

Tirana Stock Exchange

ANNUAL REPORT

2010

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I. INTRODUCTION

History of Tirana Stock Exchange

TSE is the first stock exchange established in Albania. It was first established as a department of the Bank of Albania and marked the only activity of this market, which consisted of secondary trading for treasury bills and 5 government bonds.

TSE was separated by the Bank of Albania on July 1, 2002, to continue with the its organization and functioning as a joint stock company. TSE was granted the license as a securities market on July 1, 2003, from the Securities Commission (now as the FSA). This license was renewed again in 2005 for a 2-year term until 2007 when TSE was licensed by the Financial Supervisory Authority for an indefinite term.

Vision of Tirana Stock Exchange

Ensure that sufficient capital flows (domestic and international) are made available for financing private firms and the public sector;

See that investors, both individual and institutional, enjoy broad opportunities to invest and diversify their portfolios;

Guarantee, especially to individual, investors reasonable levels of protection;

Procure a reasonable level of return on capital invested in the capital markets.

Mission of Tirana Stock Exchange

The TSE's mission is to organize and develop the Albanian securities market by creating the most favorable conditions for issuers, investors, and financial intermediaries to exploit capital market efficiency.

Areas of Activity

The areas of the Tirana Stock Exchange activity are :

- Stock Market,
- Treasury Bill Market,
- Government Bond Market,
- Municipal Bond Market and
- Shareholders Bond Market.

Philosophy

Working in group as an interactive organization in order to ensure and guarantee transparency, fairness and equal treatment for all securities market participants.

Culture

Increasing and developing through innovation, technology and active commitment.

Sources of the "TSE" a jsc

➤ Financial Resources

TSE is a joint stock company with the Albanian state as single shareholder. Its financial incomes are covered by the state budget and own revenues.

➤ Human Resources

Tirana Stock Exchange has a centralized structure. It is organized with descriptions of roles, policies, procedures and best specified norms. TSE has a structure which reflects the responsibility and control of all processes and moderate specialization of the employers.

II. PROFILE OF TIRANA STOCK EXCHANGE

Supervisory Board Of Tirana Stock Exchange

Mr. Lavdosh Zaho Chairman
Mrs. Anila Tanku Member
Mr. Selman Lamaj Member
Mr. Urim Muja Member
Mr. Adem Rrenga Member

Management

Mrs. Anila Furera
General Director

Membership in International Organizations

Full members of FEAS
(Federation of Euro-Asian Stock Exchanges, since 1996)

www.feas.org

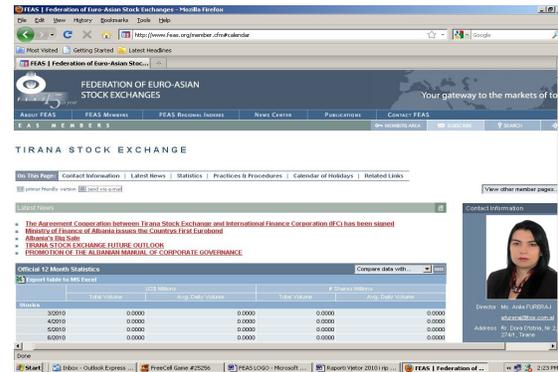


Address

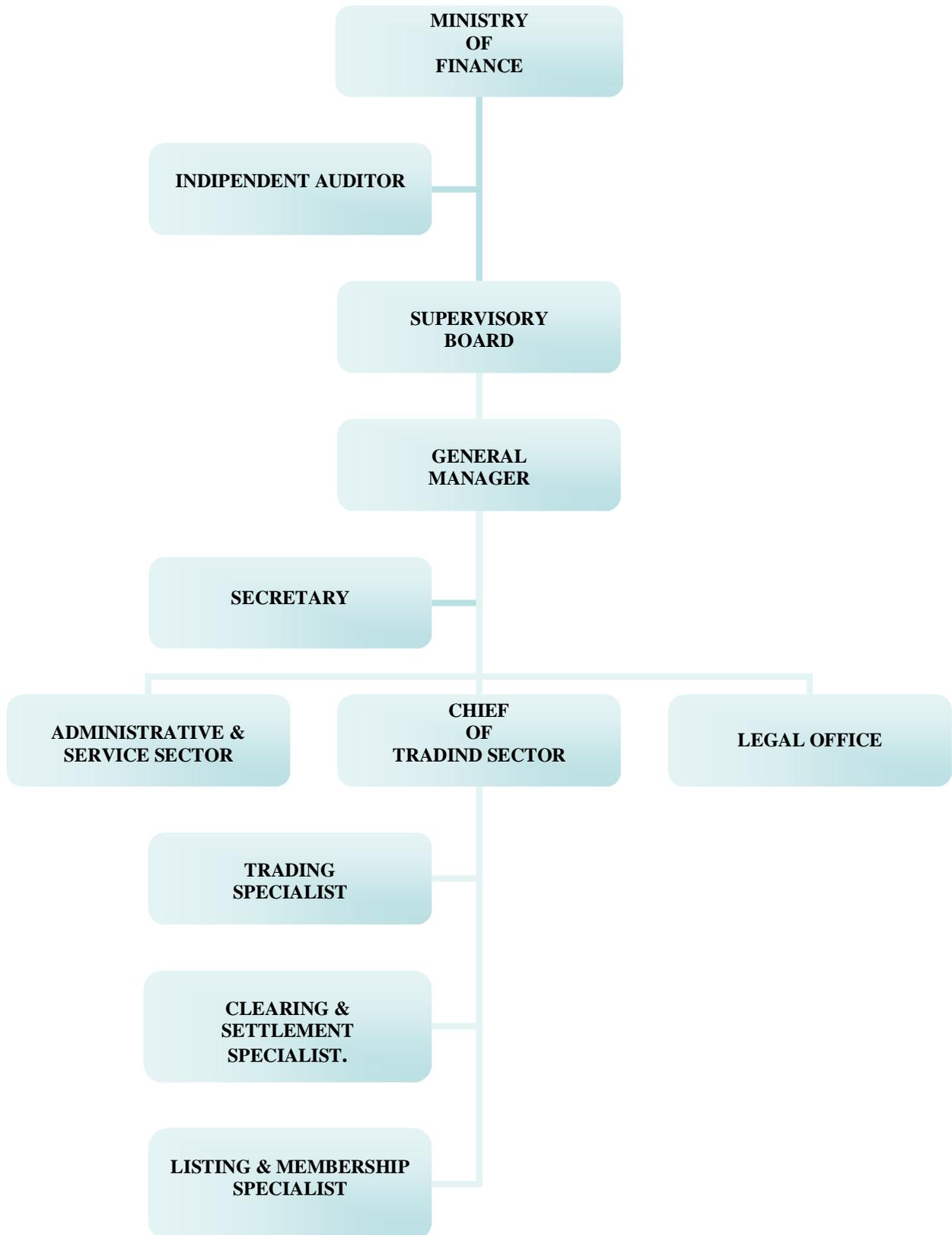
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Structure of Organization

Legal Status: Joint-Stock Company
Form of Ownership: State Owned
Owner: Minister of Finances 100% shares
Authorized Capital: 20 000 000 ALL
Number of shares: 20,000 shares



OPERATIONAL STRUCTURE



III ACTIVITY OF TIRANA STOCK EXCHANGE

1. ACTIVITY OF THE SUPERVISORY BOARD

- ❖ Decision No. 1 dated 03.02.2010 "On the reallocation of the TSE Budget 2010";
- ❖ Decision No. 2 dated 25.03.2010 "On the approval of the TSE Balance-Sheet and TSE Annual Report 2009";
- ❖ Decision No. 3 dated 25.03.2010 " On the approval of TSE vehicle sale through auction";
- ❖ Decision No. 4 dated 06.10.2010 "On the approval of amendments and additions to the Tirana Stock Exchange status";
- ❖ Decision No. 5 dated 22.12.2010 "On the reallocation of the Tirana Stock Exchange budget for special items in 2010".

2. REGULATORY FRAMEWORK

"Tirana Stock Exchange" was established and functions in accordance with the provisions of:

- Law No.9879 "On Securities" , dated 21.02. 2008
- Law No. 9901"On Entrepreneurs and Companies" dated 14.03. 2008.
- Regulation of Financial Supervision Authority, No.120 dated 02.10.2008 "On licensing and Supervision of Securities Exchange" , and the
- Regulation of Tirana Stock Exchange.

During 2010 "Tirana Stock Exchange" JSC statute was revised, on the basis of the Law "On Entrepreneurs and Companies". The statute is an important legal act, to implement and interpret the legal framework cited above.

Relations with Business Community

Important developments were the workshops with the business community, organized by the TSE in cooperation with IFC on the TSE as an independent, transparent and safe place for the trading securities. In addition the experience of neighboring countries was presented about the growth and development of business after the market liberalization and stock exchange, functioning, which plays a key role in these countries' economy.

Cooperation with the International Finance Corporation – IFC

- Cooperation with important domestic and foreign institutions on capital market development is an important activity of the stock exchange. In this context a Memorandum of Cooperation was signed between Tirana Stock Exchange and International Finance Corporation - IFC, in the framework of Corporate Governance in Eastern Europe program. Through this agreement, IFC will provide technical assistance for Tirana Stock Exchange, staff training, various activities on business awareness-raising on governance and capital markets.

- Under this agreement, Tirana Stock Exchange in cooperation with

IFC organized training seminars with Stock Exchange staff, financial sector representatives, Tirana Stock Exchange members and representatives from the business community.

- In the training workshop on " Securities Exchange, the process of listing, trading, clearing and settlement to the Stock Exchange", the main topics discussed focused on the presentation of Tirana Stock Exchange, as an organized and transparent securities market, presentation of the Corporate Governance Project in Albania, highlighted the objectives and role of government on global financial crisis and benefits of this project on how to run a company. Another aspect of this seminar was the participation of Director General of Montenegro's Stock Exchange, whose presentation focused on Montenegro Stock Exchange, a successful stock exchange in the region and a general analysis of all capital market stakeholders in Montenegro.

- "Investment Banks" was the second seminar in the framework of the agreement. It focused on Investment Banks and some important issues included, general concepts on investment banks, main activities that generate income, etc.

Co-Operation with the Federation of Euro-Asian Stock Exchanges

TSE as a full-rights member in the Federation of Euro-Asia Stock Exchanges (FEAS), continued cooperation with this institution. Information is constantly exchanged, economic developments in Albania.

TSE participated in FEAS 15th anniversary, General Assembly and at the Meeting of the Working Group, annual activities of this organization. In addition to cooperation with the Federation of Euro-Asian Stock Exchanges, TSE was included in the Yearbook "Interfeas Magazine", a FEAS publication.

International Cooperation

- On the 25th-anniversary of the Istanbul Stock Exchange (ISE), Tirana Stock Exchange took part in a conference organized on that occasion. Participants in the conference discussed about the current situation, cooperation between stock-exchanges and future challenges for the capital market, both in the region and internationally.

- Tirana Stock Exchange in cooperation with IFC, represented by Director General, Ms. Anila Fureraj, was part of the round discussion table, on drafting a manual on "The Board

Oversight of Crisis Management in Emerging Markets."

- In the framework of institutional cooperation, Tirana Stock Exchange is involved in answers to the fourth round questionnaire of evaluation in Albania, by the European Commission, relating to the prevention of money laundering and capital market.

Researches and Studies

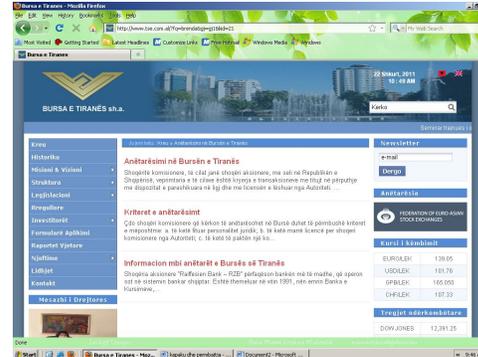
- "TSE as a prospect of the region", analyses some of the region's stock markets. It draws out specific characteristics of the regional markets, describes their functioning after the transition from the centralized economy to a market economy, privatization of state enterprises through local markets, trading characteristics, listing requirements and other indicators. Later similarities and differences between local exchanges and the TSE were identified.

- Initial Public Offering, was the second study paper, which was presented in the following chronological order: what is an IPO how can the first IPO be realized, the benefits that it brings and the conditions that must be met for its realization. All these studies were published in the official website of the TSE.

Public Information

The general public and investors were constantly subject to our information during 2010 through electronic media. Media presented Tirana Stock Exchange, a securities market in Albania, membership criteria and listed companies, addressed issues related to capital market development.

Official Website of Tirana Stock Exchange



Tirana Stock Exchange presented its new qualitative, dynamic and fully functional official website. This site aims to improve the image of the Stock Exchange, increase the level of information of public opinion about TSE. The public and investor may find information about membership or listing on the stock exchange, published economic and financial news, information on international markets, exchange rate etc.

3. FINANCIAL ACTIVITY OF TIRANA STOCK EXCHANGE

❖ Financial Statements

Table 1. Expenses for 2010, by main items

Category of expense	Allocated	Used	%
Wage Expenses	8,326,000	8,191,700	98.39
Investments	74,000	72,100	97.43
Operating Expenses	1,750,000	1,693,100	96.75
TOTALI	10,150,000	9,956,900	98.10

Table 2. Income and Expenses Statements for 2010.

EXPENSES	
Office Expenses	32,140
Staff Costs	8,191,645
Depreciation & Wear-and-Tear	314,735
Other Expenses	2,297,182
Financial Expenses	11,672
Total expenses	10,847,374
FINANCIAL INCOMES and EXPENSES	
Grants	10,493,241
Interest revenues	-
Financial revenues	150,000
Total revenues	10,643,241
Results loss	(204,133)

Table 3. Balance Sheet at 31 December 2010.

ASSETS	
Short-term Assets	3,340,813
Cash & Cash Equivalents	3,219,989
Short-term Operating Receivables	22,604
Inventories	98,220
Long-term Assets	1,361,536
Subscribed Capital	17,330,495
Total assets	22,032,844
LIABILITIES & EQUITY	
Short-term Liabilities	209,224
Grants	2,852,688
Share Capital	20,000,000
Equity	18,970,932
Profit (Loss) of the Financial Year	824,935
Total Liabilities and Equity	22,032,844

IV. OBJECTIVES OF TIRANA STOCK EXCHANGE 2011

The strategic objectives of Tirana Stock Exchange are functioning as organized securities market and the beginning of its operation as a regular platform for trading of securities. These objectives will be accomplished through hard and consistent work, through:

1. Cooperation with the Ministry of Finance and the Albanian Financial Supervisory Authority to implement the project for listing the securities of joint stock companies in the TSE.
2. Continuation of cooperation on the project to link the region's Stock Exchange in a single trading platform, in the context of regional integration.
3. Cooperation and continuous contacts with the business community. Continuation of direct communication of the Tirana Stock Exchange with private business, members of the Tirana Stock Exchange, etc., in order to further the understanding of joint stock companies, the functioning of the exchange, financial instruments, advantages of listing and quotation on the stock exchange, and practical and technical steps for the realization of this process;
4. Provision of an electronic trading platform;
5. Realization of listing for all companies with a certain number of shareholders at a listing with criteria reduced on Tirana Stock Exchange.

V.MEMBERS TIRANA STOCK EXCHANGE

❖ "RAIFFEISEN BANK - RZB"



"Raiffeisen Bank – RZB" join-stock company is the largest bank operating in the Albanian banking system. During 2010 the Management Board of Raiffeisen Zentralbank Österreich AG (RZB) and Board of Raiffeisen International (RI) decided to merge part of RZB's banking operations by RBI. Also Mr. Christian Canacaris was appointed new Executive Director of Raiffeisen Bank in Albania, following the departure of Mr. Oliver Whittle from this position at the end of September 2010

The join-stock company "Raiffeisen Bank – RZB" is granted by the AFSA license no. 74 / 1, dated 24.11.2005 "On securities trader". The object of the activity of the "Raiffeisen Bank – RZB" is "Trading of Government securities into the Exchange and in the retail market". License of "Raiffeisen Bank – RZB" is unlimited.

Brokerage commissioner:

- Z. Christian CANACARIS (license no. 118/1, dated 24.11.2005 on Registry of ASFA, and is *unlimited*)

Address: Rruga "Dëshmorët e 4 Shkurtit", Nr.6 Tirana, Albania

❖ "NATIONAL COMMERCIAL BANK - BKT"



"National Commercial Bank - NCB" join-stock company is since 2009 part of Çalik Financial Services, main shareholder and owner of 100% of capital. The join-stock company "National Commercial Bank" is granted by the Albanian Financial Supervision Authority license no. 75, dated 23.03.2006 "On securities trader. The object of the activity of "National Commercial Bank" is "Trading of Government Bonds and Treasury Bills into the Exchange". License of "National Commercial Bank" is unlimited.

Brokerage commissioner:

- Mr. Kaan PEKIN (license no. 119 / 1, dated. 23.03.2006 on Register of ASFA, is *unlimited*)
- Mr. Florent PRIFTI (license no. 120 / 1, dated. 23.03.2006 on Register of ASFA, is *unlimited*)

Address: Bulevardi "Zhan D'ark" Tirana, Albania

❖ “KAPITAL INVEST” Inc



“Kapital Invest” join-stock company is established by decision No. 37186 dated 12.01.2007 of Tirana District Court. Company aims to be a leader in the capital market being a potential financial intermediary.

“Kapital Invest” join-stock company is granted by the Albanian Financial Supervision Authority license no. 87, dated 05.04.2007, “On securities trader”. The object of the activity of the “Kapital Invest” is *“Trading (as broker/dealer) of Government securities into the Exchange and in the retail market”*. License of “Kapital Invest” join-stock company is unlimited.

Brokerage commissioner:

- Z. Lirim MUHARREMI (license no. 128, dated. 05.04.2007 on Register of ASFA, is *unlimited*)

Address: Bulevardi Dëshmorët e Kombit Pallatet Twin Towers Tirana, Albania

❖ “TRIUMF GRUP” Inc



“Triumf Group” join-stock company is the second private non-bank company registered in Tirana Stock Exchange. It operates in securities market and provides financial consultancy in this field.

“Triumf Group” join-stock company is granted by the Albanian Financial Supervision Authority license no. 67, dated 24.11.2003, “On securities trader”. The object of the activity of the “Triumf Grup” is *“Trading of Treasury Bills into the Exchange”*. License of Triumf Group” join-stock company is unlimited.

Brokerage commissioner:

- Zj. Mirela ANGJELI (license no. 106, dated. 24.11.2003 on Register of ASFA, is *unlimited*)

Address: Rruga “Muhamet Gjollësia” Tirana, Albania