risks with high materiality, its control measures, as well as the efficiency of these measures, with the aim of the smooth functioning of the activity, both at the level of the insurance company and the market in general.

For the year 2023, companies indicated that market dynamics, post Covid-19, have led to the identification and addressing of new risks, with cybersecurity remaining a primary concern. The highest materiality risks identified by insurers include credit risk, market risk, liquidity risk, operational risk, and underwriting risk.

As part of partial alignment with the Solvency II directive, AFSA has started working on amending Law No. 52/2014 “On Insurance and Reinsurance Activities.” One of the chapters expected to be revised relates to the Risk Management System, with a focus on the Annual Risk and Solvency Assessment (ORSA) Report.



2.2.6 Compensation Fund Performance

Compensation Fund for 2023

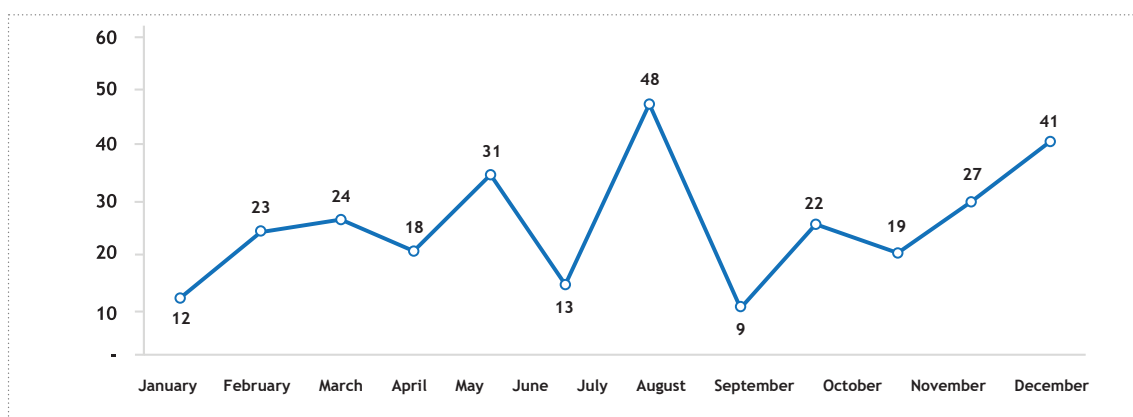
By the end of the 2023 financial year, the Compensation Fund had a paid value of approximately ALL 286 million, achieving 111.22% of the fund's obligation for the year 2023.

AFSA's Board of Directors, by Decision no. 7, dated 26.01.2023, approved the Compensation Fund for the year 2023 in the amount of ALL 276 million of which the balance of the Compensation Fund on 31.12.2022 resulted in a surplus of about ALL 19 million. The Albanian Insurance Bureau (AIB) has reflected, calculated, and distributed the Compensation Fund for 2023 according to its member insurance companies.

Comparing the reported data, it is noted that the number of claims under the Compensation Fund as of December 31, 2023, decreased by 137 claims, amounting to ALL 138,413,797. A significant part of the pending claims are the claims in the judicial process, which belong to the events before the entry into force of Law 32/2021 (event date before July 1, 2021), which result in the value of ALL 536,187,875, or about 87.36% of the claims in the process.

Chart 21: Payments Performance during January-December 2023

(In ALL mln.)



During 2023, member insurance companies of AID, in addition to payments of the adopted Fund's obligations, have also made payments as direct insurers to the compensatory entity for claims caused by uninsured/unidentified vehicles, amounting to approximately ALL 96 million. This is in accordance with the requirements of Article 43 of Law No. 32/2021 "On compulsory insurance in the transport sector".

Classification of cases treated by the Compensation Fund and by insurance companies, as direct insurers, according to Law no. 32/2021, has influenced the reduction of the Compensation Fund for the cases provided for in Article 41 of this law. This classification has addressed about 75% of direct cases with insurance companies, according to Article 43. The claims subject to the Compensation Fund remain in significant value, due to the events that occurred before the entry into force of this law.

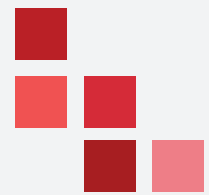
During 2023, AFSA has carried out on-site inspections of insurance companies and the Albanian Insurance Bureau. The inspections at the eight insurance companies that are members of the Albanian Insurance Bureau (AIB) involve verifying the payments made and the status of claims covered by the Compensation Fund, as well as the practices related to claims following the enactment of Law No. 32/2021. This law mandates that the insurance company performs the role of the compensatory entity according to Article 43 of Law No. 32/2021 for 2023.

Additionally, in 2023, two inspections were carried out at the Albanian Bureau of Insurance. The inspections focused on:

- Verifying the operation and data of the Bureau's electronic registry in compliance with Regulation No. 105 dated June 30, 2021, "On the Electronic Registry of Claims of the Albanian Bureau of Insurance" and the procedures and deadlines for handling claims covered by the compensation fund, in accordance with Regulations No. 191, dated October 26, 2021, "On the Administration of the Compensation Fund" and No. 103, dated 30.06.2021 "On the management method and form of claims compensation Fund when the accident occurred prior to the entry in force of Law no. 32/2021";
- Verifying reported data for unpaid claims covered by the Compensation Fund, in compliance with Regulation No. 104, dated 30.06.2021 "On the reporting and supervision standards of the Albanian Insurance Bureau" and regulation no. 105 dated June 30, 2021 "On the Electronic Registry of Claims of the Albanian Bureau of Insurance."

As a result of the inspection conducted in July 2023, corrective measures were taken against BSHS, as stipulated in Decision No. 185, dated 27.10.2023.

AIB is the national representative in the Bureau's Council and is held liable on any obligation arising from membership to the Green Card system.



The monitoring of the Bureau has been under AFSA's focus, especially during the last few years, to provide solutions to the issues carried over the years.

Currently, each member of AIB has invested the Green Card Guarantee Fund in term deposits amounting to EUR 250,000, in favour of AIB, at second-tier banks. The Bureau has a special fund of EUR 500,000 allocated for paying damages caused by foreign-registered vehicles equipped with Green Cards, held in a dedicated account.

AFSA periodically monitors and supervises the Bureau's activities to ensure legal compliance through both reporting and on-site inspections.

2.3 Private Pension Fund Market Supervision

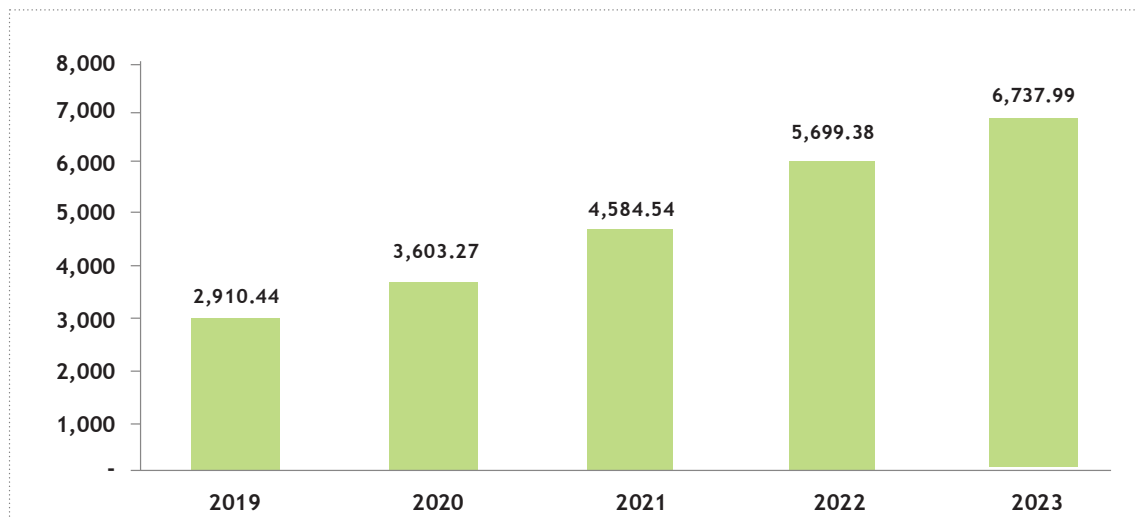
2.3.1 Financial Position

The private pension funds market, since the beginning of its activity, has experienced an increasing trend in terms of assets managed and number of contributors.

This market's total net assets on 31.12.2023 amounted to about ALL 6.7 billion, with 38,180 members. The net assets of this market increased by 18.22%, and the number of members rose by 4.55% compared to the end of 2022.

The graph below illustrates the trend in net assets of the pension fund market over the past five years.

Chart 22: Performance of the private pension fund's net assets over the years *(In ALL mln.)*



As of December 31, 2023, the assets of this market are primarily invested in Albanian government bonds, which account for 95.95% of the total assets in the private pension fund market, reflecting a 17.97% increase compared to the end of 2022. The rest of the assets of this market consist of cash, cash equivalents and accounts receivable. The structure of the assets in the private pension fund market and the changes over the past two years are presented in the table below:

Table 10: Change of the asset structure of the private pension fund market, 31.12.2023 compared to 31.12.2022

<i>Description</i>	<i>Value (In ALL mln.)</i>		<i>Change (In %)</i>	<i>Share to total (In %)</i>	
	<i>31.12.'22</i>	<i>31.12.'23</i>	<i>31.12.'22- 31.12.'23</i>	<i>31.12.'22</i>	<i>31.12.'23</i>
<i>Period</i>					
Pension fund's net assets	5,699.38	6,737.99	18.22		
Total Net Assets	5,716.76	6,755.08	18.16	100	100
<i>of which:</i>					
Cash and Cash Equivalents	109.17	131.91	20.83	1.91	1.95
T-Bonds of the Republic of Albania	5,494.05	6,481.18	17.97	96.10	95.95
Bank deposits	-	-	-	-	-
Other assets	113.54	141.99	25.06	1.99	2.10
Total Funds Liabilities	17.38	17.09	-1.67	0.30	0.25

The graph below shows the trend in investments of the private pension fund market over the past five years.

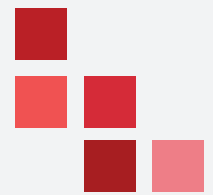
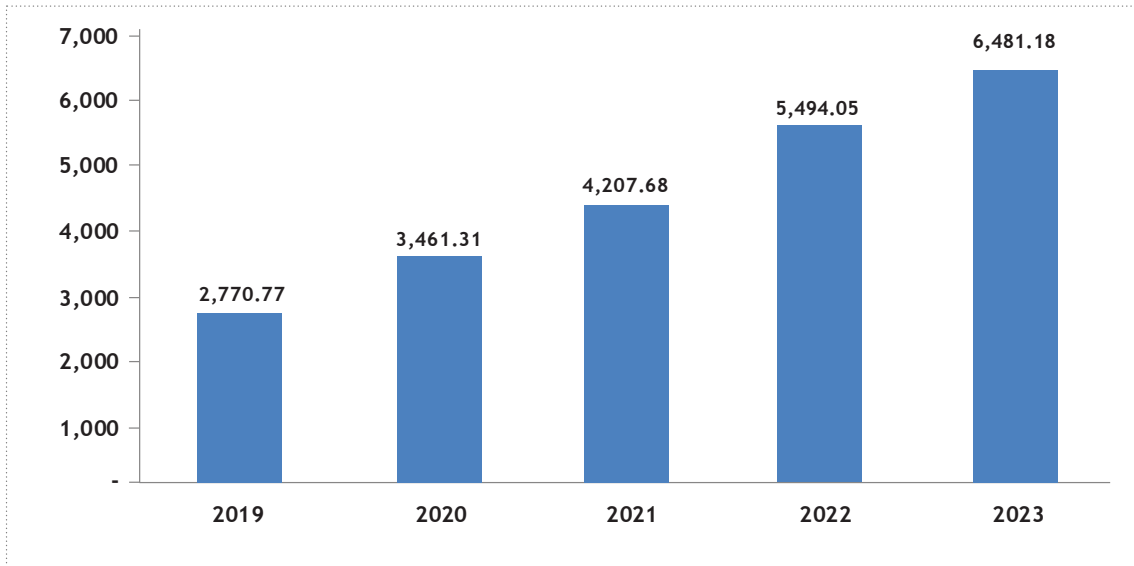


Chart 23: Performance of private pension fund market investments

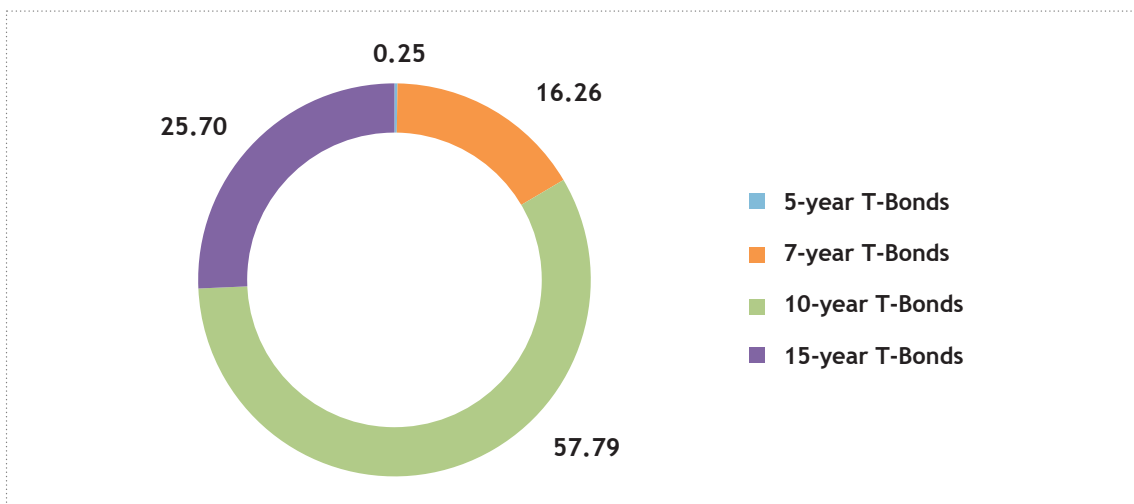
(In ALL mln.)



The investment policy for all private pension funds operating in the market is long-term, which consequently carries market risk. The investment policy of pension funds has focused on maturities of 5, 7, 10, and 15 years, as shown in the chart below, noting that the majority of investments are in 10-year maturity bonds, accounting for 57.79%.

Chart: 24 Share by maturity of private pension fund market investments, 31.12.2023

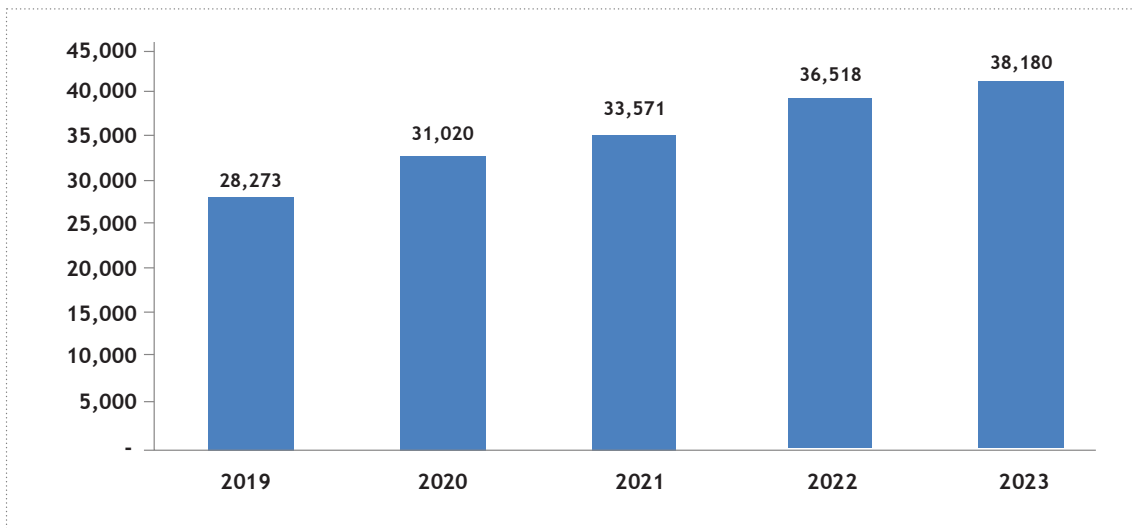
(In %)



As of December 31, 2023, the number of members in private pension funds reached 38,180, marking a 4.55% increase compared to December 31, 2022. As illustrated by the graph below, the number of members in the private pension fund market has been steadily increasing over the past five years.

Chart 25: Performance of the number of members of the private pension fund market

(In numbers)



On December 31, 2023, the individual pension plans covered 19,917 members, or 52.17% of the total market, while professional pension plans created by employers included 18,019 members, or 47.19% of the total market. Additionally, 244 members, or 0.64%, are simultaneously included in individual and professional plans.

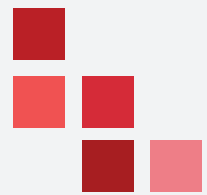
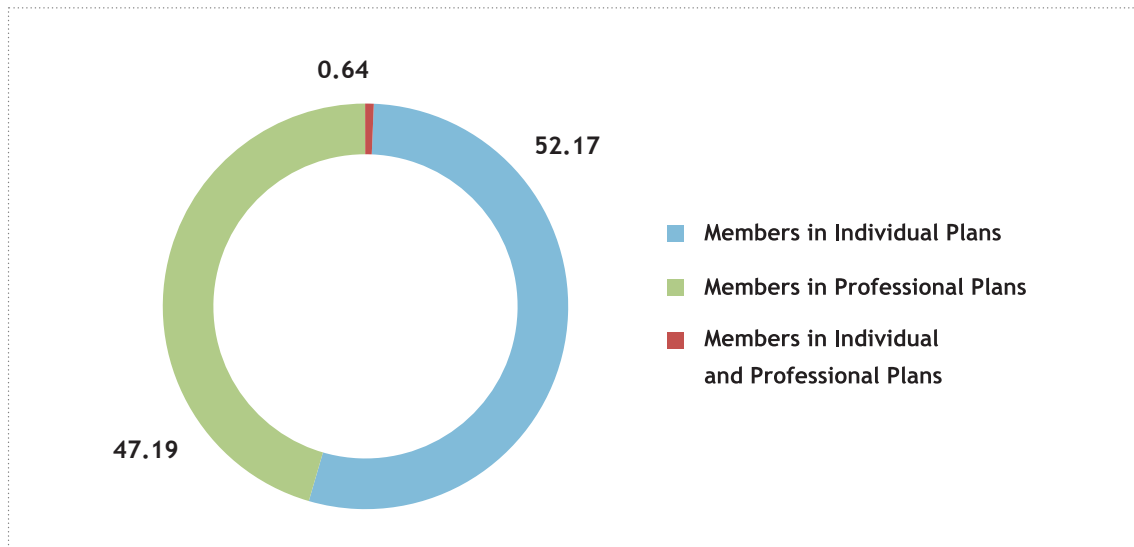


Chart 26: Share of private pension fund members by pension plans, 2023

(In %)



Risk-Based Supervision and Market Risk Analysis

The private pension fund market is monitored using a risk-based methodology designed to identify and mitigate significant risks in a timely manner.

This methodology, aimed at developing a sound process for risk assessment, also includes the establishment of the Risk Committee for Private Pension Funds, which convenes regularly twice a year.

During the Risk Committee meetings in 2023, the matrices for present and residual risks in the system were presented, and their assessment was conducted, identifying the risks that require more immediate intervention. The most significant risk identified in the local market is the low participation rate, which affects system reliability. To address this, the Risk Committee approves a medium-term supervision plan for the pension funds market.

Chapter 3

Regulatory And Licensing Activity

3.1 Private Pension Fund Market Regulation

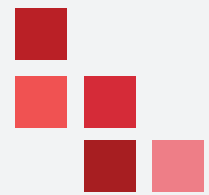
The year 2023 marked significant developments in terms of the regulatory framework. On September 21, 2023, the Albanian Parliament approved Law No. 76/2023 “On Private Pension Funds,” which aligns closely with Directive 2016/2341/EU (IORP II).

The law aims to improve the legal framework governing the market for private pension funds with defined contributions, creating favourable conditions for market development and encouraging pension savings. This Law regulates:

1. The licensing and activity of the managing companies of the private pension funds operating in the Republic of Albania;
2. Creation and operation of open-ended and closed-ended private pension funds with defined contributions in the Republic of Albania;
3. The licensing and activity of the depository of private pension fund assets;
4. The supervision of the managing company, private pension funds, depository of private pension fund assets and other entities pursuant to this law;
5. The cross-border activity of managing companies that offer closed-ended private pension funds.

The main objectives include protecting the interests of pension fund members by:

1. Protection of the interests of private pension fund members, by establishing the highest standards for good information and transparency, which promote investor confidence in the private pension fund market Encouraging Participation through Forecasting: Promote the establishment of closed-end funds specifically dedicated to employees by allowing employers, trade unions, professional associations, etc., to create such funds.
2. Increasing Pension Savings: Enhance pension savings through a revision of tax policy aimed at creating fiscal incentives for existing or potential members and beneficiaries of the fund.



3. **Strengthening the Supervisory and Regulatory Framework:** Implement strict requirements for licensing and monitoring of pension fund management companies, including regulation of cross-border activities and compliance with legal obligations.
4. **Increasing Professionalism in Private Pension Funds Administration:** Improve the professionalism of pension fund management by raising governance standards, ensuring suitability of key personnel, establishing a risk management system, and implementing self-assessment and internal control systems.

With the entry into force of Law no. 76/2023 “On Private Pension Funds,” and in compliance with legal requirements for the sub-legal framework, AFSA has continued to work on drafting regulations. By March 2024, four regulations have been approved, as follows:

1. Regulation No. 1, dated 31.01.2024 “On the Licensing and Additional Licensing Rules for Private Pension Fund Management Companies and Private Pension Fund Depositories Established in the Republic of Albania.” This regulation specifies the requirements for licensing private pension fund management companies in the Republic of Albania and the approval and licensing of private pension funds and their depositaries.
2. Regulation No. 2, dated 31.01.2024 “On Defining the Elements of the Membership Contract, the Participation Acceptance Declaration, the Asset Management Contract of the Managing Company, and the Content and Structure of the Fund Prospectus.” Objective of this Regulation is to define the elements of the membership contract for individual members in an open-end pension fund and the elements of the acceptance declaration for participation, both for employees of an employer in an open-ended pension fund and for employees of a sponsor in a closed-ended pension fund. This regulation specifies the elements of the asset management contract between the sponsor and the managing company, as well as the content and structure of the pension fund prospectus.

3. Regulation No. 3, dated 31.01.2024 “On Defining the Requirements for Capital Adequacy, the Form, Calculation, and Amount of Own Funds Required for a Private Pension Fund managing Company.” The objective of this regulation is to define the requirements for capital adequacy of the managing company, as well as the form, calculation, and amount of own funds that the private pension fund managing company must hold at all times.
4. Regulation No. 4, dated 31.01.2024 “On the Delegation of Functions by the Private Pension Fund Managing Company.” This regulation sets out the types of functions, rules, and procedures for delegating functions of the private pension fund managing company to third parties.

The drafted regulations are published for public consultation on AFSA’s official website and undergo an extensive consultation process with private pension fund managing companies.

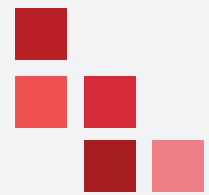
3.2 Regulation of Capital Markets and Collective Investment Undertakings

Collective investment undertakings market

During 2023, AFSA continued its efforts to complete the sub-legal framework under the implementation of Law No. 62/2020 “On Capital Markets” and Law no. 56/2020 “On collective investment undertakings”.

In 2023, AFSA drafted and approved sub-legal acts regulating the capital markets as follows:

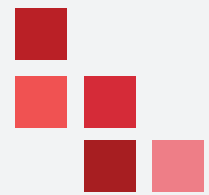
1. Regulation No. 4, dated 26.01.2023 “On the Form and Content of the Prospectus Published When Securities are Offered to the Public and/ or Admitted for Trading on a Regulated Market.” The objective of this Regulation is to define the form and content of the full prospectus, its main elements, as well as the approval and registration of the prospectus for the offer of securities to the public and/or admission of securities for trading on a regulated market registered or recognized in the Republic of Albania; the form and content of the supplement added to the prospectus; the form and content of the registration document, the title note, and the summary of the prospectus when the prospectus consists of these documents, as well as the procedures for prospectus approval. This regulation also sets out the requirements for when an issuer based outside the Republic of Albania may offer securities in the Republic of Albania.



2. Regulation No. 5, dated 26.01.2023 “On Transparency Requirements Regarding Listed Company Information.” The objective of this regulation is to define the requirements for providing periodic and ongoing information by listed companies, whose securities are admitted for trading on a regulated market in the Republic of Albania. This regulation establishes the method and format for providing information by listed companies to ensure proper transparency, through regulated information, deadlines for publishing information, and the form and content of annual reports of listed companies. The requirements of this regulation apply to all issuers whose securities are admitted for trading on a regulated market in the Republic of Albania.
3. Regulation No. 6, dated 26.01.2023 “On the Capital Adequacy of Brokerage Firms.” The objective of this regulation is to define the requirements for capital adequacy for brokerage firms, applying the principle of proportionality, in relation to the types of investment services offered by the brokerage firm and the size of its activities.
4. Regulation No. 16, dated 28.02.2023 “On the Operational Activity of Brokerage Firms and Banks Providing Investment Services.” The objective of this regulation is to define the requirements for the organization, functioning, and execution of the operational activity of entities providing investment services and activities. These requirements aim to protect client interests, ensure the fair and orderly functioning of capital markets, and raise the professional standards of these entities.
5. Regulation No. 71, dated 28.04.2023 “On Prohibiting Market Abuse.” The objective of this regulation is to define the requirements and procedures necessary to prohibit market abuse, related to trading based on privileged information, illegal disclosure of privileged information, and market manipulation, with the aim of protecting investors, ensuring market integrity, and increasing market confidence.
6. Regulation No. 88, dated 31.05.2023 “On the Licensing and Operation of Multilateral Trading Facilities (MTFs), Organized Trading Facilities (OTFs), and Requirements for Brokerage Firms Acting as Systematic Internalisers.” The purpose of this regulation is to define the requirements and procedures for licensing the operation of a multilateral trading facility (MTF) or an organized trading facility (OTF), the organization and operation of the MTF or OTF, and the criteria for treating/barring brokerage firms as systematic internalisers.

7. Regulation No. 89, dated 31.05.2023 “On the Licensing and Operation Criteria for Stock Exchanges and Market Operators Operating a Regulated Market.” This regulation defines the requirements for licensing and operating as a market operator that manages a regulated market, as well as the criteria for licensing and operating a stock exchange.
8. Regulation No. 90, dated 31.05.2023 “On the Licensing and Operation of the Central Securities Depository.” The purpose of this regulation is to define the requirements and procedures for licensing and operating a Central Securities Depository.
9. Regulation No. 91, dated 31.05.2023 “On the Licensing and Operation Requirements for Clearing Houses and Central Counterparties (CCPs).” This regulation aims to establish the requirements and procedures necessary for the licensing and operation of clearing houses and central counterparties (CCPs), as defined by Article 3, points 14 and 10 of Law No. [number]. 62/2020 “On Capital Markets”. It also specifies the requirements for licensing, organizing, and conducting the activities of clearing houses and CCPs.
10. Regulation No. 92, dated 31.05.2023 “On the Criteria and Requirements for Approving the Audit Firm of Brokerage Firms and Market Institutions.” The purpose of this regulation is to define the criteria, conditions, and procedures for approving the audit firm of brokerage firms and market institutions by AFSA.
11. Regulation No. 197, dated 24.11.2023 “On the Definition of the Form and Content of Periodic Reporting by Brokerage Firms, Banks Providing Investment Services in Securities, and Market Institutions.” The objective of this regulation is to define the form, content, and deadlines for periodic reporting of data related to the activities of brokerage firms, banks offering investment services in securities, and market institutions to AFSA. This is aimed at standardizing the information provided by reporting entities for market supervision and statistical purposes.

Based on and for the implementation of Law no. 56/2020 “On Collective Investment Undertakings,” and in the context of increasing cross-border activities of collective investment undertakings, during 2023, AFSA drafted and approved the following regulations:



1. Regulation No. 37, dated March 31, 2023 “On the Recognition of Managing Companies of Collective Investment Undertakings Licensed in an EU Member State and the Recognition of Open-End Collective Investment Undertakings with a Public Offer in Transferable Securities Approved in an EU Member State.” The objective of this Regulation is to establish the procedure, rules, and documentation required for the recognition of managing companies of collective investment undertakings licensed in an EU Member State, with the purpose of marketing and selling shares or units of open-end collective investment undertakings with a public offer in transferable securities in the Republic of Albania. It also covers the recognition of open-ended collective investment undertakings with public offering in transferable securities approved in an EU Member State.
2. Regulation No. 38, dated March 31, 2023: “On the Registration of Sales Agents for Open-Ended Collective Investment Undertakings with a Public Offering in Transferable Securities Approved in an EU Member State.” Objective of this Regulation is to define the requirements for the registration of legal entities seeking to carry out marketing and sales activities for shares or units of open-end collective investment undertakings (CIUs) with a public offer in transferable securities, approved in an EU Member State and recognized by AFSA.

3.3 Insurance Market Regulation

In 2023, work commenced on drafting several amendments and additions to Law no. 52, dated 22.5.2014 “On Insurance and Reinsurance Activities.” The purpose of these changes and additions is to enhance the alignment of this law with Council Directive 2009/138/EC, known as Solvency II, and to reflect the recommendations from the compliance assessment report with ICPs, conducted by members of IAIS under the Member Assessment Program. The draft law aims to introduce increased requirements for an effective risk management system, group insurance supervision, improved governance of insurance companies, and the self-assessment of risk reports.

As part of enhancing the risk-based supervisory methodology, in 2023, AFSA, with the technical assistance of the World Bank, comprehensively reviewed the risk assessment methodology for Non-Life insurance companies, including early warning indicators. The revised methodology and indicators have been reflected in the Manual “On the Risk Matrix and Analytical Indicators for the Non-Life

Insurance Market,” approved by Board Decision no. 94, dated 31.05.2023, and in the Guideline “On the Risk Matrix and Analytical Indicators for the Non-Life Insurance Market,” approved by the Board Decision no. 95, dated 31.05.2023.

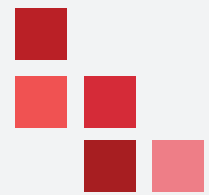
Through the risk-based supervisory methodology, the aim is to timely identify risks that may impact achieving supervisory objectives such as: protecting consumer interests, promoting stability, increasing transparency and trust in the insurance market, and ensuring compliance with the legal and regulatory framework. The improvements made in this manual will further assist AFSA in achieving effective and proactive supervision, aiming to prevent financial issues within insurance companies.

Additionally, the number of early warning analytical indicators was increased from 16 in the previous 2014 Manual to 44 dedicated indicators, according to the primary insurance activities. These indicators are widely used in the insurance industry and serve AFSA to obtain timely information and intervene appropriately to improve the financial health of insurance companies. The benchmarks are based on international practices, including countries with similar markets and Albania’s own experience.

There have also been developments regarding insurance companies’ preparation for the preparation and reporting of financial statements in accordance with International Financial Reporting Standards (IFRS), according to Order no. 106, dated 10.05.2023, of the Minister of Finance. In line with the application of this standard, AFSA, by Board Decision no. 146, dated 31.08.2023, approved the Guideline “On the Reporting of Insurance Companies for the Implementation of IFRS 17 “Insurance Contracts”. This guideline aims to ensure that insurance companies take measures to implement IFRS 17. It sets out specific steps and deadlines for interim reporting by insurance companies to gradually prepare the market until full implementation.

Others

In the framework of personal data protection and in compliance with obligations arising from the current legislation “On the Protection of Personal Data,” AFSA has drafted and approved Regulation No. 3, dated January 26, 2023: “On the Protection, Processing, Storage, and Security of Personal Data at the Financial Supervisory Authority.” This regulation defines the organizational and technical procedures, measures for protection and security, storage and administration, processing criteria, and the rights of personal data subjects by the responsible structures for data processing at AFSA.



To unify procedures for reviewing and handling all complaints submitted to AFSA, Regulation No. 93, dated May 31, 2023: “On the Procedures and Review of Complaints at the Financial Supervisory Authority,” was drafted and approved. The objective of this regulation is to establish rules for the procedures and review of complaints submitted to AFSA by consumers/investors or any other interested parties concerning activities carried out by entities supervised by AFSA, with the aim of protecting their rights and interests.

3.4 Licensing and Governance

3.4.1 Collective investment undertakings market

Licensing Activity

During 2023, AFSA approved the recognition of the collective investment undertaking “Eurizon Capital” S.A. and its sub-funds “Eurizon Fund - Azioni Strategia Flessibile” and “Eurizon Fund - Equity World Smart Volatility,” which are public collective investment undertakings in transferable securities (UCITS) approved by CSSF in Luxembourg, to be marketed and sold in the Republic of Albania. These funds have environmental and social (ESG) characteristics and promote investments in assets that follow good governance practices. ESG criteria are the fundamental elements on which the investment policies of these funds are based.

Additionally, the company “Intesa Sanpaolo Bank Albania” sh.a. was registered to carry out the activity of a sales agent in the Republic of Albania for the sub-funds recognized by AFSA: “Eurizon Fund - Azioni Strategia Flessibile” and “Eurizon Fund - Equity World Smart Volatility,” approved by CSSF in Luxembourg, under the management of “Eurizon Capital” S.A., recognized by AFSA.

In 2023, the “Sigal Invest” Investment Fund, managed by “Sigal-Life Uniqa Group Austria,” a company managing pension funds and collective investment undertakings, was licensed.

Currently, six managing companies operate in the investment fund market. Of these, three are managing companies for private pension funds and public collective investment undertakings (CIUs), two are managing companies for public collective investment undertakings (CIUs), and one is a managing company for private pension funds, public collective investment undertakings (CIUs), and alternative investment funds for professional and qualified clients.

The fund managing companies administer 13 CIUs in the legal form of the Investment Fund with open-ended participation and with public offering, private pension funds and 2 alternative investment funds for professional and qualified clients.

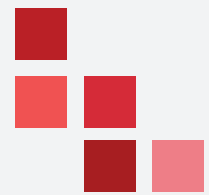
In the fund market, six banks act as fund depositaries. Of these, three are licensed as depositaries for pension fund assets and collective investment undertakings, two are depositaries for pension fund assets, and one bank is a depositary for pension fund assets, public collective investment undertakings, and alternative investment funds for professional and qualified clients.

Data on managing companies, collective investment undertakings, private pension funds, and depositaries are provided in the table below:

Table 11: Data on entities operating in the fund market

(In numbers)

Entity	2019	2020	2021	2022	2023
Managing Company:	5	6	6	6	6
CIU Managing Company with public offering	1	2	2	2	2
Private Pension Funds Managing Company	1	1	1	-	-
Private Pension Funds Managing Company and CIU with public offering	3	2	2	3	3
Private Pension Funds Managing Company and CIU with public offering and alternative investment funds for professional and qualified clients.	-	1	1	1	1
Collective Investment Undertakings (Investment funds)	6	9	11	12	13
Alternative Investment Funds	-	-	2	2	2
Private Pension Funds	4	4	4	6	6
Funds Depository:	6	6	6	6	6
Depository of Private Pension Funds	2	2	2	2	2
Depository of Private Pension Funds and Investment Funds	4	3	3	3	3
Depository of Private Pension Funds and CIUs with Public Offering and Alternative Investment Funds for Professional and Qualified Clients	-	1	1	1	1
Recognized/Registered Entities:					3
Fund Managing Company for Collective Investment Undertakings (CIUs)					1
UCITS					1
Sales Agents					1



Governance

In support of legal and regulatory requirements, managing companies are organized according to a single-tier governance system. AFSA approved three appointments to executive positions, such as administrator/member of the management board, and key personnel of fund managing companies, along with 13 reappointments to these roles, and three appointments as key personnel of the custodian.

Table 12: Information on shareholders of collective investment undertaking managing companies and private pension funds.

<i>Entity</i>	<i>Number</i>	<i>%</i>
Managing Company	6	
Total shareholders	17	
<i>Shareholders classification per participation share:</i>		100
under 10%	7	41.18
over 10% below 20%	2	11.76
over 20% below 33 %	1	5.88
over 33% below 50%	1	5.88
over 50%	6	35.29
<i>Classification of shareholders by country of origin:</i>		100
Foreign Shareholders	7	41.17
Local Shareholders	10	58.83
<i>Classification of shareholders by their status:</i>		100
Individual Shareholders	9	52.94
Joint-stock companies	8	47.06

In 2023, there were no approvals for changes to the statutes of collective investment undertakings and private pension fund managing companies.

Table 13: Data on statutory amendments adoptions

(In number)

<i>Reason for Amending the Statute</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
New statute/other amendments	5	1	-	-	-
Capital increase	1	1	-	1	-
Changes in shareholding structure	2	-	-	1	-

During 2023, two delegations of marketing functions were approved for the private pension fund “Sigal Pro,” managed by “Sigal-Life Uniqa Group Austria” sh.a., a fund managing company. The private pension fund “Smart Pension,” managed by “Albsig Invest - fund managing and collective investment undertaking” sh.a. These functions were delegated to “Banka Kombëtare Tregtare” sh.a.

3.4.2 Capital Markets

Licensing Activity

During 2023, as a result of the merger by absorption of “Banka Alpha Albania” sh.a. by “Banka OTP Albania” sh.a., the license of “Banka Alpha Albania” sh.a. as a brokerage firm for providing investment services for government securities of the Republic of Albania was revoked.

At the request of “Aksioner International Securities Brokerage” sh.a., the license was revoked for the company as a securities brokerage firm, which was engaged in the purchase and sale of securities on behalf of clients in the licensed market within the territory of the Republic of Albania, as well as for providing investment advisory services in securities.

Additionally, the license of “Banka Alpha Albania” sh.a. as a brokerage firm for providing investment services for government securities of the Republic of Albania was revoked, including receipt and transmission of orders, execution of orders on behalf of clients, trading for its own account. For financial instruments such as: transferable securities, money market instruments.

Companies providing ancillary services for Government Securities of the Republic of Albania: Safekeeping and administration of financial instruments on behalf of clients, as a result of its merger by absorption with “Banka OTP Albania” sh.a.

AFSA approved: the reappointment of the General Director and three members of the Supervisory Board of the company “Albanian Securities Exchange, ALSE” sh.a. As well as the reappointment of the administrator and three members of the Supervisory Board of the company “Albanian Securities Register, ALREG” sh.a.

In the capital markets, activities are conducted by one stock exchange, two registrars, and 11 brokerage firms offering investment services in securities. Among these, nine are banks providing additional services for the safekeeping and administration of financial instruments on behalf of clients, and one bank offers online investment services through the “Smart Invest” platform.

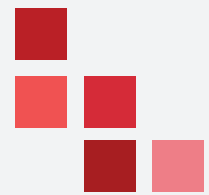


Table 14: Historical Data on Entities Operating in the Capital Market

(In number)

Entity	2019	2020	2021	2022	2023
Securities Exchange	1	1	1	1	1
Investment firms/Banks	14	12	13	13	11
<i>Of which:</i>					
<i>Banks that provide ancillary services for the safekeeping and management of financial instruments</i>	9	9	9	10	9
Banks that provide on-line investment services				1	1
Securities registrars	2	2	2	2	2
Related agents of foreign investment firms	5	4	2	-	-

3.4.3 Insurance market

Licensing Activity

The licensing activity of AFSA in the insurance market mainly focused on licensing/approving/revoking licenses for insurance intermediaries (agents/brokers) and on licensing/renewing actuaries.

Insurance company

Currently, there are 12 insurance companies operating in the insurance market, of which 8 are engaged in non-life insurance and 4 are engaged in life insurance. This number has not changed since 2019.

Insurance Brokers

Insurance mediation can be conducted either as an insurance broker or as an insurance agent. Insurance brokerage can be performed by individuals licensed as insurance brokers, independent brokers, or banks licensed to carry out this activity through licensed brokers.

In 2023, the company “Banka OTP Albania” sh.a. was licensed to conduct insurance brokerage activities for both Life and Non-Life classes.

During 2023, the license of “Banka Alpha Albania” sh.a. was revoked for insurance brokerage activities in both Life and Non-Life classes, due to its merger by absorption with “Banka OTP Albania” sh.a. Additionally, the license of “SunTrust Broker” sh.a. was revoked for insurance brokerage activities in Life, Non-Life, and Reinsurance classes. The license was also revoked for an individual insurance broker and an independent physical broker.

In 2023, Intesa Sanpaolo Bank Albania was licensed to operate as an insurance agent in Non-Life classes, on behalf of Sigal Uniqa Group Austria.

In the insurance market, 12 brokerage firms, 5 banks, and 3 individual brokers are currently licensed to conduct insurance brokerage activities.

Among the 17 brokerage firms, 6 brokerage firms and 1 bank operate exclusively in the Non-Life insurance sector, 3 brokerage firms are involved in Life insurance, Non-Life insurance, and reinsurance, and 3 brokerage firms along with 4 banks operate in both Life and Non-Life insurance sectors.

Table 15: Brokerage Company by Insurance Classes

(In number)

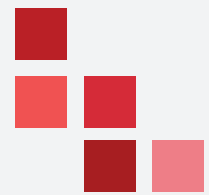
Year	2019	2020	2021	2022	2023
Non-Life brokerage company	9	8	8	7	7
Non-Life and Life brokerage company	6	7	7	7	7
Non-Life, Life and Reinsurance brokerage company	4	4	4	4	3
Total	19	19	19	18	17

AFSA approved 183 natural persons (agents) to exercise their activity as insurance agents and licensed six legal entities to act as insurance agents. In the insurance market, 973 individuals have been approved to exercise the activity as insurance agent and 56 legal entities got licensed, four of which are banks.

Table 16: Data on Licensed Insurance Agents

(In number)

Insurance agent	Licensed at the end of 2021	New licenses in 2022	License revoking, termination of contract in 2022	Licensed at the end of 2022
Legal persons	57	6	7	56
<i>Of which, banks</i>	4			4
Natural persons	882	183	92	973



Insurance claims adjusters

In the insurance market, 51 individuals are licensed as insurance claims adjusters. Of these: 27 individuals work employees of an insurance company and 24 individuals operate as freelance adjusters .

There were no new licenses or renewals for insurance damage assessors in 2023. In 2023, one actuary was licensed and the licenses of three actuaries were renewed.

Table 17: Data on the Number of Licensed Insurance Claims Adjusters

(In number)

<i>Adjusters according to status/ type of license</i>	<i>Licensed at the end of 2021</i>	<i>License renewal in 2022</i>	<i>New licenses in 2022</i>	<i>License expired in 2022</i>	<i>License revocation in 2022</i>	<i>Licensed at the end of 2022</i>
According to the person's status						
Independent	28	-	-	4	-	24
Employed	29	-	-	2	-	27
According to the type of license						
Material claims	9	-	-	1	-	8
Health claims	16	-	-	3	-	13
Material and health claims	32	-	-	2	-	30
TOTAL	57	-	-	6	-	51

Governance

The insurance companies that operate in the Albanian market are organised in one and two level governance system. In one-level governance insurance companies, the board of directors exercises administrative and supervisory powers, whereas in two-level governance companies, the Supervisory Board exercises supervisory and administrative powers, whereas the board of directors' exercises administration powers. As of the end of 2023, 11 out of 12 insurance companies operate under a two-tier system, while only 1 company operates with a single-tier system.

AFSA approved two appointments to executive positions as members of the supervisory board of insurance companies and 29 reappointments to the roles of administrator and board member/supervisor.

Regarding brokerage companies, AFSA approved eight appointments to managerial positions such as board members or company administrators. Additionally, 21 reappointments were made to these positions.

In terms of ownership structure, nine out of 12 insurance companies are primarily locally capitalized. Three companies have predominantly foreign capital. Furthermore, 11 out of 12 insurance companies have influential shareholders who own more than 50% of the shares.

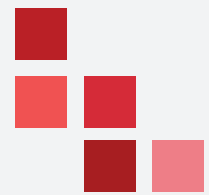
Table 18: Data on Insurance Companies' Shareholders

<i>Entity</i>	<i>Number</i>	<i>%</i>
Insurance company	12	
Total shareholders	37	
<i>Shareholders classification per participation share</i>		100
under 10%	18	50
over 10% below 20%	4	13.16
over 20% below 33 %	3	5.26
over 33% below 50%	1	2.63
over 50%	11	28.95
<i>Classification of shareholders by country of origin:</i>		100
Foreign Shareholders	2	5.26
Local Shareholders	35	94.74
<i>Classification of shareholders by their status</i>		100
Individual Shareholders	28	76.32
Joint-stock companies	9	23.68

For 2023, AFSA approved three statutory amendments for insurance companies and two statutory amendments for insurance brokerage firms.

3.5 Supervisory and Administrative Measures

The regulatory framework that governs the activities of financial entities under AFSA's supervision is established by Law No. 9572, dated 03.07.2006 "On the Financial Supervision Authority", as amended, stipulate corrective and administrative measures that aim at preventing, correcting and suspending the circumstances and actions that violate AFSA's legal provisions or by-laws.



In line with its competencies, during 2023, AFSA's Board issued 28 decisions as administrative corrective measures against supervised entities. These decisions were primarily a result of findings from analysis of financial indicators, on-site inspections conducted by AFSA, license suspensions or revocations for conducting business activities.

In the insurance market, 20 decisions were made, categorized as follows:

- 13 decisions on corrective measures and sanctions with fines against insurance companies/persons responsible.
- 2 decisions for denial of review requests.
- 2 decisions with corrective measures against insurance brokerage firms.
- 3 decisions for revocation of licenses for entities engaged in insurance brokerage activities.

In the securities market, three decisions were made as follows:

- One company had its license revoked and was deregistered from operating in the securities market.
- Corrective measures were taken against two banks providing investment services.

In the private pension funds and collective investment undertakings (CIU) market, two decisions were made, involving corrective measures against the administrative companies managing private pension funds and CIU.

Two administrative decisions were made against the **Albanian Insurance Bureau.**

One decision was made against one bank, resulting in the revocation of its license as a commission company for providing investment services, as well as its license for conducting insurance brokerage activities.

Chapter 4 Interinstitutional Collaboration

4.1 Prevention of Money Laundering and Terrorism Financing

The measures taken by AFSA to address the recommendations made by the MONEYVAL Committee of the Council of Europe as well as the implementation of the ICRG/FATF Action Plan

The Albanian Financial Supervisory Authority is part of the cross-institutional group, established by Decision no. 1, dated 19.2.2020 of the Anti-Money Laundering Coordinating Committee, for the follow-up and fulfilment of the recommendations made by the Special Financial Action Task Force (FATF). and the International Cooperation Review Group (ICRG). AFSA implemented the Action Plan to address Moneyval recommendations during 2023.

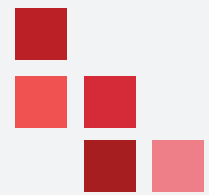
Additionally, AFSA made a continuous contribution to the development of the National Risk Assessment for Money Laundering and Terrorist Financing in Albania, which was approved in December 2023 at the meeting of the Anti-Money Laundering Coordination Committee (AMLC).

As part of its ongoing collaboration with the Council of Europe, AFSA, together with the Financial Intelligence Unit (FIU), benefited from technical assistance under the project “Action against Economic Crime in Albania.” This assistance focused on evaluating the Albanian legal framework in accordance with Recommendation 15 of the Moneyval Committee’s evaluation report titled “New Technologies.” Upon completion of this assistance, recommendations were made to improve supervisory practices to ensure compliance with the existing legislation and FATF requirements. AFSA has evaluated these recommendations and has taken the necessary measures to address them. AFSA prepared and published an informative material for the public, in compliance with the recommendation to publish information on the institution’s website about the types of licenses and activities covered by Law 66/2020. This includes details on the responsibilities of entities and issues related to anti-money laundering (AML).

Inspections carried out during 2023 in the framework of PPP/FT

During 2023, a total of four inspections were carried out, as follows:

- Life Insurance Brokers: two inspections were conducted to verify the implementation of legal provisions and the execution of proper and enhanced due diligence measures by entities under the AML/CFT law.



- Pension and Investment Fund Managing Companies: two inspections were carried out to follow up on the implementation of recommendations from previous inspections, focusing on compliance with the AML/CFT legal framework.

At the conclusion of the inspections, recommendations were issued for the two companies engaged in life insurance brokerage activities.

During 2023, the risk categorization was conducted for the legal entities for PPP/FT, under AFSA's supervision, based on the self-assessment forms. For the banking entities involved in custodial activities, information was exchanged with the Bank of Albania. The results of the risk categorization analysis, derived from the assessment matrix for 11 entities, indicated a "Low Risk Level."

Trainings on PPP/FT

Regarding the strengthening of AFSA's capacity for AML/CFT, during 2023, AFSA's staff participated in training organized by the Royal United Services Institute (RUSI) and the Council of Europe, focusing on risks associated with new technologies and abuses involving virtual assets.

In 2023, AFSA organized a training for insurance intermediaries, which also covered AML/CFT issues.

4.2 Regional and International Cooperation

AFSA's collaboration with organizations, associations, financial institutions, partners, and donors continued to expand throughout 2023. AFSA has broadened its cooperation with European counterpart authorities through the signing of memorandums of understanding, exchange of information, and regulatory and supervisory experiences. The main aim of these collaborations and projects is to enhance supervisory effectiveness and consolidation in non-bank financial markets, as well as to improve market regulation.

4.2.1 Memorandum of Understanding, 2023

Memorandum of Understanding with the Luxembourg Commission de Surveillance du Secteur Financier (CSSF)

In February 2023, AFSA signed a Memorandum of Understanding (MoU) with the Luxembourg Financial Supervisory Commission (CSSF). The general framework of this MoU is based on the objectives and principles for the regulation of supervised markets established by the International Organization of Securities Commissions (IOSCO) and the European Securities and Markets Authority (ESMA).

The MoU between the two regulatory authorities ensures the exchange of information and experience concerning regulatory and supervisory responsibilities in the capital markets, including investment funds and private pension markets. Additionally, the memorandum aims to promote technical cooperation, specifically for the sharing of knowledge and exchange of views on issues related to the regulation and supervision of Collective Investment Undertakings.

Memorandum of Understanding with the Austrian Financial Market Authority (FMA)

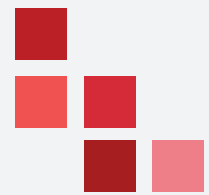
In September 2023, the Financial Supervisory Authority finalized the signing of a Memorandum of Understanding (MoU) with the Austrian Financial Market Authority (FMA) for consultation, cooperation, and information exchange in the supervision of AIFMD entities.

The agreement signed with the FMA, alongside the IOSCO Multilateral Memorandum of Understanding, aims to strengthen bilateral cooperation between the two regulatory authorities, not only in the insurance market but also in the capital markets concerning investment funds. This agreement allows for the operation of new types of collective investment undertakings (CIUs) in the Albanian markets and also permits the cross-border trading and sale of their shares.

4.2.2 Cooperation with Counterpart Authorities

In March 2023, representatives from AFSA and the Ministry of Finance conducted a visit to several institutions in Turkey, including the Insurance and **Private Pension Regulation and Supervision Agency, the Information and Monitoring Centre for Insurance, and the Turkish Public Institution for Disaster Insurance.**

During the visit, meetings were held with representatives and experts from various institutions with the aim of exchanging information and best practices related to disaster insurance (Nat Cat) supervision and regulation. The main objective of these meetings was to share technical knowledge and discuss the understanding and functioning of the mandatory disaster insurance scheme in Turkey, particularly following the earthquake event in February 2023.



AFSA is an active member of the **Regional Insurance Supervision Initiative of the Central, Eastern and South-Eastern Europe (CESEE-ISI)**. As part of this initiative, AFSA participated in the 21st meeting organized by the Insurance Supervisory Agency of Montenegro (ANO) with the support of the CESEE ISI Secretariat (Central Bank of Hungary and FMA). The meeting was held in Montenegro in April 2023. Participants in various conference sessions exchanged experiences from the region's insurance sector and presented current challenges, emphasizing the role of regulatory authorities in protecting policyholders' interests, with a focus on sustainable finance and ESG factors.

Even during 2023, AFSA has continued cooperation with the **Insurance Supervision Agency of Slovenia (AZN)**. In January 2023, AFSA participated in a 2-week online course organized by the Centre of Excellence in Finance (CEF), in collaboration with the IMF and the AZN. This program provided a unique opportunity for supervisory authorities in the CEET region to develop the necessary processes for implementing the new International Financial Reporting Standard, IFRS 17, and to expand their knowledge of IFRS 17 and IFRS 9.

4.2.3 Cooperation with International and Regulatory Organizations

The World Bank and the **International Monetary Fund** have continuously supported AFSA as key and important partners. This cooperation strengthens institutional capacity through support from international experts in organizing training sessions, aiming to enhance the capabilities of both the AFSA's staff and financial non-bank market operators.

From August to September 2023, AFSA participated in training organized by the **Joint Vienna Institute (JVI)** in collaboration with the IMF, titled "Financial Markets and Instruments." Topics covered in this training included capital markets, financial instruments, and the challenges and risk assessments faced by these markets.

Throughout 2023, the **World Bank's** support has been through projects related to assistance in developing the legal and regulatory framework for the insurance and private pension fund markets.

International Association of Insurance Supervisors (IAIS)

AFSA has been a member of the International Association of Insurance Supervisors (IAIS) since 2001. This organization aims to establish standards and implement fundamental principles in insurance supervision, develop markets, protect policyholders, and contribute to global financial stability.

In July 2023, the full report on the compliance assessment of AFSA's standards and practices with the ICPs, conducted by the IAIS, was published on the official website. From the evaluation of this report, a high level of compliance with the ICPs (Insurance Core Principles) was observed. Out of 24 core principles, 10 were found to be fully compliant, and 12 others showed a high level of compliance. This assessment represents a significant improvement compared to the results of the evaluation conducted in 2014 by the World Bank and the IMF.

Additionally, in 2023, AFSA participated in Technical Committee Meetings, the Global Seminar, and the annual global conference organized by the IAIS (International Association of Insurance Supervisors). The conference focused on the implementation of the IAIS guide and the future work plans of the association. Discussions covered upcoming challenges and the role of supervisors in addressing issues related to natural disaster protection (NatCat), climate change risk, and enabling better assessment of financial risks associated with the so-called *greenwashing* phenomenon.

Throughout 2023, AFSA also attended various seminars organized by the IAIS. Notably, AFSA participated in the 3-day seminar "IAIS 2023 Bootcamp for Assessors," which addressed topics related to the assessment of the implementation of ICPs and the IAIS's ComFrame, illustrated with case study presentations.

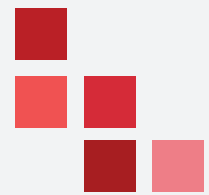
AFSA took part in training organized by the Financial Stability Institute (FSI) and the IAIS, in a virtual e-learning format aimed at developing capacities in the insurance sector for 2023.

International Organization of Securities Commissions (IOSCO)

It is a full member of the International Organization of Securities Commissions (IOSCO) and a signatory of IOSCO's Multilateral Memorandum of Understanding (MoU) since 2009, which sets standards for international cooperation among signatory states. AFSA participates in IOSCO's annual committee meetings.

Senior officials from AFSA were present at the 48th annual meeting, which included: European Regional Committee (ERC) meetings, Growth and Emerging Markets Committee (GEMC), Presidents Committee, Multilateral MoU Monitoring Group (MMoU MG), Global Capital Markets Conference organized by IOSCO.

During the global conference, various issues were discussed, including new visions for the financial sector, challenges and opportunities, sustainable finance,



taxonomy, ESG investments, the role of corporations and investors in ensuring efficient, sustainable, and green financial markets, digitalization: development of digital assets, new technologies and innovations for developing new products and business models.

Additionally, senior leaders of AFSA participated in meetings of the European Regional Committee (ERC) organized by IOSCO, in collaboration with the Financial Services and Markets Authority of Belgium. The focus of the meeting was on sustainable finance, carbon markets, Fintech, and Suptech. Best supervisory practices for addressing risks related to greenwashing were also discussed during the meeting.

Throughout 2023, AFSA also participated in various seminars organized by IOSCO.

International Organization of Pension Supervisors (IOPS)

Additionally, AFSA is a member with full rights and an active participant in the International Organization of Pension Supervisors (IOPS) since 2006. IOPS is an independent international organization established in 2004 at the initiative of the OECD and the International Network of Pension Regulators and Supervisors (INPRS), in view of representing the interests of private pension regulators.

AFSA regularly participates in the Annual General Meeting, Technical Committee Meetings of IOPS, as well as the Global Forum on Private Pensions, which were organized by OECD/IOPS in 2023.

Throughout 2023, AFSA also took part in activities and seminars organized by IOPS and the Working Party on Private Pensions (WPPP) to follow up on and implement recommendations, with a focus on meeting ad-hoc guidelines for the period 2019-2024.

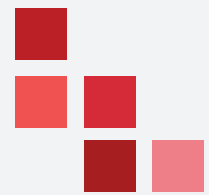
AFSA has contributed to the completion of questionnaires related to supervisory activities to enhance efficiency and the quality of supervision, and to develop and refine international best practices in the pension field. This includes completing questionnaires on liquidity risks, Sup Tech, and various statistical information.

World Trade Organization (WTO)

The World Trade Organization (WTO) was established in 1994 with the goal of promoting and implementing international trade laws and regulations. The WTO has AFSA to administer and oversee free trade agreements and global trade practices, as well as to review and resolve trade disputes between member countries. It is the successor to the General Agreement on Tariffs and Trade (GATT), which was founded on the eve of World War II. The WTO has 164 members, representing about 98% of global trade.

Albania joined the WTO on September 8, 2000. The Ministry of Finance is the responsible institution in Albania for all matters related to the WTO, preparing and approving Albania's positions in the WTO and coordinating with other national institutions to prepare periodic notifications to the WTO.

AFSA is one of the institutions involved in fulfilling Albania's commitments to the WTO. In November 2023, in Geneva, AFSA was part of the Albanian delegation at the meeting for the review of trade policies within the WTO framework. The work done in terms of legal advancements and the facilitation of trade barriers was praised, aiming for a more stable and developed economy for WTO member countries.



4.3 Projects

The project “Financial Stability and Development: Enhancing Financial Stability and Access to Green and Innovative Finance”– WB/SECO

The World Bank, as one of the main partners, supports AFSA in the inter-sectoral project titled “Financial Stability and Development: Enhancing Financial Stability and Access to Green and Innovative Finance.” This inter-sectoral project is financed by the Government of Switzerland, represented by the State Secretariat for Economic Affairs (SECO).

The focus of AFSA for this project includes:

1. Further Strengthening of AFSA’s Capacity to Supervise:
 - Insurance Sector: Implementation of the roadmap towards Solvency II and IFRS 17;
 - Private Pension Funds: Revision of secondary legislation;
 - Capital Markets: Green bonds.
2. Improvement of Internal IT Systems: Enhancing reporting platforms to cope with growing markets and FinTech developments, as well as cybersecurity.
3. Development of Green Finance: In collaboration with the Ministry of Finance, the Bank of Albania, the Ministry of Agriculture and Rural Development, and the Ministry of Tourism and Environment.

In October 2023, the Financial Supervisory Authority, in collaboration with the Ministry of Finance and the World Bank, organized the International Conference titled “Development of the Insurance Sector – Opportunities and Challenges in Southeast Europe.”

This conference gathered high-level representatives from the Albanian Government, international financial institutions, financial supervisory authorities, and local and international market participants. At the conference, discussions covered: “Opportunities and Challenges for the Development of the Insurance Sector in Southeast Europe”, “The Role of Insurance in Disaster Risk Management”, “Challenges for the Development of Agriculture Insurance” Panellists shared their insights and experiences regarding the insurance market, global practices, and the need for diversification and further development of the insurance sector in the region and in Albania.

The Project: “Enhancing Audit Quality and Reporting (SQARP) - Strengthening the Setting of Standards and Increasing the Capacity of Financial Regulators for Financial Reporting” – WB/SECO

This project, funded by SECO and administered by the World Bank, aims to improve the institutional capacities of the National Accounting Council. The focus of this project includes: monitoring the implementation of accounting standards, establishing standards, developing and implementing a risk-based methodology for monitoring financial statements.

Additionally, this technical assistance supports AFSA in enhancing its capacities to apply the International Financial Reporting Standard (IFRS), specifically IFRS 17 “Insurance Contracts,” and addressing challenges in the insurance sector.

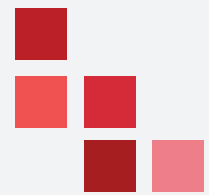
Projects Supported by the Technical Assistance Office of the U.S. Department of the Treasury (OTA)

In 2023, AFSA maintained ongoing communication with representatives from the U.S. Department of State’s Office of Technical Assistance (OTA) regarding the possibility of developing joint support projects. Experts from the Information Technology and Insurance Market Development Section, as well as from the Capital Markets Section, visited Tirana and met with AFSA’s leadership and other interested parties. During these meetings, potential areas for OTA assistance were discussed. Specifically, technical assistance was agreed upon in several areas, including insurance, capital markets, information technology, and financial literacy. The project is scheduled to start in 2024.

The Project: “Development of the Financial and Capital Markets” - EBRD

In 2023, representatives and experts from the European Bank for Reconstruction and Development (EBRD), led by the EBRD office representative in Albania, discussed priorities and potential cooperation with AFSA. The focus was on providing technical support from the EBRD to increase issuer participation in capital markets, expand the range of financial products, and diversify the investor base.

The EBRD confirmed its continued commitment to providing assistance primarily in preparing diagnostic reports on the potential of capital markets, legislative support for developing new financial instruments such as covered bonds, and further capacity building. The project will closely collaborate with the Ministry of Finance.



The Project: “Development of a Legal and Regulatory Framework for Derivatives and Repos in Albania” – EBRD

AFSA is part of a working group, together with the Bank of Albania and the Ministry of Finance, for the implementation of this project, which started in 2023 and is expected to last 18 months. The overall objective of this cross-sectoral project is to develop a legal and regulatory framework for derivatives and repos in Albania to ensure the enforceability of transactions involving derivatives and repos, including concepts such as netting and financial collateral.

Project “Facilitating Liability for Motor Vehicle Use Towards Third Parties (Green Card) - Civil Liability Insurance for Motor Vehicles” - CEFTA

Albania is a member of the Central European Free Trade Agreement (CEFTA), and AFSA is one of the institutions involved in implementing the action plan and commitments under CEFTA. As part of these commitments, in 2023, under the Common Regional Market (CRM)/CEFTA Action Plan, the project “Facilitating Liability for Motor Vehicle Use Towards Third Parties (Green Card) - Civil Liability Insurance for Motor Vehicles” was implemented. As part of the project and under the coordination of the Ministry of Finance, a Guideline was developed that identified actions, key measures, actors, and a timeline to enable the achievement of a system similar to the EU for third-party liability insurance for motor vehicles (Green Card) for CEFTA member countries. AFSA will continue working according to the Guideline and the project, which is expected to run until the end of 2024.

TAIEX Technical Assistance Mission for Developing the Legal Framework in the Insurance Market

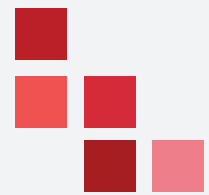
As part of aligning the legal and regulatory framework with the EU acquis and in implementation of the European Integration Action Plan (PKIE), AFSA has begun working on preparing legal amendments in the insurance sector. In November 2023, AFSA was assisted by a TAIEX (Technical Assistance and Information Exchange) mission, with experts from the Croatian Financial Services Supervisory Agency (HANFA). During this mission, key issues related to the implementation of the Solvency II supervisory regime were addressed. Implementing this directive requires a careful and phased approach to ensure stability in the insurance market. The experts shared experiences and best practices from other countries that have previously undergone the process of aligning their legislation with this directive.

The recommendations provided by the TAIEX experts in their final report will be considered during the preparation of amendments to the insurance law, scheduled for 2024, as outlined in the European Integration National Plan (EINP) 2024.

4.4 National Institutions Cooperation

The policy document “Creating an Enabling Environment for the Development of Capital Markets in Albania, 2023-2027” was approved by the Council of Ministers with Decision No. 266, dated 26.04.2023. For the drafting and finalization of this document, AFSA collaborated with the Ministry of Finance as part of joint efforts to develop the capital markets. The 5-year strategic document aims to promote and develop capital markets and at the same time to provide sustainable economic growth and support. In this context, in May 2023, AFSA organized a discussion table titled “On the Development of Capital Markets,” which included the participation of the Minister of Finance and Economy, the Deputy Governor of the Bank of Albania, senior executives from commercial banks, investment funds, the Stock Exchange, and other actors in the capital markets.

AFSA has continued its cooperation with the Bank of Albania throughout 2023, both in joint projects and as a continuation of existing cooperation. AFSA is a member of the Financial Stability Advisory Group (FSAG) together with the Bank of Albania and the Ministry of Finance. AFSA continued its collaboration with the Bank of Albania to build joint initiatives for increasing financial education and inclusion. AFSA has also participated in the meetings of the National Payment System Committee (NPSC), which aims to support and contribute to increasing the security, stability and efficiency of the national payment system in Albania. Both institutions are also involved in joint projects and meetings related to green finance (GIZ) and the development of the derivatives market in Albania (EBRD).



Collaboration and Confidentiality Agreement with the National Authority for Electronic Certification and Cyber security (AKCESK)

In 2023, AFSA, as part of its collaboration with domestic institutions to enhance cyber security and in alignment with the Financial Supervisory Authority's 2023-2027 Strategy, worked with the National Authority for Electronic Certification and Cyber security (AKCESK) to finalize a Collaboration and Confidentiality Agreement.

The agreement establishes a clear framework for cooperation between the two institutions through information exchange and bilateral partnership to enhance cyber security and minimize associated risks. This agreement aims to establish cooperation channels related to cyber security, report all types of cyber security incidents in accordance with current legal provisions for cyber security, share information about the spread of malicious programs, exchange educational and training materials related to cyber security.

The Albanian Financial Supervision Authority, within the framework of cross-institutional cooperation to regulate the markets under supervision during 2023, has continued communication with the **Competition Authority**.

AFSA and the **General Directorate for the Prevention of Money Laundering (GDPML)** continued their cooperation during 2023, through joint inspections and the exchange of information on markets and entities under supervision.

Chapter 5

Consumer Protection And Public Transparency

5.1 Consumer and Investor Protection

Throughout 2023, AFSA continued its efforts to fulfil the objectives of the institution's 2023-2027 Strategy, focusing on protecting the interests of consumers and investors, including:

- Reviewing complaints regarding the handling of issues by AFSA's supervised entities;
- Monitoring entities operating in the supervised markets regarding their transparency in providing services to consumers/investors, respecting their rights and interests in compliance with the applicable legislation;
- Raising awareness on the risks associated to investments in financial instruments, the rights and obligations of supervised entities and their service users;
- Ongoing education of financial services users, including providing relevant information on AFSA's official website and data on the performance of supervised entities.

Investigating and handling customer and investor complaints

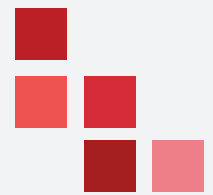
Handling consumer complaints is an essential part of AFSA's activities. During 2023, AFSA's Board of Directors, by Decision No. On May 31, 2023, AFSA approved a new regulation on complaints titled "On the Procedures and Review of Complaints at the Financial Supervisory Authority." This regulation consolidates procedures for reviewing complaints not only for the insurance market but also for the capital markets, private pension funds, and collective investment undertakings.

The review of consumer/investor complaints aims to resolve them in a professional, impartial, and timely manner, to intervene promptly and prevent the recurrence of similar issues in the future.

During 2023, AFSA received 160 complaints, compared to 173 complaints handled in 2022, reflecting an 8% decrease from the previous year. After AFSA's intervention, approximately 46% of these complaints were resolved.

Of the handled complaints, about 88% were submitted electronically to the addresses konsumatori@amf.gov.al or amf@amf.gov.al, and via the Online Complaint Register on AFSA's official website.

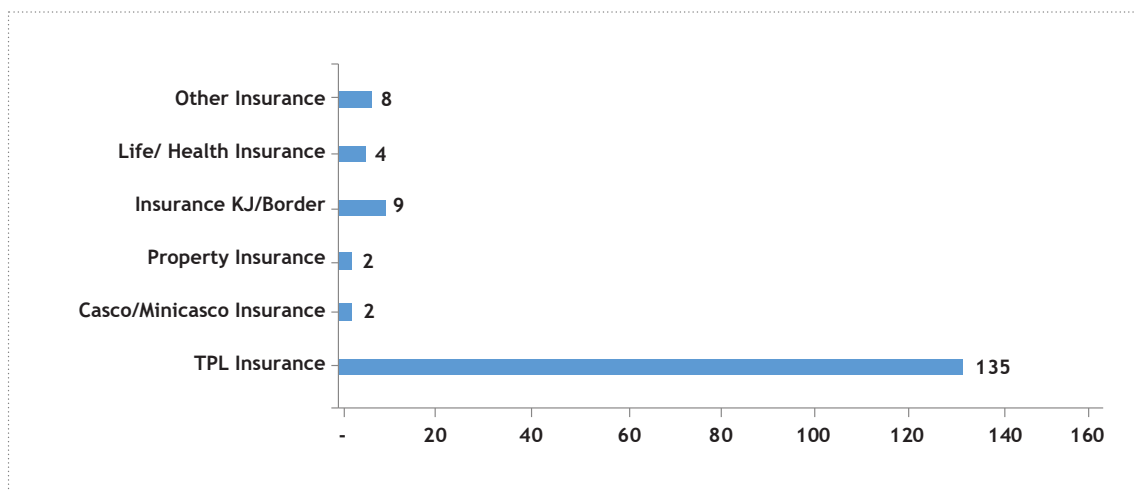
The insurance market accounts for 95% of the total number of complaints, the pensions/investments market for 1%, while 4% are complaints outside AFSA's jurisdiction.



Among insurance market complaints, TPL insurance is the segment with the highest number of complaints, making up 84% of the total complaints. After TPL (Third Party Liability) insurance, the highest number of complaints relates to Border Insurance/Green Card, accounting for 6% of the total complaints, followed by complaints regarding life and health insurance, which make up 3% of the total complaints.

Chart 27: Complaints by Insurance Type

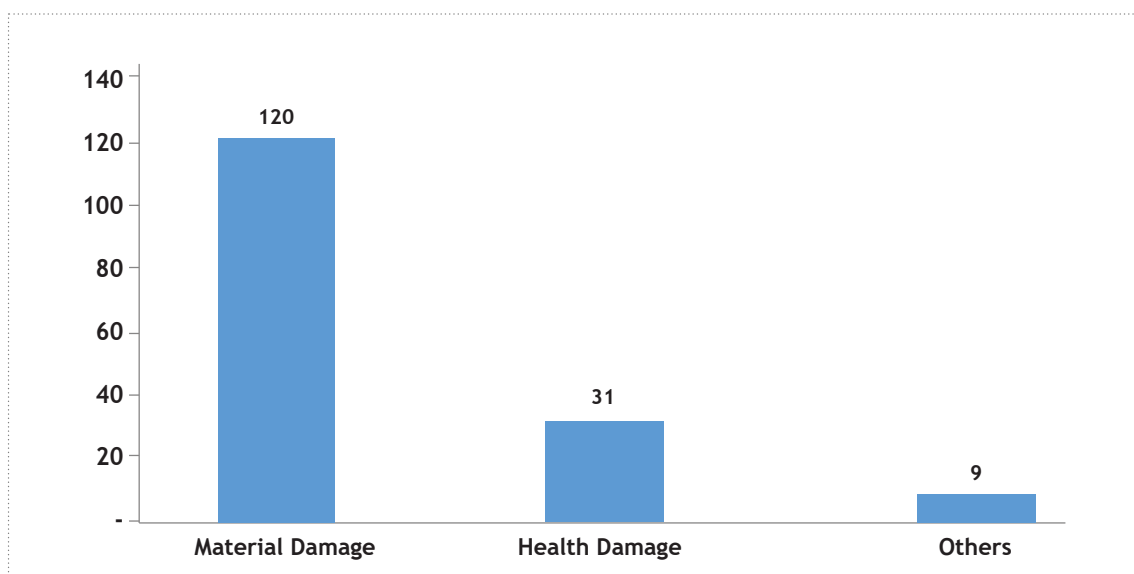
(In number)



Among the complaints filed for insurance market products, those concerning material damage dominate, comprising 75% of the total complaints, followed by complaints regarding health damage, making up 19% of the total complaints.

Chart 28: Complaints by Claims Type

(In %)

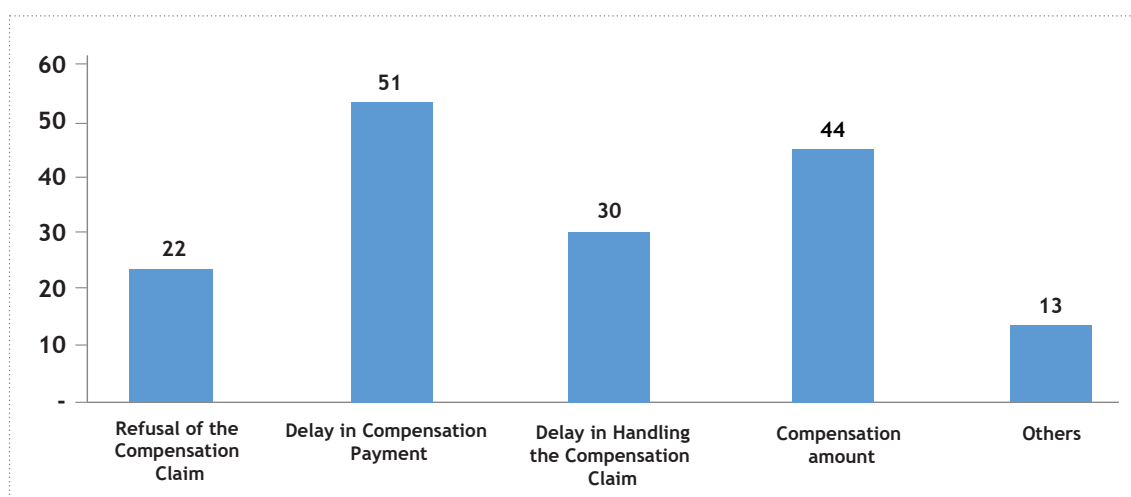


The main causes of complaints during 2022 were:

- Refusal of the compensation request;
- Delay in compensation payment;
- Delay in handling the compensation request;
- Claims for the compensation amount;
- Other causes.

Chart 29: Complaints by Complaint Reason

(In numbers)

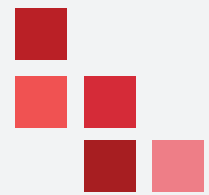


Complaints related to delays in compensation payment dominate with 32% of the total number of complaints, followed by complaints regarding the claim amount, making up 28% of the total complaints.

5.2 Financial Intermediation Monitoring

Throughout 2023, AFSA continuously monitored, through periodic reports or on-site verifications, the compliance with legal and regulatory requirements in the activities of intermediaries within the supervised markets.

As part of off-site monitoring, AFSA analysed the financial statements of insurance intermediaries, based on their semi-annual reports, with the aim of continuously monitoring key activity indicators in accordance with the legal and regulatory requirements in force. Thus, indicators such as capital, guarantee funds, monetary assets, and the financial result of the activity were monitored, comparing them with the same period of the previous year. These results have also been made available to the Board of AFSA.



On-site inspections were also carried out near:

- An insurance brokerage company;
- Two commercial banks that also act as insurance agents;
- Two commercial banks that also act as insurance brokers.

The inspections focused on the technical and organizational conditions of these companies, particularly the infrastructure for conducting activities, as well as compliance with the legal and regulatory requirements in force for conducting intermediary activities and protecting consumers. Following deficiencies identified from on-site inspections, AFSA's Board took the appropriate measures against the subjects involved.

5.3 Financial Literacy and Public Relations

AFSA values financial literacy as one of its top priorities, aimed at developing supervised markets and enhancing financial inclusion. In August 2023, the AFSA's Board approved the "Strategy for Financial Education and Inclusion 2023-2027." This Strategy outlines AFSA's objectives for the five-year period and aims to support the further development of supervised markets in an efficient manner to facilitate public access to financial products.

Among the specific objectives of this Strategy, which target consumers and investors, are:

- To deepen the knowledge of the insurance market, capital and pension products, as well as related risks;
- To increase confidence in financial institutions, which are regulated and supervised by AFSA;
- To make sound financial decisions based on complete, accurate and clear information; and
- To be included in the products offered by the capital, insurance, and private pension markets.

Improving the complaints system for consumers and investors, Enriching the official website with dedicated information for the public, among others. Transparency and communication with the public remain a priority for AFSA, focusing on new communication channels, traditional and social media, and other non-media communication formats targeted at smaller groups.

AFSA's activities, in accordance with its strategy, focus on targeted groups such as Corporations and local government institutions; Employees in the public and private

sectors; Small and Medium Enterprises; Students in schools and universities; and Professionals in supervised markets.

As part of this Strategy, during 2023, AFSA organized several activities in collaboration with professional associations operating in the supervised markets. On November 20, 2023, AFSA organized a round-table discussion with insurance companies on the importance of implementing the International Financial Reporting Standard, IFRS 17, in the insurance market, as a future challenge.

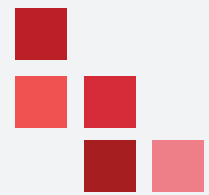
Furthermore, the work continued on organizing training sessions for professionals in supervised markets for professional qualification and ongoing education, such as brokers and claims adjusters in insurance, aiming to improve service quality and better protect consumer/investor interests. During the training sessions, special attention was given to presenting innovations in the regulatory framework, new sub-legal acts aligned with European directives, and updating knowledge with new global developments.

AFSA collaborates with various stakeholders, both nationally and internationally, to develop and implement financial education initiatives. In collaboration with AFSA organized the “Learn About the Stock Market” – Stock Market Learning Competition 2023, which focuses on promoting financial education for students regarding capital markets. This marks the third year that AFSA has partnered in developing this activity with students from the economics faculties of public and private universities in the country.

International Conference “Development of the Insurance Sector – Opportunities and Challenges in South-eastern Europe” - October 18, 2023, Tirana

The conference was held in collaboration with the Ministry of Finance, the Swiss Secretariat for Economic Affairs (SECO), and the World Bank. It was attended by high-level representatives from the Albanian Government, international financial institutions, financial supervisory authorities, and local and international market participants. The conference was organized into three panels, during which experiences related to the insurance market, global practices, and the need for diversification and further development of the insurance sector in Albania and the region were exchanged.

In the first panel, the Minister of Finance, World Bank experts, and senior representatives from the International Association of Insurance Supervisors (IAIS) discussed the role of insurance in disaster risk management, global models and best practices applied to disaster insurance schemes, and their implementation in Albania and the region.



In the second and third panels, representatives from international institutions and European and regional regulatory authorities shared their experiences regarding opportunities and challenges for the overall development of the insurance sector in South-east Europe. They also provided insights into models applied to agricultural insurance, opportunities, and challenges for the development of this product in the country.

Public Relations

In 2023, AFSA's online page was frequently consulted for information on the legal and regulatory framework, licensed entities, statistical information on market performance, and for direct communication regarding consumer complaints. Monthly statistics show an average of over 30,000 visitors accessing the website for various information. The website continues to attract new visitors, with over 30% of clicks coming from new visitors who explore more than three subsections of the site.

AFSA's online website is easily accessible across various technological formats. Click statistics indicate that approximately 66% of users accessed the site from desktops, while the remaining users viewed the site from mobile devices.

To serve foreign investors or analysts, AFSA's online page is organized in two languages: Albanian and English. Both website formats provide information regarding the structure and development of the financial insurance markets, private pensions, investment funds and securities in Albania. The website also receives visits from users outside the country.

Publications of AFSA in 2023

- Official Bulletin
- Annual Report
- Supervision Report
- Insurance Geography

AFSA's Electronic Publications

- Monthly informative newsletter
- Insurance Market Statistical Bulletin
- Securities Market Statistical Bulletin
- Statistical Bulletin on Private Pension Market
- Investment Fund Market Statistical Bulletin

Chapter 6 Institutional Organization

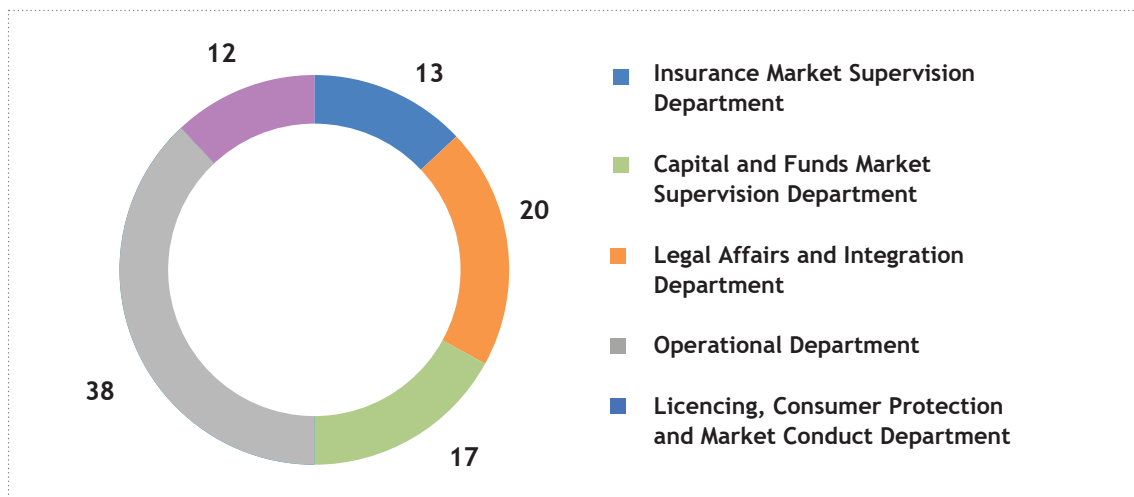
6.1 Human resources

The development and effective management of human resources are considered crucial for achieving the institution's objectives and responsibilities. In 2023, AFSA continued to focus on the professional growth of its employees, the stability of administrative capacities, and the optimization of the institution's organizational structure.

The completion of the organizational structure and the provision of promotion opportunities in line with its strategic objectives were achieved in 2023 through open and transparent competition procedures. As a result: Four employees of AFSA competed and secured higher positions within the job hierarchy. Four new employees with professional knowledge and quality experience joined AFSA's staff.

Chart 30: Functional divisions by departments

(In %)



Special attention has also been given to maintaining a balance between experienced professional staff and new staff. Gender representation in AFSA is 25% men and 75% women at the managerial level. The average age of the staff is 41 years.

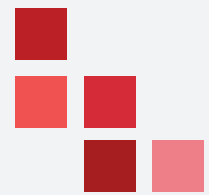
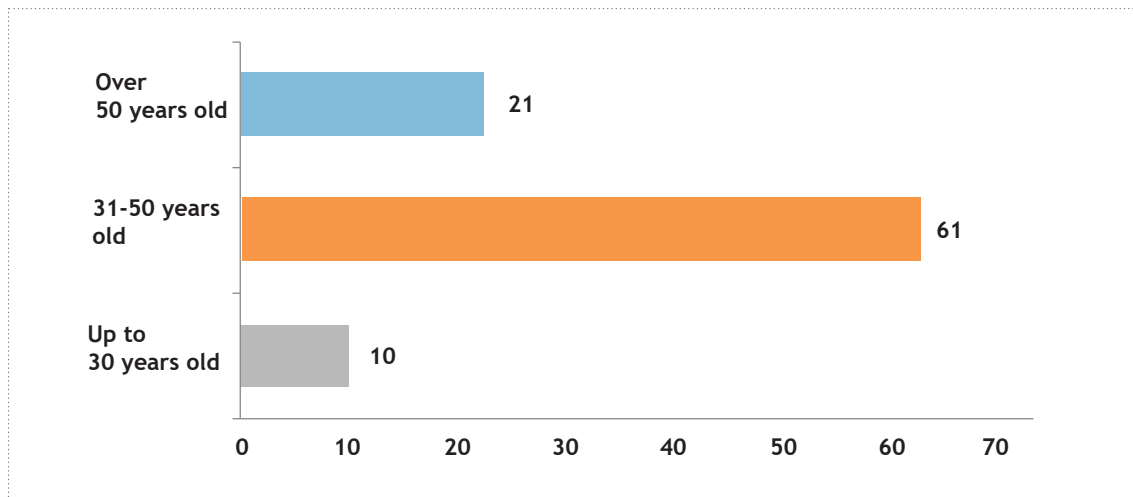


Chart 31: Structure of AFSA Employees by Age Group *(In numbers)*



Professional qualifications

Considering the importance of employees' professional skills in achieving quality results in their assigned tasks and reaching the institution's strategic objectives, AFSA has continuously encouraged and facilitated training and professional development activities for its employees. Throughout 2023, AFSA's staff participated in training, seminars, and other activities aimed at developing knowledge and enhancing professional expertise. These activities included: Throughout 2023, approximately 57% of the technical staff attended training activities. Exchange of Best Practices: Engaging in the exchange of experiences and best professional practices with peer authorities, financial institutions, and international regulatory associations of which AFSA is a member. Local Training: Participating in training activities conducted domestically in collaboration with various projects involving foreign institutions, contributing to the strengthening of AFSA's supervisory capabilities.

Social Responsibility

AFSA aims to further strengthen social values and raise awareness among its employees through voluntary activities that support communities in need.

In October 2023, as part of its civic sensitivity and response, AFSA supported the initiative “Donate Blood, Save a Life.” This act of solidarity was coordinated with the National Blood Transfusion Centre.

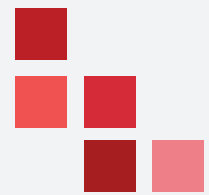
Additionally, during the holiday season, AFSA’s employees voluntarily contributed to providing assistance and care to the children at the “House of Infants” in Tirana.

6.2 Information Technology Systems

Throughout 2023, AFSA made advancements in its information technology infrastructure and improvements to existing applications, focusing on enhancing cyber security. These developments considered both national and global challenges related to information system security.

The main activities during 2023 are summarized as follows:

- AFSA finalized a cooperation agreement with the National Authority for Electronic Certification and Cyber security (AKCESK). This agreement aims to ensure collaboration between the two institutions regarding cybersecurity, optimize the use of information-on-information security risks, maintain functional and monitored infrastructure, report all types of cybersecurity incidents in accordance with existing legal provisions, share information on the spread of malicious programs, and exchange educational and training materials related to cybersecurity.
- In response to the tasks assigned by the Cyber security Committee, AFSA has taken several measures to protect data and guard against cyber-attacks, including: Blocking traffic from known sources and/or groups of malicious cyber actors; Protection against suspicious email content; Blocking the circulation of zip files; Continuous monitoring of access controls, among other measures. AFSA has prioritized the implementation of information security policies according to the recommendations of public institutions responsible for information security in the country, maintaining the confidentiality, integrity, and reliability of its information.



- Enhancement of Cybersecurity: Implemented centralized antivirus on Cloud servers, which includes protection against Malware, Ransomware, System and Application Patches, IP blacklists, Hash blacklists, Firewall USB storage controls for every user in the institution.
- Analysis of Digital Systems: Simplified the provision of information to third parties and improved the monitoring and reporting of online complaints.

AFSA has online reporting systems in place that include entities operating in the supervised markets. Work has been done on:

- Updating the AFSA In-Reg Information Management System, an online reporting platform where insurance companies report financial data required by AFSA. The updated version provides a higher level of security, updates with current technology, and offers new functions.
- Conducting online training for ten specialists within AFSA, with the first phase completed by the end of 2023. The training enhances the skills of AFSA's employees in reading and interpreting generated reports and enables them to create new reports that meet the informational needs of all management levels.
- Further development of financial reporting systems: improved the reporting system for investment and pension funds, aiming to provide simpler integration for companies.

Digitalization of Services

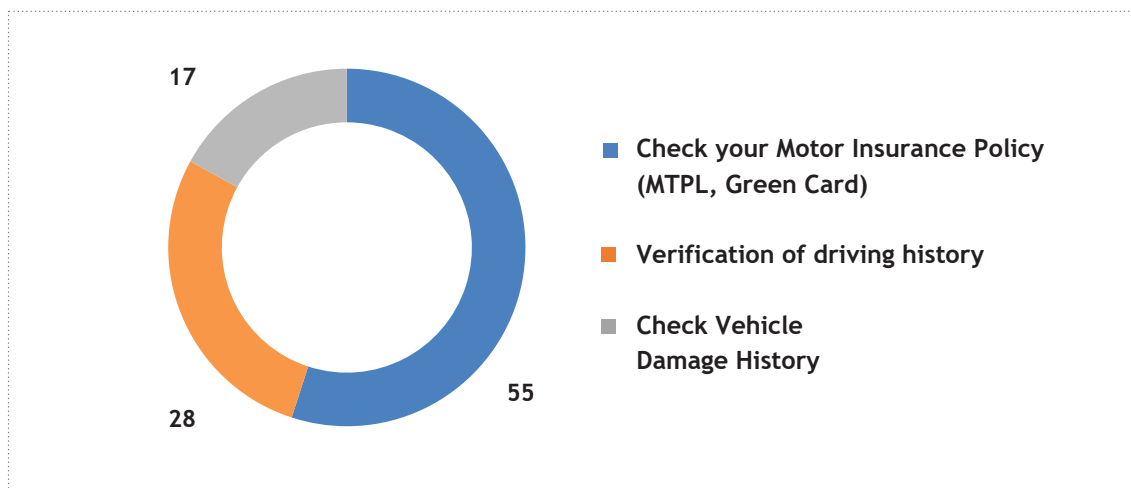
In the context of digitalizing services, during 2023, AFSA significantly reduced written requests for services provided electronically.

Online services from the portal www.e-albania.al continued to operate for citizens in 2023, providing information such as:

- Verify Your Policy;
- Verify Vehicle Claims History;
- Verify Claims File Status.

Chart 32: Services Provided by the E-Albania Portal in 2023

(In %)



Services provided by the portal www.amf.gov.al

Claims calculation

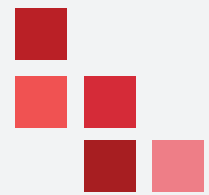
The Claims Calculator for personal injuries resulting from motor vehicle accidents in the transport sector was developed by AFSA to assist beneficiaries as well as experts in the field in assessing damages and handling compensation claims. The calculator is based on certain assumptions, and the calculated values are indicative. They aim to inform users about the amount of compensation in cases of personal injury leading to permanent disability or death.

Check Vehicle Claims History

The “Claims History” electronic service enables citizens to obtain information in case they have caused an accident. Data on claims files are generated by the Online Electronic Claims Register, as reported by insurance companies in accordance with by-laws.

Check Claims Status

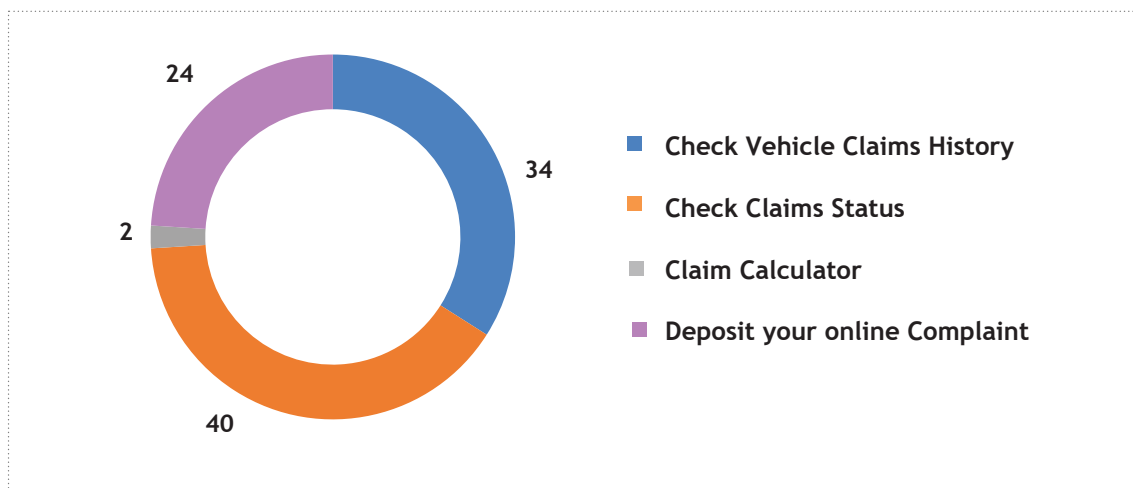
Any injured person that has started the compensation process can check the status of his compensation file online to follow the stage at which the file is located. This check is enabled by establishing the Claims Code.



File your complaint *online*

In the framework of consumer protection, the Albanian Financial Supervisory Authority provided with the possibility of *online* filing of complaints and the handling of complaints of insured persons and investors. The implementation of CRM has primarily channelled online complaints through this platform and provided responses online via AFSA's official website.

Chart 33: Services provided by the AFSA portal, year 2023 (In %)



6.3 Internal Audit

The Internal Audit Unit has focused its activity on the fulfilment of the objectives defined in the Strategic and Annual Plan adopted by Board Decision no. 248, dated 20.12.2022. The Internal Audit Unit has operated with an auditor for the general financial profile, as well as an Information Technology auditor. The audit activity is based on the audit procedures regulated by the legal acts in force and the international standards on internal audit.

The audit mainly focused on areas that the Internal Audit Unit classified as high-risk. The audit quality is considered an important factor not only for presentation purposes (report) and its results: opinion, conclusions, findings and recommendations; but also in increasing the accountability of auditors during the audit and audited entities for the implementation of the relevant recommendations.

Audit engagements conducted during 2023 are focused on providing an opinion on the adequacy of internal controls for the audited functions and processes, including supporting applications for the performance of the activities. A key indicator of the impact of audit work is the positive change that internal auditing brings through recommendations based on a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, and processes.



Main Directions of AFSA's Activities for 2024, in line with the objectives of the Financial Supervisory Authority Strategy 2023-2027, will focus on:

- Strengthening financial stability, enhancing the effectiveness of supervision and integrity of the markets;
- Compliance and alignment of legislation with European standards, market development and modernization;
- Protecting consumers' and investors' interests;
- Development of green financing and harmonization with European practices;
- Digitization and improvement of information technology systems.

1. Strengthening of financial stability, enhancing the effectiveness of supervision and integrity of the markets

The Albanian Financial Supervisory Authority will continue to contribute to the promotion of financial stability, development, and health of non-bank financial markets under its supervision, through further strengthening of its supervisory function, monitoring key financial indicators, and alignment with international standards.

To advance the alignment of legal and regulatory acts with EU acquis, AFSA will finalize the planned amendments to the Insurance Law 52/2014, which will bring improvements to the regulatory framework of corporate governance, supervision of insurance groups, etc., addressing recommendations provided by IAIS experts in their assessment report on the compliance of the legal and regulatory framework with the Insurance Core Principles (ICP). AFSA will continue to collaborate with World Bank experts on the implementation of the insurance supervisory roadmap, Solvency II, as part of its commitment to aligning legislation with EU directives and best international practices in the field of supervision.

A short-term priority and challenge for AFSA is the full and timely implementation of the new International Financial Reporting Standard (IFRS) 17 "Insurance Contracts," aiming to gradually prepare the insurance market for the application of this standard.

The strategy for the development of capital markets will be implemented in cooperation with the Ministry of Finance and the Bank of Albania, focusing on stimulating and developing this market as a sustainable financing alternative compared to traditional sources of financing.

2. Compliance and alignment of legislation with European standards, development and modernization of markets

AFSA is the leading institution for Chapter 9 “Financial Services” in Albania’s negotiations for EU membership. In the coming year, with the aim of aligning legal and sub-legal acts with EU acquis, AFSA will continue working on drafting sub-legal acts in accordance with Law No. 76/2023 “On Private Pension Funds,” which came into effect on November 6, 2023. For some of these regulatory acts, AFSA will also receive support through technical assistance from the World Bank.

As part of the commitments made during the bilateral meeting in Brussels, AFSA has established a joint working group with experts from AFSA and the Bank of Albania and will continue working on drafting the guidelines for transposing the European directive on supplementary supervision of credit institutions, insurance companies, and investment firms within a financial conglomerate.

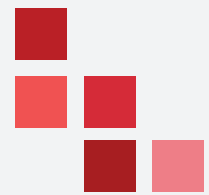
In the negotiation process, AFSA will continue to contribute as part of inter-institutional groups for other chapters, as part of the economic criterion. Legislative progress towards European standards supports the development of markets under supervision through the creation of new opportunities, further modernizing these markets.

3. Protection of consumers' and investors' interests

Consumer and investor protection and information will remain a focus of the AFSA’s activities in 2024, as one of the fundamental objectives of the Strategy on Financial Literacy and Inclusion 2023-2027.

Laws approved in recent years, such as those for capital markets, collective investment undertakings, and private pension funds, have been accompanied by sub-legal acts from AFSA aimed at increasing transparency and information requirements according to international standards. AFSA will continue to build on this legal framework in the future. In this context, AFSA will maintain its cooperation with professional associations in the regulated markets to implement its plan for informative and awareness-raising activities.

In the insurance market, through a foreign technical assistance project, the level of consumer information and market behaviour will be assessed, identifying areas where intervention is needed to enhance financial inclusion, to protect consumer/investor interests. AFSA will establish a team of trainers who will conduct activities aimed at raising awareness and educating consumers.



Additionally, AFSA will continue to improve and digitize the complaints system for consumers and investors. New communication channels, traditional media, social networks, and other non-media communication formats, targeting smaller groups, will continue to be used to increase transparency and public communication.

4. Development of green financing and harmonization with European practices

In the context of implementing the policy document “Creating an Enabling Environment for the Development of Capital Markets in Albania, 2023-2027,” approved by the Council of Ministers in April 2023, AFSA continues to collaborate with the Ministry of Finance and the Bank of Albania to promote and develop the capital market. Joint inter-institutional projects, supported by technical assistance, will assess the potential for developing capital markets in the country as a sustainable development alternative for both state-owned companies and local governance units.

AFSA aims to promote green finance and incorporate environmental, social, and corporate governance (ESG) factors into the legal framework through awareness-raising initiatives for green factors. The challenge of the AFSA's work is the integration of ESG factors for sustainable investments, thus enhancing literacy and the awareness raising of the Albanian investor to orient respective decision-making towards green financial products.

5. Information technology infrastructure digitalization and upgrade

AFSA will continue to work on implementing new technologies to improve supervisory and regulatory processes, as well as enhance cybersecurity by collaborating with responsible institutions in the country.

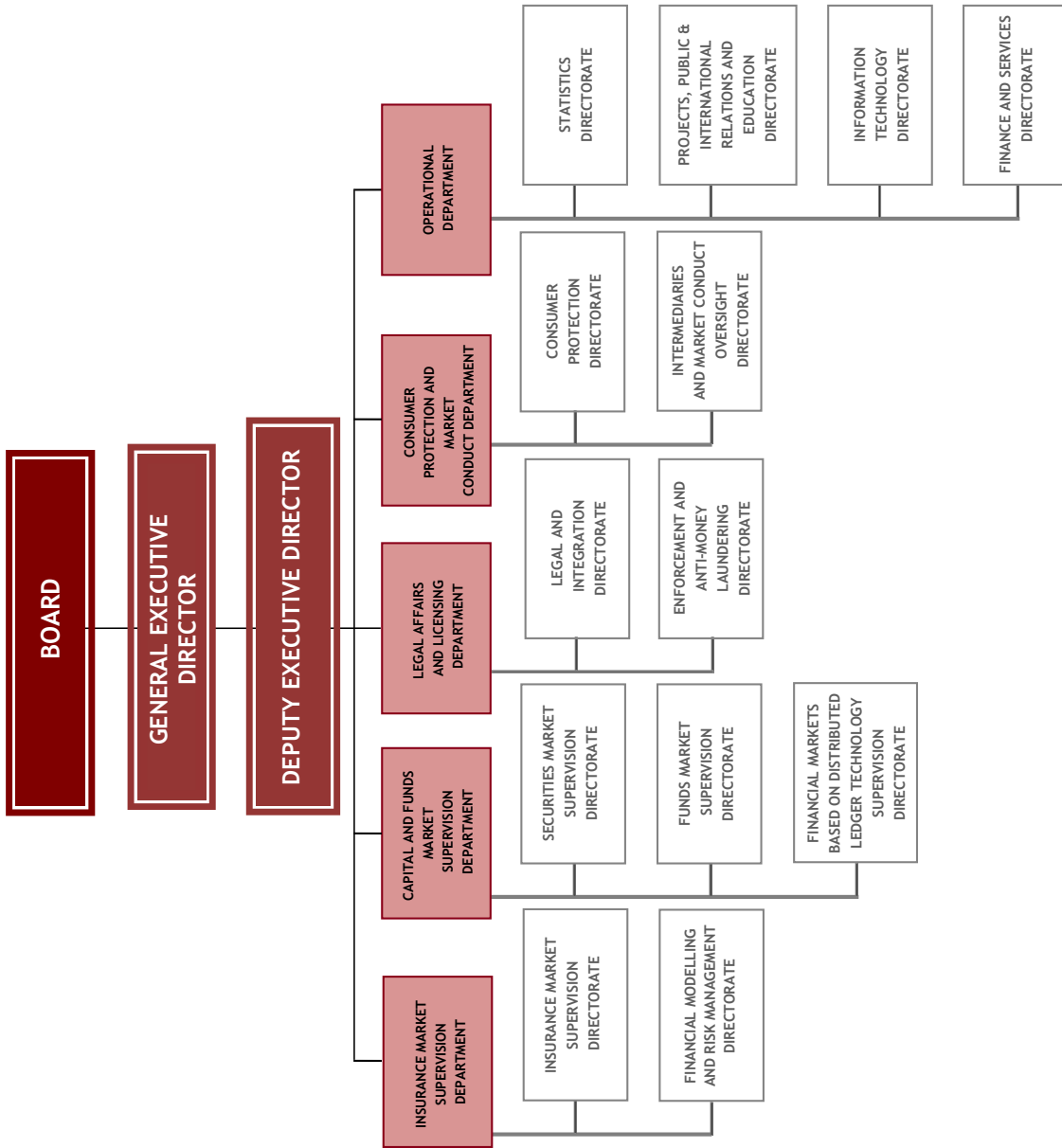
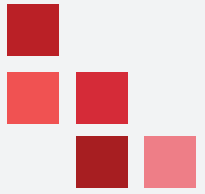
After improving and developing the reporting systems related to the insurance market, efforts will focus on enhancing reporting formats that will assist in decision-making and provide a more transparent overview of the technical-financial indicators of the industry.

In the context of security policies, cyber risk management, and the proper functioning of the systems managed by AFSA, close collaboration will be established with institutions responsible for cybersecurity both domestically and internationally to meet security standards according to the applicable legislation and to implement recommendations for protecting the confidentiality, integrity, and reliability of

the information held by AFSA. Enhancing cybersecurity will primarily focus on implementing procedures/regulations according to the ISO/IEC 27001 standard, aiming to mitigate risks and prioritize cybersecurity for AFSA. Regarding this priority, AFSA will be supported by the Office of Technical Assistance (OTA) of the U.S. Department of the Treasury, for risk assessment, information security, and cybersecurity for all systems used by AFSA, with the goal of implementing the best international standards.

The developments of information technology systems will serve for the digitization of reporting processes, the standardization and automation of supervisory processes, real-time access to the systems of supervised entities, efficient analysis and management of market data under supervision, serving the scope to maintain the market integrity.

ANNEX A
AFSA ORGANIZATIONAL STRUCTURE 2022



ANNEX B

INDEPENDENT AUDITORS' REPORT



Opinion

We have audited the financial statements of the “Albanian Financial Supervisory Authority” (the Institution), which include the statement of financial position as of December 31, 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institution as of December 31, 2023, its financial performance, and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for the 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 Institution in accordance with the ethical requirements that are applicable to the audit of financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

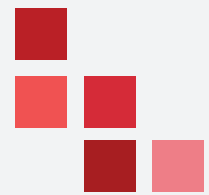
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Institution for the year ended December 31, 2022, prepared in accordance with International Financial Reporting Standards (IFRS), were audited by another auditor, who expressed an unmodified opinion on those financial statements on March 20, 2023.

Responsibilities of Management and Persons Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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, the Management is responsible for assessing the Institution'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 Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for the supervision the Institution's financial reporting process.

Other Information

The Management is responsible for other information. Other information consists of the information included in the annual report, prepared by Management in accordance with Articles 17 and 19 of Law No. 25/2018 "On Accounting and Financial Statements," as amended, but does not include the Financial Statements and our Auditor's Report. The annual report is expected to be made available to us after the date of this Independent Auditor's Report. Our opinion on the financial statements does not cover the other information, and we do not express any form of opinion on it.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we conclude that there is a material misstatement in the annual report, we are required to communicate the matter to management and those charged with governance of the financial statements.

Auditor's Responsibilities for the Audit of Financial Statements

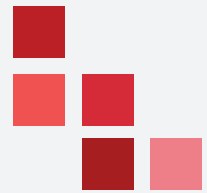
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made based on these financial statements.

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

As part of the audit in accordance with ISAs, we exercise professional considerations and maintain professional scepticism throughout the audit.

Moreover:

- 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 controls.
- We 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 Institution's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We draw conclusions regarding the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Institution'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 report. However, future events or conditions may cause the Institution to cease its operations.
- We evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Tirana, March 28, 2024

Kreston Albania Sh.p.k.

Rruga Muhamet Gjollësja, shk. B, K. 6, Ap. B-6
At Ring Shopping Center, Tirana, Albania, 1001
Tax Identification Number: L42007012I



Nuriona Bërdica
Certified Auditor
Engagement Partner

Statement of Financial Position

On December 31st, 2023

	As of December 31, 2023	As of December 31, 2022
Assets		
Non-current assets		
Non-current material assets	66,158,298	75,205,401
Non-current non-material assets	14,627,712	19,503,615
Total non-current assets	80,786,010	94,709,016
Current assets		
Accounts receivable	69,107,917	49,793,634
Prepayments and accrued income	2,454,202	1,878,955
Guarantees given	463,580	463,580
Investments in deposits and treasury bills	160,393,600	145,616,212
Cash and cash equivalents	58,855,842	103,511,329
Total current assets	291,275,141	301,263,710
Total assets	372,061,151	395,972,726
Capital and liabilities		
CAPITAL		
Base funds	119,287,505	119,287,505
Provisions	184,758,000	180,287,000
Total equity	304,045,505	299,574,505
LIABILITIES		
Non-current liabilities		
Asset grants	7,041,061	7,416,571
Total non-current liabilities	7,041,061	7,416,571
Current liabilities		
Accounts payable	1,273,874	9,883,562
Tax liabilities	8,853,470	7,933,913
Liabilities from supervised entities	29,271,203	49,014,026
Other payables	342,736	916,847
Provison fund	21,233,302	21,233,302
Total current liabilities	60,974,585	88,981,650
Total Liabilities	68,015,646	96,398,221
Total equity and liabilities	372,061,151	395,972,726

The financial statements should be read in conjunction with the explanatory notes from page 8 to 34, which form an integral part of these financial statements.

Statement of Comprehensive Income or Loss



For the year ended Dec 31, 2023

	For the year ended Dec 31, 2023	For the year ended Dec 31, 2022
Income from insurance markets	346,556,475	318,993,374
Income from capital markets	3,139,020	3,603,897
Income from the collective investment undertakings market	27,468,954	41,020,752
Income from voluntary pension markets	3,820,175	3,214,426
Total income	380,984,624	366,832,449
Less: Prepaid income from supervised entities for the following period	(29,271,203)	(49,014,026)
Total income including prepayments	351,713,421	317,818,423
Other Expenses	9,775,510	16,400,000
Personnel expenses	(274,676,777)	(254,945,219)
Administrative expenses	(54,636,202)	(48,971,980)
Depreciation expenses	(15,036,607)	(16,611,118)
Total expenses	(344,349,586)	(320,528,317)
Interest income from deposits	4,130,869	1,596,724
Gain/loss from currency exchange	(16,799,214)	(9,327,830)
Result for the year	4,471,000	5,959,000

The financial statements should be read in conjunction with the explanatory notes from page 8 to 34, which form an integral part of these financial statements.

