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# ANNUAL REPORT

## 2015



# CONTENTS

- 02 A letter from the CEO
- 03 About the company
- 04 Mission & Vision
- 05 Our values
- 06 Organizational structure
- 07 Our business model
- 08 Focus areas during 2015-2017
- 09 Performance summary
- 10 Achievements (Graphical data)
- 11 Company facts sheets
- 12 Future milestones



# A LETTER FROM THE CEO



**Y**ear 2015 was yet another challenging year for the global economy. With all the efforts from policymakers to strengthen the confidence of the investors for fueling the economy and motivating the increase of demand, the markets were faltered from the uncertainty of the future growth. Global growth slowed down and even the most optimistic economies registered low growth rates.

Local conditions were slightly different. The growth rate increased compared to the previous year, and this was accompanied with improving conditions of other indicators of the economy. The monetary and fiscal policies did affect to a great extent the stability of the inflation and elevate the effect of the deficit accounts. However, for a fragile and unstable economy such ours, still these measures are not enough for addressing demand and private investments in the economy. Even the decrease of interest rates at historical levels, did not fuel enough the credit of the economy; commercial banks were still reluctant and conservative in their financing policies.

Given the challenging operating environment, we at NOA, are very pleased with how we were able to manage our risks and still grow the business reasonably. Despite the headwinds, the company managed to maintain its main objective towards

15% for the second year in a row. Our commitment to customers - to support their financial needs for improvement of their living standards and businesses - and a capability and product set that increasingly rival the best microfinance contributors in the local market, have built strength in our brand identity. In the high-paced daily working environment, we took time to divert some of our efforts and energies towards the strengthening of our organization, through robust governance and risk management processes.

One of the company's values, since its establishment, has been having a strong social mandate. NOA is the sequel of the activities initiated by international funding organizations (namely USAID), aiming at helping people transform their lives through provision of financial services towards micro-entrepreneurs, farmers and agribusinesses, individuals and families. To-date, the company continues to offer its services to a segment of population that cannot access traditional lending sources, especially in the rural areas.

In an industry where people are the most important asset, equipping our team of about 300 people to execute our strategy is a key to success. We believe in a work environment that is dynamic and empowering; at the same time, we are always relentless about keeping them motivated.

Combining these pillars – the customers, the employees, the society - into one simple agenda is a challenge, but we are firmly convinced that is the future of the financing that can produce path-breaking results.

**Herjola SPAHIU, EMBA**  
**Chief Executive Officer**  
**V/President of the Steering Council**



# ABOUT THE COMPANY

Since the establishment in December 1998, NOA has contributed significantly in the promotion and development of small and medium enterprises by financially supporting their business plans and needs through a devoted and professional service.

Initially through its brand PSHM (Albanian Partner in Microfinance), and later known as Opportunity Albania, the Company has maintained its main goal – to promote the country's economy and develop small and medium enterprises. In August 2010, a new era started for the company with the acquisition by NOA HOLDINGS. Such presence was accompanied with a major transformation in internal operations and company's brand identity.

NOA as a Financial Institution operates in the microfinance market with an infrastructure and unique operational model. Such model being combined with a professional performance and well trained staff, maximal processing efficiency and centralized approval process, has achieved a qualitative loan portfolio.

Today NOA proudly makes a difference through its "Fast and Easy" service for all its clients in urban and rural areas with 90% of the Albanian territory.

NOA continuously has supported the entrepreneurs of all sectors, including production, agriculture, trade and services, developing a good and diversified loan portfolio exclusively in local currency, in such way managing also the exchange rate risk.

The steady and positive growth of the company is also attributed to the well thought strategies, internal code of conduction, strong management, and professional staff.

Such growth has been supported in years by NOA's strategic and reputational partners, both local and international, which are important factors in Microfinance industry of the region, such as, European Bank for Reconstruction and Development (EBRD), FMO Entrepreneurial Development Bank, National Commercial Bank (BKT), Responsibility Global Microfinance Fund, European Fund for Southeast Europe (EFSE), Oiko Credit, Blue Orchard, etc.





# MISSION, VISION & OUR VALUES

## Mission

To offer suitable financial products to ambitious clients, outside the focus of other financial institutions, in a professional way by solving their needs and demands "Fast and Easy".



## Vision

To be a benchmark in the financial services industry, transforming the complex loan granting process into a simple lending process through continuous developments and innovations; to offer high ethical standards in our work environment, in order to be the primary choice as an employer for market talents; to generate values and sustainable profits to our shareholders.



## Our values



- Being "Fast and Easy" with a customer-oriented approach
- Conducting open and transparent activities
- Offering simple and efficient services
- Focused on social responsibility
- Committed to long-term relationships with our customers.



# ORGANIZATIONAL STRUCTURE

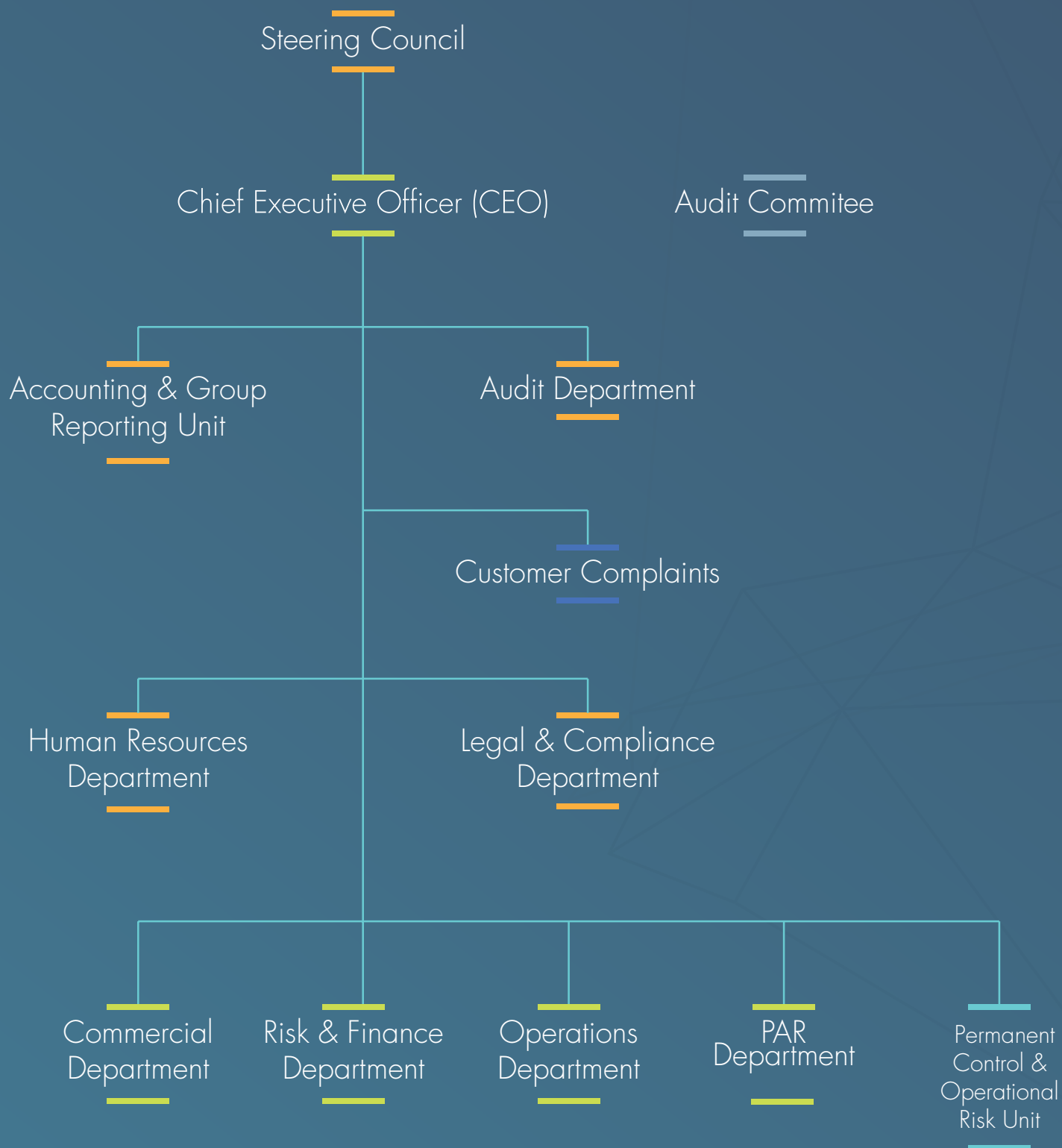


Figure 1: Organizational Structure



# OUR BUSINESS MODEL



We are a consolidated financial institution operating in the microfinance market, proactively reaching clients all over the country through 20 to 25 points of sales and more than 100 sales people.



We are innovative and we will be the first company to introduce full automation of the loan process (NFT project).



We maintain a strong "four eyes principle" in all our processes and we intend to improve our corporate governance and compliance functions.



We provide Fast & Easy services and products to all categories of customers, offering solutions even to customer categories outside the scope of Banks or other Financial Institutions.



We remain focused in the segments we have a competitive advantage: agriculture and small businesses.



We aim to transform the debt collection service for financial institutions, as a secondary activity, taking the advantage of our experience in the loan collecting field and high quality management of the loan portfolio.

## Focus Areas during 2015-2017

We plan to enlarge our customer base with 4,000 new customers by 2017, being 37% higher than the end of 2014.

We aim to increase our market share and reposition ourselves among other actors of microcredit in the market.

We intend to increase our injection in support of the local economy by granting ALL 1.8 billion new loans to our customers.

We will strive to further improve our customer service towards our loyal and new customers.

We will continue to invest our efforts to the maintenance of high quality loan portfolio.



# PERFORMANCE SUMMARY

Based on the NOA business model strategy and operational plan for the year 2015, we aimed to achieve our targets on lending activities through improved products and services, automatized and efficient processes, a well developed organizational structure of qualified staff, development and professional management, a reinforced customer focus and its handling mechanisms, and a well defined Legal & Compliance body.

Aiming at “being a benchmark in the financial services industry, transforming the complex loan granting process into a simple lending process, through continuous developments and innovations...” we focused during 2015 on these key points:

- The Environment - responding to adverse economic situation and unfavorable political actions that have depressed demand;
- Our Employees – finding the proper employee profiles to match the dynamics of our company;
- Profitability – maintaining it challengingly, under the market pressure for lowering interest rate pricing and offering new product mix structures;
- Sales – elaborating new initiatives driven by the changes of the company’s customers’ profile;
- The Senior Management Team – transmitting their core values “Stable, Transparent, and Committed” to all the staff of the company.

Through its achievements, the company has maintained its main focus in support of the local economy by providing financial support to the clients that are usually overlooked by other financial institutions.





# Commercial, Sales & Network Management

## Branch Network

NOA operates with 21 branches, covering 90% of the geographical area of the country. The presence of dedicated staff in our branches has enabled a fast and professional service to our clients. The staff is trained not only to achieve their individual targets, but also to advise professionally their customers.

Stabilization and increase of performance in the branch network has been a priority for this financial year. This was a prerequisite following the expansion of the network with new agencies towards the end of the previous year. Furthermore, the new alternative model of service with smaller and more efficient offices required a higher attention and leaving behind the existing mentality in the company. As a result, the network was divided in two geographical regions, each of them with a dedicated leading structure 24/7. The expansion of the branch network, though in slow paces (Kukes only), was still considered as a necessity for better territorial coverage.

The improvement of corporate and branch image has been our focus during 2015, combined with branch expansion in new potential areas. In such focus, we completed during this year the below projects:



Figure 2  
Relocation of Tirana 2 Branch, 04/2015

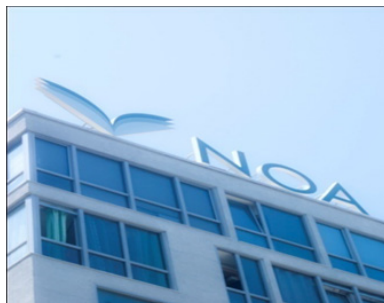


Figure 3  
Relocation of Head Office, 05/2015



Figure 4  
Relocation of Kamza Branch, 07/2015



Figure 5  
Opening of Kukës Agency, 10/2015



Figure 6  
Relocation of Gjirokastra Branch, 11/2015



## Products

During 2015, NOA has made a remarkable progress regarding product definition, standardization of the financing criteria, designation of the financing terms and conditions (especially regarding interest rates), automatization of the loan products and extension of "fast" loans products.

Our product basket has been enriched conform our clientele needs and in accordance with our "Fast and Easy" philosophy. What is worth mentioning, is that this year we introduced the "Express 24" loan, which was a success not only for the increase of our customer base, but also for the further enhancement of our "fast" serving image. Other successful products standardized and emphasized during this year were the Fast Loan for Licensed Businesses, and Agro-Loans.

Based on our "product profitability model", we have designed several marketing and promotional campaigns. Some of the most significant are listed as follows:

- On 12th-14th of March 2015, we participated in the Summer Day Fair, organized in Elbasan in its 18th edition. In the event, organized by the City Municipality in collaboration with the Chamber of Commerce and Industry, around 50 local and regional businesses participated. NOA took part with its stand, in order to promote her services to the visitors of the fair.
- In July 2015, we launched the "Express 24" offer. In order to maximize the communication of such offer, we used 3 marketing channels: advertising in Çelësi Newspaper, door-to-door promotion, and publication through social media. Only through NOA official facebook page, we reached a visibility of almost 127,000 people.
- In August 2015, we followed a massive marketing campaign through delivering our brochures in the cities of our presence, and in rural areas as well.
- In September 2015, we launched our advertising campaign through the publication of Çelësi Newspaper.

## Growth

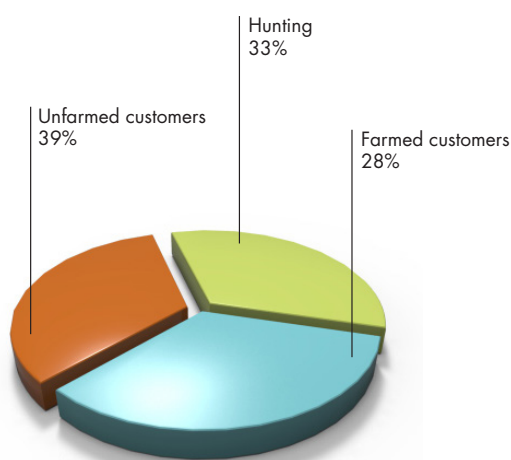


Figure 7: New customers

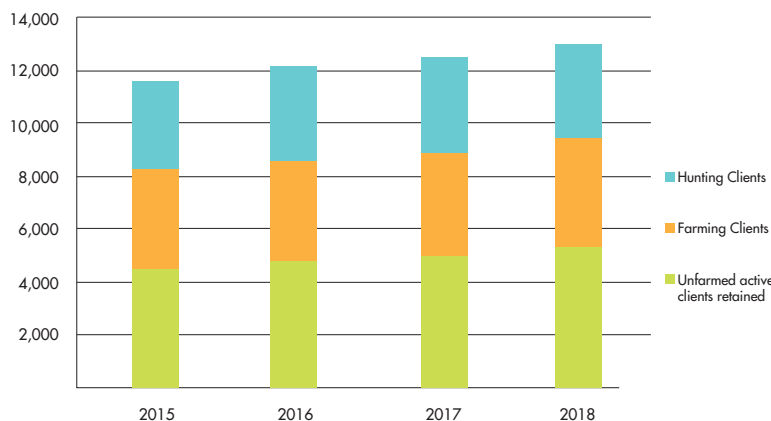


Figure 8: Retention



## Life Time Farming Strategy/ Success Rate

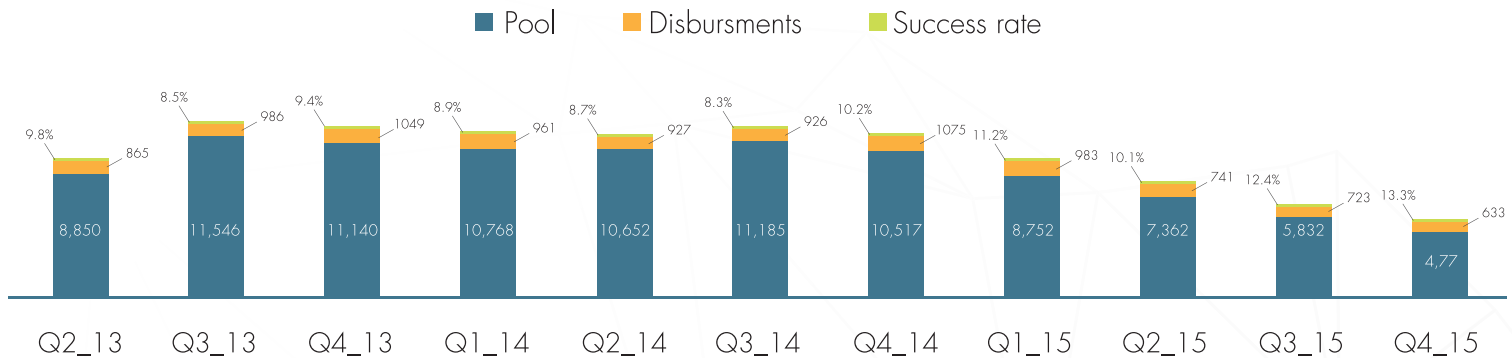


Figure 9: LTFS – Lifetime farming strategy

The company has invested much of its efforts towards the strengthening of relationship with its customers. For this purpose NOA has built a program called Lifetime Farming Strategy (LTFS), which consists of investments in automated tools, reporting analysis designed for building course of action strategies, dedicated products, and a lot of direct marketing efforts from our Branches' staff. Specifically, the LTFS aims to:

- Keep a longer relationship with customers
- Recycle existing customers
- Re-activate inactive clients
- Apply rewarding schemes for good and loyal customers.

## CUSTOMER LOYALTY PROGRAM

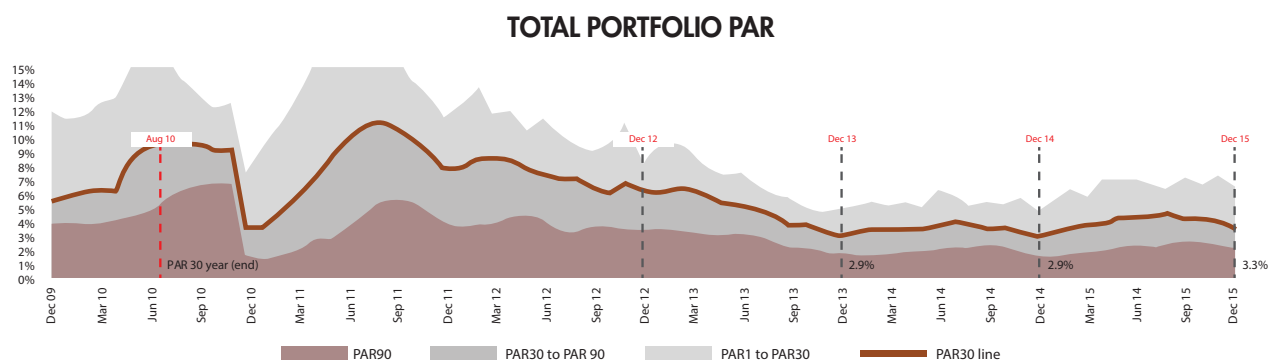
- NOA has applied a customer loyalty program in order to reward the relationship built with its customers. Such program has on its basis the application of preferential pricing based on the criteria defining the clientele category.
- Premium Card: For any existing customer belonging to this category, it offers 1% discount in all other future financings.
- Silver Card: For any existing customer belonging to this category, it offers 2% discount in all other future financings and the privilege that his/her requests will be treated with priority by all Branch members and the Credit Committee.
- Gold Card: For any existing customer belonging to this category, it offers 3% discount in all other future financings and the privilege that his/her requests will be treated with priority by all Branch members and the Credit Committee.



# CREDIT RISK MANAGEMENT AND FRAUD PREVENTION

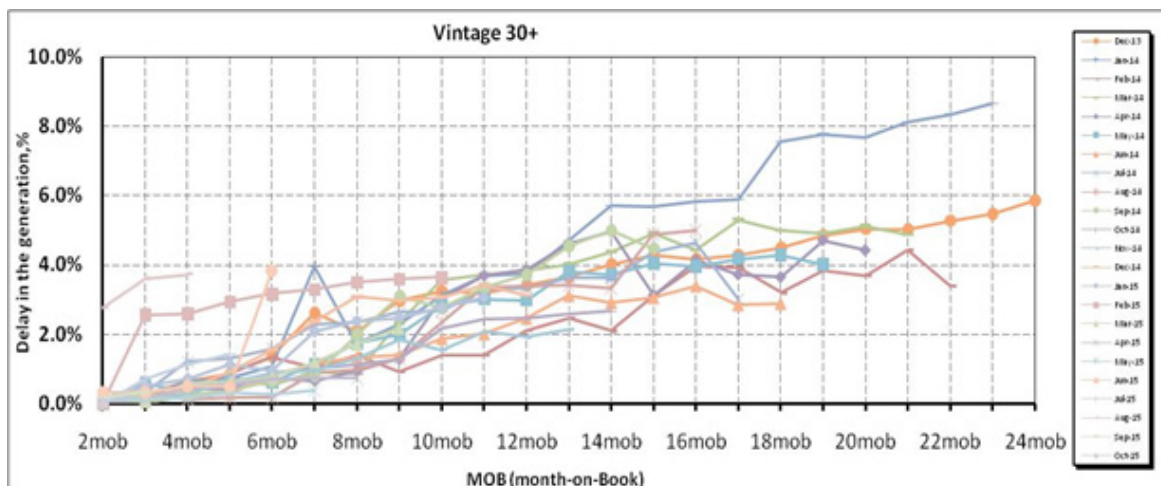
As the lending activity was characterized as stable, in terms of volumes of loans, it was a great challenge in terms of maintaining the quality of underwriting and overall portfolio. The challenge was driven by external factors including flooding events, a new emigration tendency, government initiatives for the formalization of economy and intervention against illegal buildings in the main city areas.

Regardless of the macroeconomic challenges, NOA achieved excellent results as of December 2015 compared to the overall market performance, although there was a slight increase from the previous year:



We take pride on the new business model we implemented, introducing risk assessment function in all our branches, preserving their independence from the business and sales structure. We achieved high efficiency and controlled quality of loan portfolio by decentralizing the decisionmaking process through local Credit Committees. In addition, the implementation of the New Field Technology (NFT), or known as the automation of the loan origination, has enabled improvement of process efficiency and activity performance, through preventive controls designed in the lending workflow.

With regards to vintage of PAR 30 days +, it is shown that loans with up to 12 month-on-book (MOB) are less than 4%.





### Key aspects pursued in the credit risk management area, included the following:

- Careful selection of the eligible customers, based on well defined policies and products.
- Formal Credit Committees at the branch level, with the participation of underwriters, which are in subordination of Risk Department in the Head Office.
- Close monitoring of customers through an automated system (sms) and portfolio managers distributed through the network (dedicated staff for overdue loans collection).
- Efficient fraud prevention unit acting proactively through intelligent system signals and automated reports.
- Organization of Credit Risk Committee and Fraud Prevention Committee on a monthly basis, performing a thorough risk analysis on the company activity (by branch/ segment/ product, financial advisor/underwriter/ operational process), based on which the management takes immediate decisions according to the situation.





# THE RECOVERY OF NON-PERFORMING LOANS

The recovery of overdue loans has been performed by a dedicated team composed of 40 portfolio managers who are part of the branch structure, but functionally reporting to the Head of Portfolio at Risk (PAR) Management Department in the Head Office.

Portfolio monitoring activity and recovery of overdue loans is supported by fully automated software, developed specifically for NOA, which ensures a dynamic operational flow and a well-structured process.

The recovery activity is performed with the same caution and efficiency as the lending one, by providing an early identification of loan repayment problems and taking appropriate courses of actions to ensure their collection.

Restructuring of problematic loans is viewed with high priority, in order to facilitate the repayment of the loans to customers that are encountering financial difficulties, and thus ensure the loan recovery. In case the customer cannot pay even after the facilitating measures the company takes, the legal recovery processes are pursued accordingly, aiming primarily the correct acknowledgment of obligations by the customer, and then the settlement of company's situation. The results of collection and recovery activity are successfully turning the structure into an important source of revenue for the company.

Apart from monitoring the loan performance and the recovery of overdue loans, NOA is very active in the recuperation of loans written-off in previous periods, activity that affects directly the profitability of the company. In 2015, the recoveries from NOA pool of write-off loans were ALL 160 million compared to ALL 173 million in 2014.

Taking advantage of our experience in this area, automated software and a team of trained and dedicated portfolio managers, NOA continues to provide the debt recovery service for other financial institutions in the market. We plan to further increase this activity during 2016, particularly with our internal re-organization of the unit – dividing the Portfolio at Risk unit into two divisions – one dedicated for managing the delinquency of active loans, and the other for the recovery of write-off loans (for NOA and other institutions).

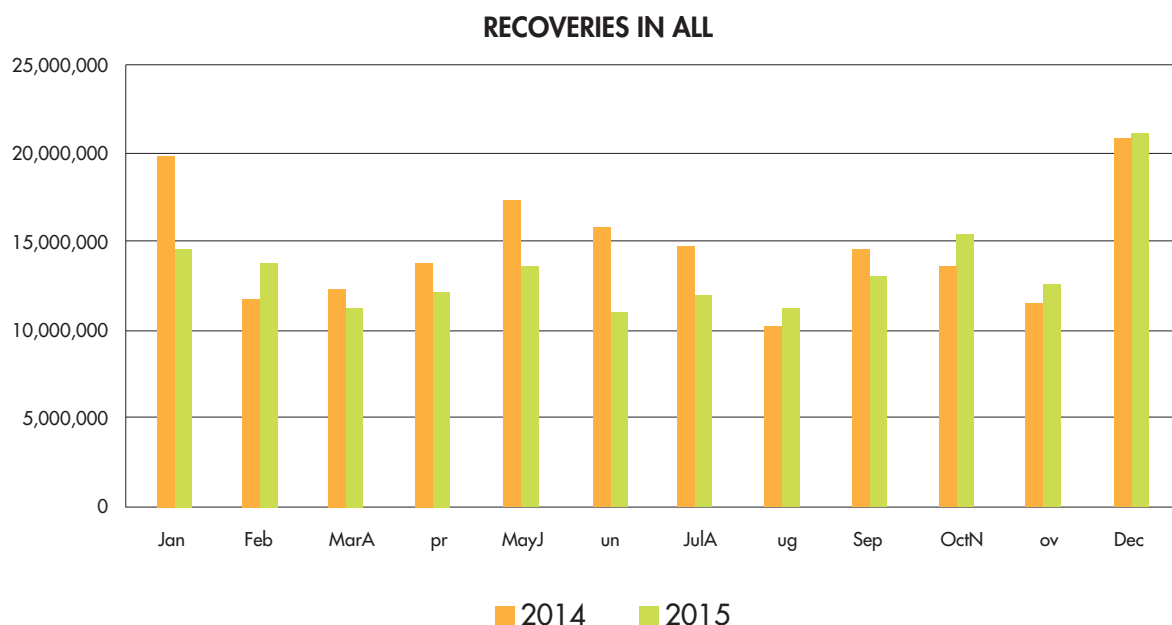
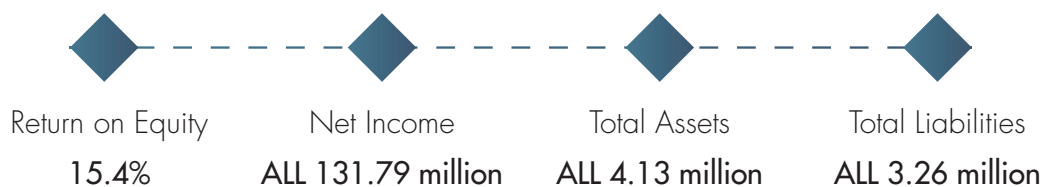


Figure 12: Recoveries in Lek



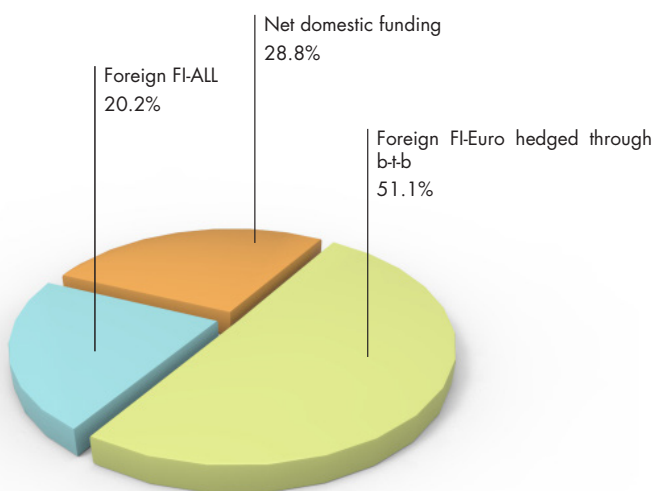
# FINANCIAL PERFORMANCE

For the third consecutive year NOA has achieved the financial objectives. By the end of two last years, it has reached a Return on Equity (ROE) over 15%. The key drivers for such strong financial performance were attributed to a slight growth accompanied with sound loan underwriting, qualitative portfolio, and controlled operating expenses. Taking advantage of lower costs of funding, as a result of decreasing interest rates in the market and low risk profile that the company holds, the management has continued to reflect such reduction in our loan pricing for 2015. Thus, the company has managed to be more competitive in the micro-business and agribusiness segments, which remain the growth pillars for the coming three years. The interest yield from our loan portfolio for December 2015 was approximately 100 basis points lower than that of December 2014, which represents the same trend for the cost of funds. Meanwhile, the cost-to-income ratio is maintained at the same levels (approx. 72%).



## Funding

Sound liquidity position at the end of 2015 is proportionate with funding needs for pipeline transactions forecasted to be finalized during 2016. At the end of 2015, there was around EURO 6 million committed to be funded or withdrawn during 2016. Low cost of funds creates space for diversification of loan portfolio and price improvement. Our objectives regarding our funding are:



**NOA Debt Composition**

Figure 13: Debt Composition

- Continue financing in LEK and reduce cost of funds taking advantage of overall lower cost of money and lower risk profile of NOA.
- Maintaining a diversified pool of lenders and further reduce cost of funds to support the growth plans for the next 3 years.
- Our main objective for the period 2016 – 2018 is to ensure 3-year loans in Lek with fixed rate, bearing a total cost less than 8.5%, including any hedging costs, given that NOA loan book is at 98% at fixed rate in Lek. Considering the potential risks of losses by the respective segment of customers, and taking also into account our "Fast and Easy" philosophy, NOA has implemented a policy of pricing of products by segment.

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# ACHIEVEMENTS (GRAPHICAL DATA)

## Loan Portfolio Per Branch

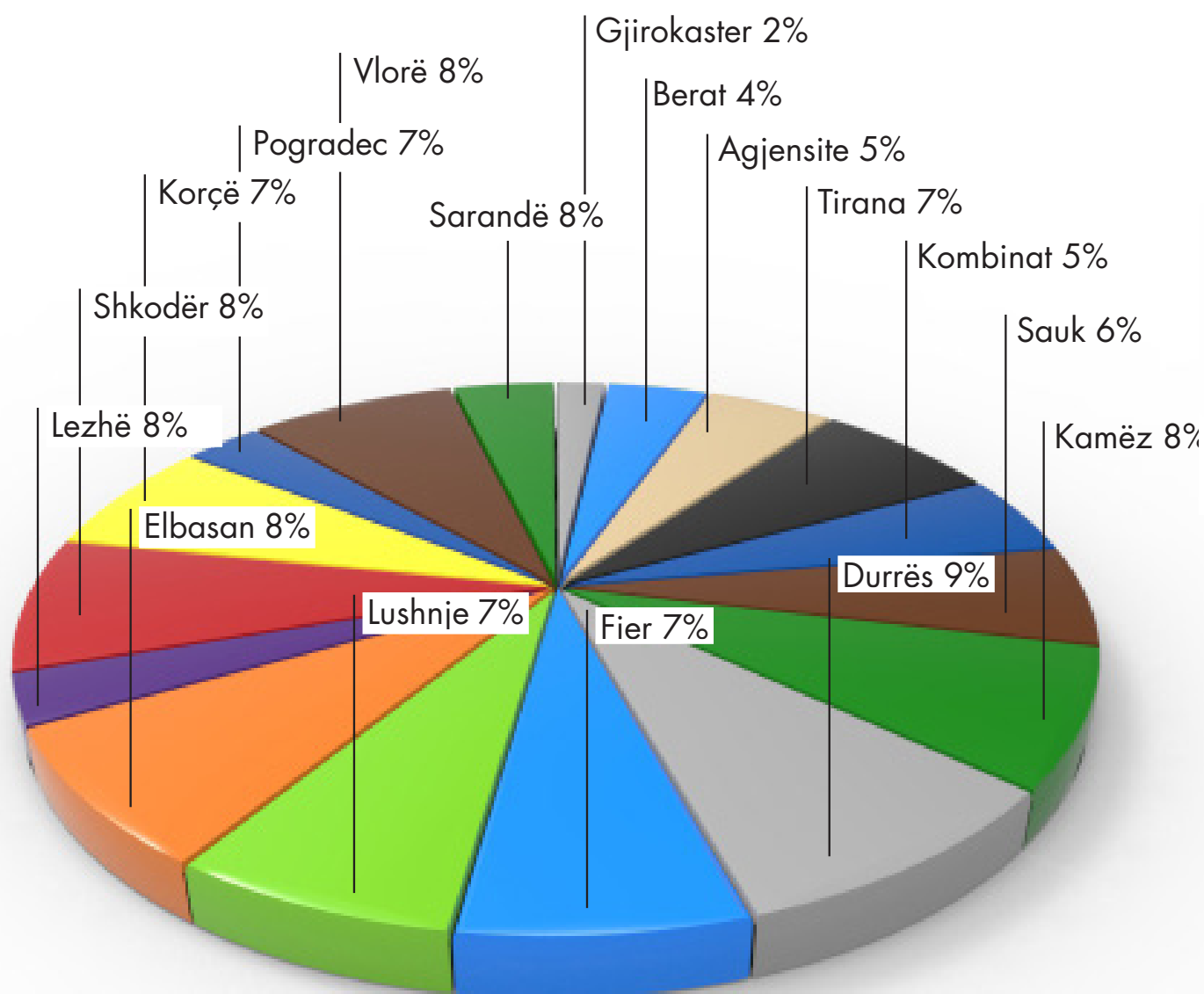


Figure 14: Contribution of branch portfolio vs. total loan portfolio



### Portfolio distribution as per geographical areas

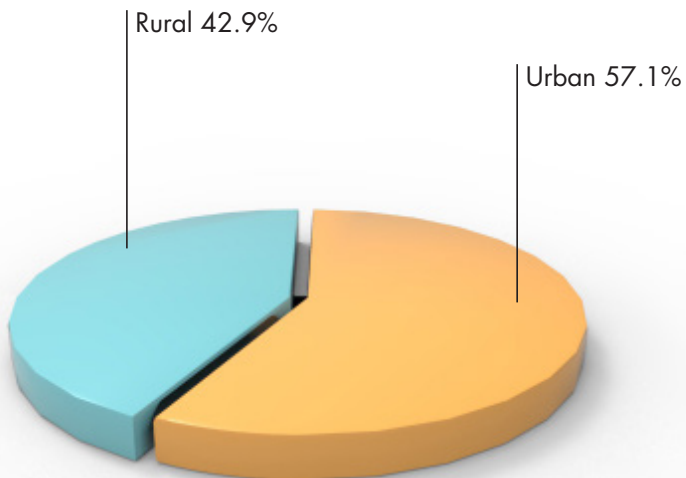


Figure 15: Distribution of the loan portfolio according to geographical area

### Portfolio distribution per maturity

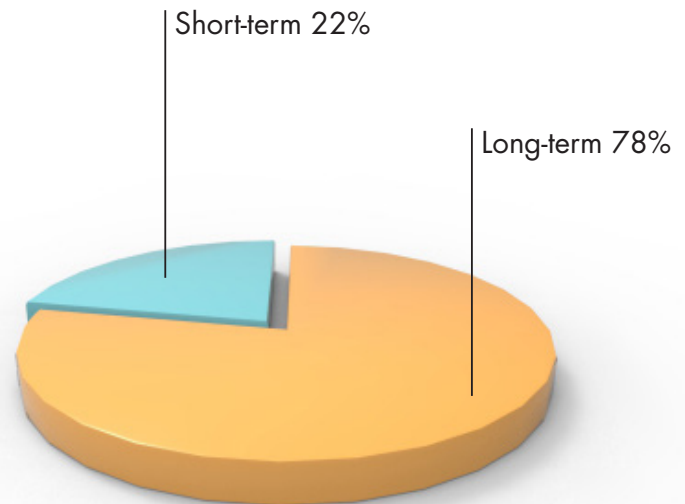


Figure 16: Loan portfolio by segment of clients

### Portfolio distribution by segment

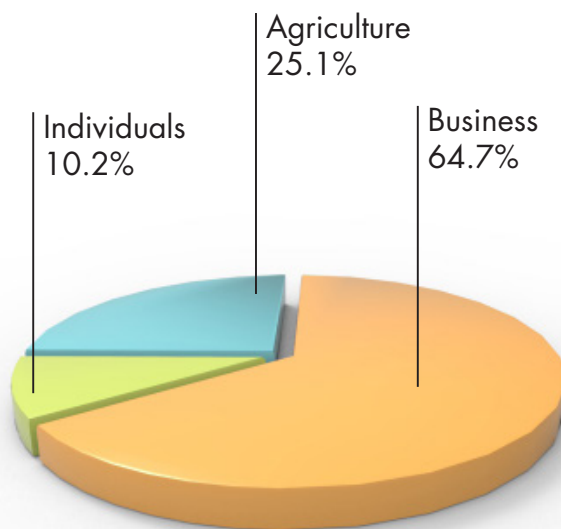


Figure 17: Loan portfolio by maturity



# NOA PROJECT MANAGEMENT

During 2015, NOA established the IS Governance body and respective procedure, aiming to formalize and standardize the approach of the company towards its new projects, starting from the approval process, following its implementation plan; resource engagement; initiating changes; reporting, etc.

There were several ongoing projects, successfully achieving their primary objective within timeline and forecasted budget.

## **NFT - NOA FIELD TECHNOLOGY (a consolidated Product in the market)**

On February 9, 2015, NOA implemented the NFT Project, achieving successfully the following objectives:

- Serving to customers at their workplace, business premise or residence;
- Enhancing product assessment to match all types of market demands;
- Automatizing process controls and validation of product criteria;
- Customization of electronic customer database for fast referral process;
- Standardization of underwriting process in accordance with approved authority levels.

Stemming from our unique "Fast and Easy" brand, the NFT was a step forward to the accomplishment of qualitative branch services and operations, and fast and secure decision making through the hierarchy of the company. The benefits of this project to the respective stakeholders consist of the following:



### **CUSTOMERS**

- Qualification for loan response in 5 minutes;
- Documents are picked up at his most convenient place (home, business, employment);
- Money is disbursed within 1 hour from credit committee approval;



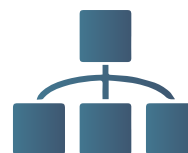
### **SALES STAFF**

- Electronic agenda with meetings / contacts / data gathering / verification process created automatically every start of day on their tablets.
- Direct access to customer credit history
- Digital map of customers to benefit from one off stop
- Performance dashboards to review individual/ unit performance on real time



### **BRANCHES**

- Quality and speed of response to their customer requests
- Real time evaluation of pipeline and staff agendas
- Enhanced staff capacity and expertise on evaluation and efficient usage of information



### **MANAGEMENT**

- Improved data quality
- Efficient process validation, controls and monitoring with minimal efforts and less dedicated staff
- Improved performance management and processes quality, time and efforts
- Contribution to the strengthening of our "Fast and Easy" brand image



## NETWORK AND SYSTEM UPGRADES

The moto of our operations is Smarter & Faster processes and IT Project Charts, which translated into more specific goals, are:

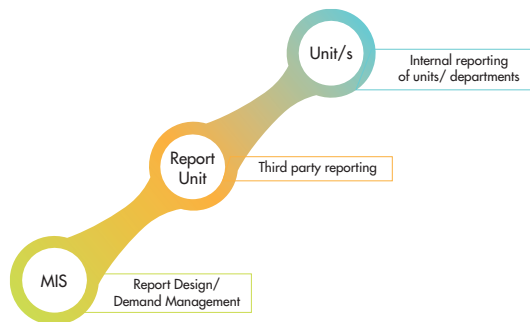
- Process efficiency and innovations;
- Full roll-out of the NFT project;
- Developing & implementing risk scoring model;
- Continuously upgrading our core system;

NOA always invests in its infrastructure and information systems, upgrading for increased hardware and software capacity in order to support institutional growth, enlarging system functionalities to fit product enhancements and dynamics, and benefiting from the latest technology improvements in terms of resources, time and cost efficiency. Two major upgrades were accomplished successfully during 2015, in two critical areas that have a high impact on the overall infrastructure improvement and system performance:

- Router Upgrade
- Core System Upgrade

## OTHER PROJECTS

Other projects were run during 2015, planned to be completed during 2016, as follows:



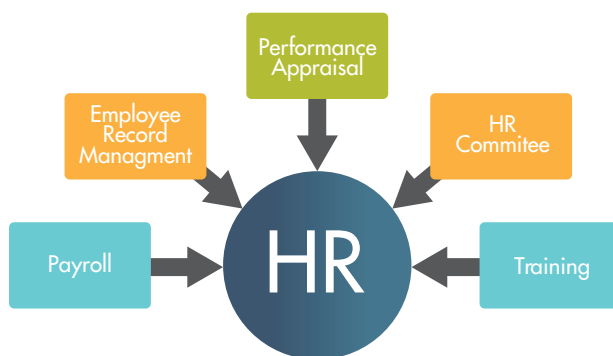
**Report Automation – empower unit (s) with data access**



**Electronic Archive – physically centralized & computerized files**



**Intranet – Build Employee Knowledge Base and Integration**



**HR System**



**Credit Scoring – speed decision making for loans less than 300th**



# HUMAN RESOURCES

// *IF YOU WANT TO BUILD THE BUSINESS, BUILD THE PEOPLE!* //

// *LEADERS DON'T CREATE FOLLOWERS, THEY CREATE MORE LEADERS!* //

In NOA, we strongly believe that our employees constitute the key factor for our success. Consequently, our HR strategy for 2015 has been drawn up in order to closely sustain the business objectives defined at institution level, mainly articulated around 3 main pillars:

1. Employee retention: providing more competitive and transparent compensation and benefits packages, focusing on the perspective of internal professional growth for our sales force.
2. Employee development: concentrating on development activities and empowering our middle managers (especially Branch Managers) to support the retention of their staff and increase employee commitment.
3. Recruitment and on-boarding: improving the selection process and revising our on boarding program to better support the integration of our new colleagues in the institution.
4. Employee Relationship: improving the main HR processes in order to ensure compliance with the regulatory framework and to increase efficiency.

17 Employees promoted during 2015!



**New:** Loan Officer,  
Kombinati Branch

**NEW**



**Optimistic:** Senior Officer,  
Lushnja Branch

**OPTIMISTIC**



**Ambitious:** Branch Manager,  
Sauku Branch

**AMBITIOUS**

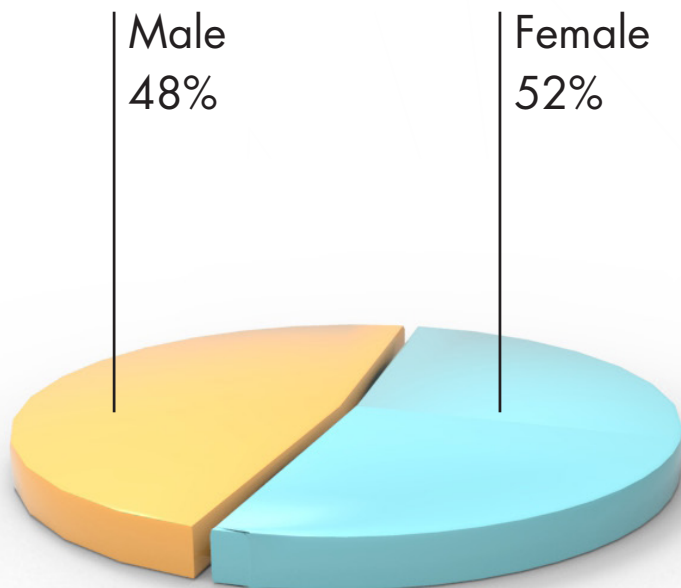
*"Motivation and desire  
to move forward is what  
drives us to success."*

*"Being optimistic helps you realize  
your goals, because nothing can  
be accomplished without hope and  
without believing in your goals."*

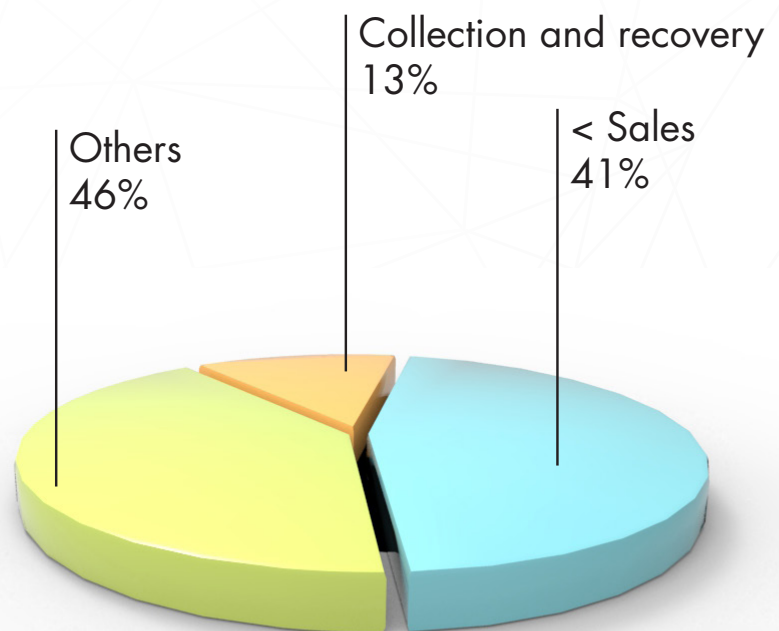
*"The ambition is to try your  
dreams. It is better to try to do  
something and fail, than to do  
nothing and hope for success."*



# NOA WORKFORCE



**Male vs Female**



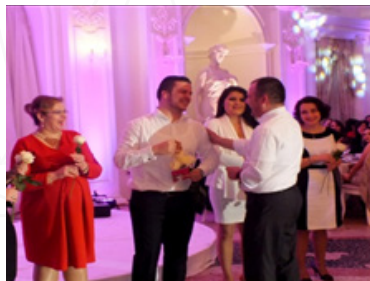
**Staff composition**



# EMPLOYEE RETENTION

In a dynamic market, with people more eager for employment opportunities and alternatives, it is a challenge to keep people motivated and committed. Consequently, HR department is fully engaged to diminish staff turnover, through:

- Increased communication with staff
- Performance Management
- Compensation & Benefit for our employees
- Social policy and other Benefits





## EMPLOYEE DEVELOPMENT

### CAREER PATH

In order to stimulate our sales force and expand the internal career development opportunities, the HR and Business departments have worked quite closely in order to elaborate a motivating career path for the sales job family.

### TRAINING

We offer outstanding training opportunities, both by internal and external resources to develop our staff and advance their work performance. During 2015, our annual training plan focused especially on the development of the managerial and leadership skills of our Branch Managers and of the Senior Loan Officers.

## RECRUITMENT & ON BOARDING

### RECRUITMENT

Besides young and dynamic people, to whom we constantly offer the opportunity to develop in terms of career, in 2015, we have approached qualified staff, with a long experience in the banking system, joining NOA in managerial positions.

### ON-BOARDING PROCESS

During 2015, 77 new employees joined NOA. A special attention has been given to their integration. Our on-boarding program has been totally reorganized for giving our new colleagues a complete overview of our institution, our processes, and the policies in place.

### INTERSHIP PROGRAMS AND JOB FAIRS

We remain open to identify future employment sources. For this purpose, we attend job fairs constantly, and offer students the opportunity to perform internships in our company, thus allowing our HR to recognize excellent potentials and transform them into future employees. Representatives of the company participated in 2015 in several job fairs organized as follows:

- Univeristy of Tirana, Economic Faculty
- Epoka University,
- Agricultural University of Tirana,
- European University of Tirana
- University of New York Tirana





# EMPLOYEE SATISFACTION SURVEY

We have developed questionnaires on job satisfaction and commitment, to identify the demotivating factors and to improve working conditions and motivation at work. For the 2015 survey, the company employed representatives of the University of Amsterdam for the implementation of the survey and the consequent analysis of the results. In this way, our employees were ensured total confidentiality and urged to provide transparent and valuable feedbacks. The feedbacks were compared with the results of a benchmark of financial institutions in Central and Eastern Europe, and the result we were provided was very positive. The participation rate was very high, reaching 85% which is certainly a positive indicator of the engagement of our employees towards NOA. Based on the results, the HR Department will build its action plan for 2016.

# INTERNAL AUDIT

Instead of a controller, we consider our Internal Audit as a strategic business partner taking in consideration also the independence of its activity. The evolving role of our Internal Audit Department consists of:

- Enhanced Focus on Corporate Governance
- Integrated approach towards Risk Management
- Efficiency enhancement
- Partners in Business
- Value Creator

Its main functions are based on:

- Customer-focused support activity that provides value-added assistance in the achievement of NOA strategic goals and performance objectives, in compliance with law requirements.
- Audit activity in the spirit of partnership based in the principles of objectivity, fairness, openness, and in accordance with the highest professional and ethical standards.
- Promotion of teamwork, efficiency, innovation, workforce diversity, and the development of the individual by encouraging participation, mutual support and challenging standards of performance.
- Improvement of audit framework, pursuit professional advancement and sharing of knowledge/experience with our peers.

# CUSTOMER COMPLAINT MANAGEMENT

- Established in October 2014 and fully effective during 2015, Customer Complaints unit is operating in the spirit of the company's new approach toward its customers. The unit is under the supervision of Customer Complaints Committee, whose Chairman is the CEO of the company, and independent by other organizational structures. During this year, we also implemented our Customer Complaints Policy, in compliance with our company governance and strategy.
- Considering our customers as our primary business partners, their opinions really matter for us. Thus, treating proactively our customers' complaints helps us have a solid relation, as well as boosting company performance in higher standards.



# SOCIAL RESPONSIBILITY

Besides being an important partner for the development of agriculture, small and medium size businesses, our company strives to contribute in the improvement of standard of living of our citizens, the promotion of our social and cultural values. The main goal of NOA is to contribute in our society's progress with steady steps, basing its efforts in the basic social welfare of our clients, and the entire community.

NOA supports through its lending the customers that have a repayment capacity, making sure not to overburden the clients with loans they cannot afford.

Furthermore, in view of social responsibility, our company has banished from her financing prospects, the businesses that may negatively affect environment pollution, or the ones that may promote addictive behaviors, such as gambling.

Taking into consideration that donations and sponsorships provide a continuous significant sustainability for various public initiatives that affect certain categories of the less advantaged population, NOA is engaged in important activities for the support of individuals having special needs.

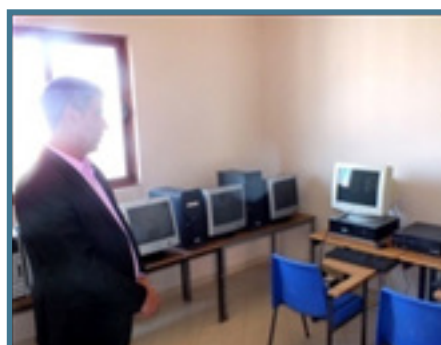


Figure 18  
Donation for Hope Center



Figure 19  
Year-end Postcard Designed by the SOS Village Children



Figure 20  
Sponsorship for Junior Achievement Project



Figure 21  
Donation for Retirement Home





### **Donation for Hope Center**

Besides being an important partner in growth and progress, NOA aims to contribute in the improvement of our fellow-citizens' life standards, and to protect and promote our social and cultural values. Under such framework, NOA made a donor of some computers to the Mission Possible Albania Foundation, Hope Center in Bathore, Tirana. These computers will expand the activity of this center, which among other things, organizes computer and professional courses for the young people of the community.

### **Donation for Retirement Home**

Social responsibility is becoming a major priority for NOA these days. In the New Year's Eve, the company contributed to improve the living conditions in the Retirement Home in Tirana, by supporting the improvement of the lighting system in the dining area and renovating the furniture of the reception hall, where the elderly spend a good part of their times. It was a delightful pleasure to contribute for this institution, which is home and family for the elder people that live there.

### **Sponsorship for Junior Achievement Project**

Leader for One Day is a project of Junior Achievement Albania, supported by the Albanian American Development Foundation. During this activity, the excellent graduating students had the opportunity to accompany for one day executive managers of the public and private sector, and representatives of diplomatic presences in Albania. As part of this program, NOA was one of the 43 selected companies. Being one of the sponsors for this activity, it was a privilege to contribute in the education of a new generation, for a prosperous future of the country.

### **Purchase of the Year-end Postcard Designed by the SOS Village Children**

Differently from other years, this New-Year's Eve, NOA decided to wish all colleagues and business partners through special postcards designed by the children of SOS village. The income, generated from the sale of postcards, contributes to all children that found a warm shelter in this village.



# FUTURE MILESTONES

In order to challenge competition and be less vulnerable to any market threats, we aim to continue being “Fast and Easy”, and improve our network and staff turnover.

With regards to business targets during 2016-2018, they consist of:

## Loan Portfolio

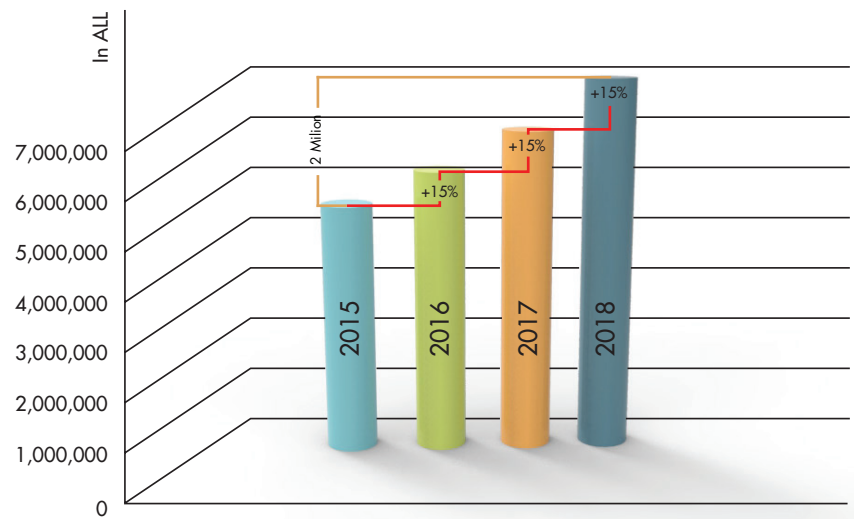


Figure 22: Growth of Loan Portfolio

## Customer Base

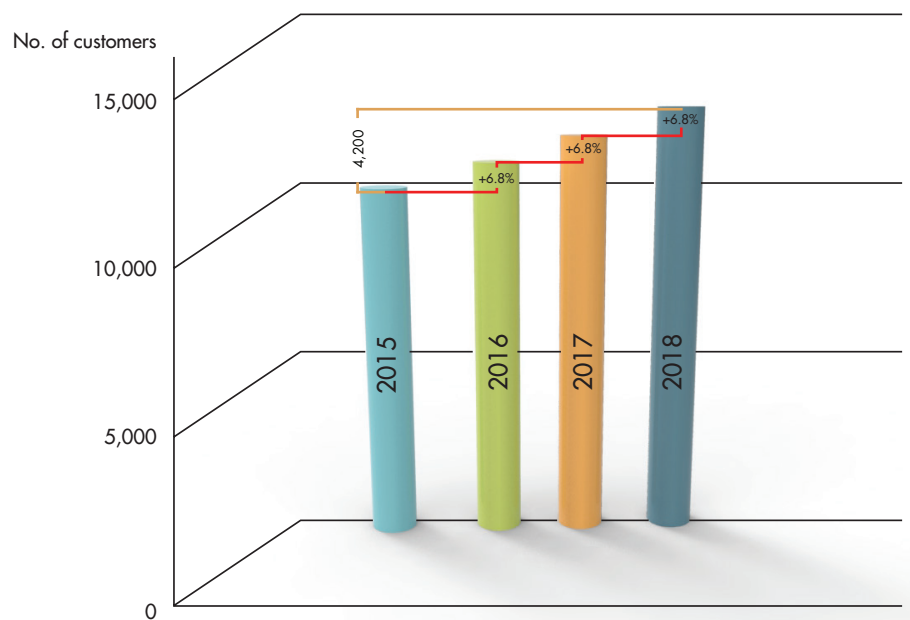


Figure 23: Increase of Customer base



## Profitability

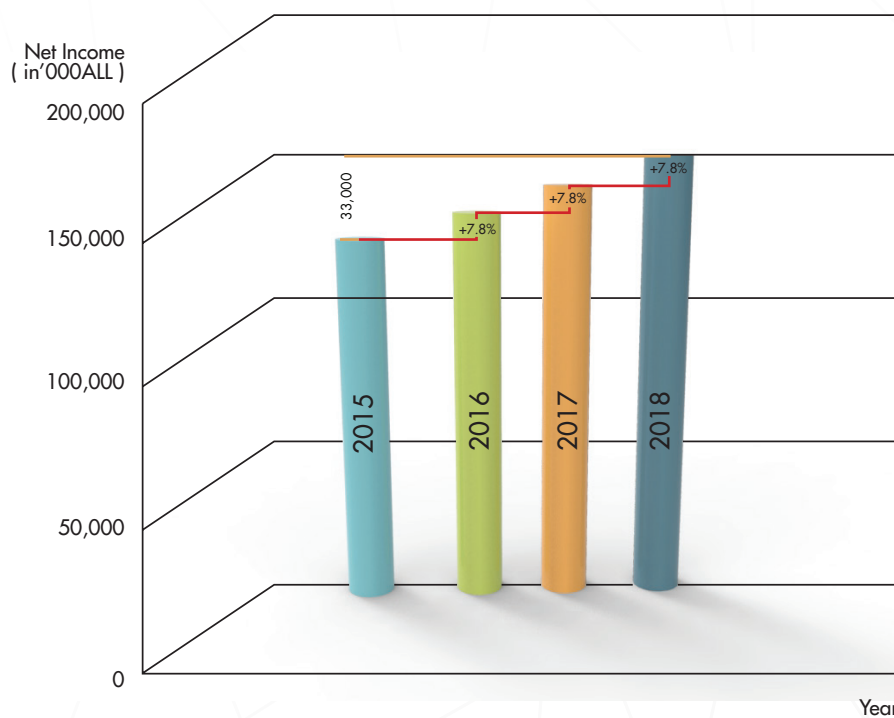
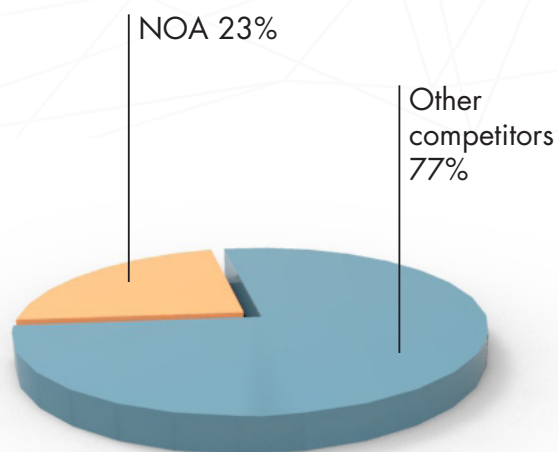
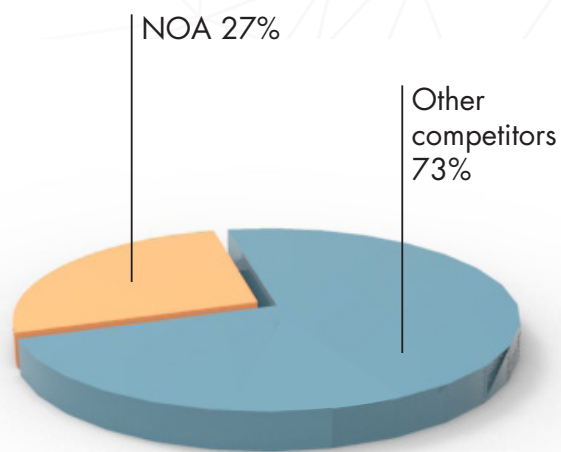


Figure 24: Increase of profitability

## Market share



December 2015



December 2016



## Return on Equity



Maintain stability of 15% on ROE and achieve slight and secure growth

## Productivity

Our energy will be driven toward the enhancement of the company efficiency and productivity through:

Upgrade of the Customer Relationship Management (CRM) system in order to achieve higher average loans for customers.

Simplification of the range of products and ensure their absorption in order to achieve optimization of the customer demands. Increase our efforts in the development of new products affecting the Small and Medium size business and energy efficiency.

Full implementation of the loan origination process, as intended by NFT Project.

Maximising efficiency through diversified channels of communication and sales, such as agencies, call centers, rural agents.

Exploring new opportunities of business, taking advantage on knowledge base and activities we have already tested or possess internally, such as new investment opportunities, debt collection services, etc.

Maintaining a high level of employee motivation through financial rewards (increases and sales incentives), ensuring the quality of service and job performance is at outstanding levels, while operational expenses are kept at optimal levels, as indicated in our business plans.





**KPMG Albania Shpk**  
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Internet	www.kpmg.al

## Independent Auditors' Report

To the shareholders of  
NOA Sh.a.

Tirana, 31 March 2016

We have audited the accompanying financial statements of NOA Sh.a. ("the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG Albania Shpk, an Albanian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered in the National  
Registration Center with VAT  
Number J91619001D



### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Fatos Beqja  
*Statutory Auditor*



KPMG Albania Shpk.  
“Dëshmorët e Kombit” Blvd.  
Twin Towers Buildings,  
Building 1, 13th floor  
Tirana, Albania



# NOA Sh.a.

## Statement of Financial Position

(Amounts in thousands of LEK)

	Notes	31 December 2015	31 December 2014
<b>Assets</b>			
Cash and cash equivalents	15	232,084	268,835
Loans to Financial Institutions	16	18,674	123,379
Loans and advances to customers	17	3,685,569	3,605,114
Investment Securities	18	-	207,791
Property and Equipment	19	39,754	36,714
Intangible assets	20	27,048	15,402
Deferred tax assets	21	9,622	10,321
Other assets	22	121,418	147,486
<b>Total assets</b>		<b>4,134,169</b>	<b>4,415,042</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings	23	3,145,065	3,466,373
Grants	24	12,635	9,546
Income tax payable		15,709	-
Other liabilities	25	90,046	99,941
		<b>3,263,455</b>	<b>3,575,860</b>
<b>Equity</b>			
Paid-up capital	26	731,839	731,839
Legal Reserve		6,767	6,201
Retained earnings		132,108	101,142
		<b>870,714</b>	<b>839,182</b>
<b>Total liabilities and equity</b>		<b>4,134,169</b>	<b>4,415,042</b>

The statement of financial position is to be read in conjunction with the notes set out on pages 5 to 34 and forming part of the financial statements.



## NOA Sh.a.

### Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

(Amounts in thousands of LEK)

	Notes	2015	2014
Interest income	8	930,080	942,780
Interest expense	9	(328,017)	(355,400)
<b>Net interest income</b>		<b>602,063</b>	<b>587,380</b>
Fees and commissions	10	111,075	119,432
Other income	11	137,909	146,297
<b>Total non-interest income</b>		<b>248,984</b>	<b>265,729</b>
Operating expenses			
Depreciation	19	(16,827)	(15,479)
Amortization	20	(8,642)	(19,619)
Personnel	12	(307,801)	(283,336)
Impairment losses on loans to customers	17	(144,640)	(152,768)
Other expenses	13	(212,303)	(210,006)
Foreign exchange gain		(201)	(1,249)
<b>Total operating expense</b>		<b>(690,414)</b>	<b>(682,457)</b>
Net loss on sale of investment securities	18	-	(150,632)
<b>Profit before income tax</b>		<b>160,633</b>	<b>20,020</b>
Income tax expense	14	(28,840)	(8,707)
<b>Profit for the year</b>		<b>131,793</b>	<b>11,313</b>
Other comprehensive income net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>131,793</b>	<b>11,313</b>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes set out on pages 5 to 34 and forming part of the financial statements.



# NOA Sh.a.

## Statement of Cash Flows

(Amounts in thousands of LEK)

	Note	2015	2014
<b>Cash flow from operating activities</b>			
Profit		131,793	11,313
<i>Adjustments for</i>			
Depreciation	19	16,827	15,479
Amortization	20	8,642	19,618
Loss from sale of investment		-	150,632
Disposal of assets		21	43
Impairment losses on loans to customers	17	144,640	152,768
Amortization of grants		(8,162)	(5,480)
Interest income		(930,080)	(942,780)
Interest expense		328,017	355,400
Income tax expense		28,840	9,082
<b>Cash flows from operating activities</b>			
Change in loans to customers		(225,095)	(433,429)
Change in other assets		26,691	24,757
Change in other liabilities		(23,490)	20,286
Net cash used in operating activities		<b>(501,356)</b>	<b>(622,311)</b>
Interest received		923,288	941,641
Interest paid		(314,422)	(362,136)
Income tax paid		(12,433)	(22,147)
<b>Cash flows used in operating activities</b>		<b>95,077</b>	<b>(64,953)</b>
<b>Cash flows from investing activities</b>			
Acquisition of equipment	19	(19,888)	(27,957)
Acquisition of intangibles	20	(20,288)	(1,270)
Increase in time deposits		108,456	206,137
Proceeds/(purchase) of investment securities		210,210	(207,791)
Proceeds from sale of investment securities		-	62,386
<b>Cash flows from investing activities</b>		<b>278,490</b>	<b>31,505</b>
<b>Cash flows in financing activities</b>			
Proceeds from borrowings		(321,308)	248,902
Income from grants		11,251	-
Dividends paid		(100,261)	(43,910)
<b>Cash flows from financing activities</b>		<b>(410,318)</b>	<b>204,992</b>
Net increase/(decrease) in cash and cash equivalents		(36,751)	171,544
Cash and cash equivalents at the beginning of the year	15	268,835	97,291
<b>Cash and cash equivalents at the end of the year</b>	15	<b>232,084</b>	<b>268,835</b>

The statement of cash flows is to be read in conjunction with the notes set out on pages 5 to 34 and forming part of the financial statements.



## NOA Sh.a.



### Statement of Changes in Equity

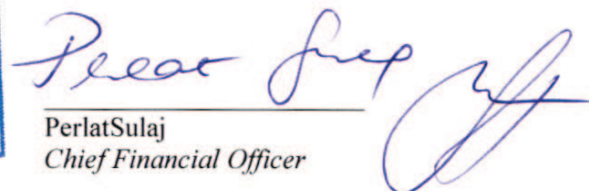
(Amounts in thousands of LEK)

	Share Capital	Legal Reserve	Retained Earnings	Total
<b>Balance at 1 December 2014</b>	<b>731,839</b>	<b>1,757</b>	<b>138,182</b>	<b>871,778</b>
Net profit for the year	-	-	11,313	11,313
Total other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>11,313</b>	<b>11,313</b>
<b>Transactions with owners</b>				
Appropriation of retained earnings	-	4,444	(4,444)	-
Dividends	-	-	(43,909)	(43,909)
<b>Total contribution by and distribution to owners</b>	<b>-</b>	<b>4,444</b>	<b>(48,353)</b>	<b>(43,909)</b>
<b>Balance at 31 December 2014</b>	<b>731,839</b>	<b>6,201</b>	<b>101,142</b>	<b>839,182</b>
Net profit for the year	-	-	131,793	131,793
Total other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>131,793</b>	<b>131,793</b>
<b>Transactions with owners</b>				
Appropriation of retained earnings	-	566	(566)	-
Dividends	-	-	(100,261)	(100,261)
<b>Total contribution by and distribution to owners</b>	<b>-</b>	<b>566</b>	<b>(100,827)</b>	<b>(100,261)</b>
<b>Balance at 31 December 2015</b>	<b>731,839</b>	<b>6,767</b>	<b>132,108</b>	<b>870,714</b>

The statement of changes in equity is to be read in conjunction with the notes set out on pages 5 to 34 and forming part of the financial statements.

The Management of NOA has authorised these financial statements for issue on 31 Mars 2016 and signed on its behalf by:

  
  
**Herjola Spahiu**  
*Chief Executive Officer*

  
**Perlat Sulaj**  
*Chief Financial Officer*



# Annual Report 2015

