



PROCREDIT BANK SH.A.

Quarterly financial report For the period ended on: 31/03/2022

According to the requirements of Regulation No. 60, dated 29.08.2008 [as amended] of the Bank of Albania

Tirana, on 29/04/2022



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1. Main activity of the bank, organisation and general management

1.1 General information about the Bank

The Bank, originally known as FEFAD Bank Sh.a., was incorporated with its headquarters in Albania in February 1999. The Bank has been operating with its current name "ProCredit Bank sha" since 2003. The Bank has been licensed to exercise its activity in all areas of banking activity in Albania in compliance with the law "on banks in the Republic of Albania".

Currently, the Bank operates based on Law no. 9662, dated 18th December 2006, "On the Banks in the Republic of Albania", as amended. The Bank is a joint-stock company which operates in compliance with Law 9901, dated 14th April 2008, "On Entrepreneurs and Commercial Companies".

As of 31st of March 2022, the sole shareholder of the Bank is ProCredit Holding AG & Co. KGaA which owns 100% of the shares.

Name of the entity	ProCredit Bank
Legal form	Joint-Stock Company SH.A
Address	Street Dritan Hoxha, Nd.92, H.15, Tiranë
NUIS	J91524011J
Date of establishment	06.10.1998
Amount of the regulatory capital	4,526,206,486 Lek
Amount of paid-up capital	5,359,302,277 Lek
Number of shares issued	564,256
Nominal value	9,498 Lek
Capital increased during quarter	363,686,424 Lek
Shares increased during quarter	40,595
Nominal value of the capital increased during quarter	8,959 Lek



1.2 Information about the activity of the Bank

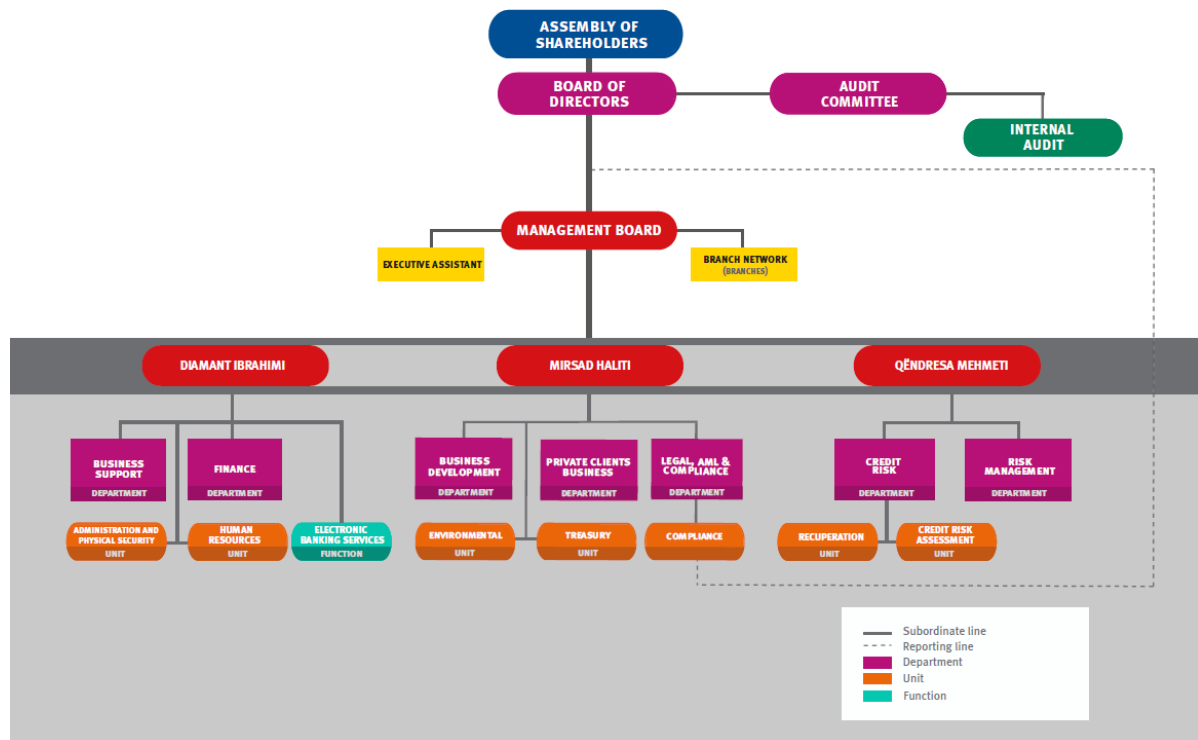
ProCredit Bank sh.a carries out banking activity in the Republic of Albania based on License no. 12/1 granted by the Bank of Albania, offering the following services/products:

All forms of lending, including consumer credit and mortgage credit;

- 1) Financial lease;
- 2) All payment and money transfer services;
- 3) Provision of guarantees;
- 4) Trading on its own account or on behalf of clients, whether in a foreign exchange, in an over-the-counter market (OTC) or otherwise, as follows:
 - i) Money market instruments (checks, receipts, certificates of deposits, etc.),
 - ii) Currency exchange,
 - iii) Foreign exchange instruments and interest rate assessment instruments, including products such as swap agreements and agreements that determine the value of interest in the future,
- 5) Providing the service of insurance funds;
- 6) Issuance and administration of payment instruments (such as credit and debit cards, traveler's checks and bank checks, payment cards and mobile payments), etc., including the issuance of electronic money.
- 7) Consulting, mediation and other auxiliary services for all activities listed in points 2 to 7 above.
- 8) Trading on its own account, whether on a stock exchange, an over-the-counter (OTC) market or otherwise, of transferable securities.



1.3 Organisational structure



Members of the Board of Directors:

- Eriola Bibolli, Chairperson of the Management Board
- Christian Edgardo Dargosa
- Wolfgang Bertelsmeier
- Jovanka Joleska Popovska
- Jordan Damcevski

Members of the Management Board:

- Mirsad Haliti
- Diamant Ibrahim, and
- Qëndresa Mehmeti¹

¹ Pending approval from the Bank of Albania



1.4 Business ethics

Part of the general mission of the ProCredit group is to set standards in the financial sectors in which we operate. We want to make a difference – through the target group we serve, the quality of our financial services, and the business ethics upon which we base our actions. The following principles guide the operation of the ProCredit institutions.

Transparency: We provide transparent information to our clients, the public, and our employees. For example, we ensure that customers fully understand the terms of the contracts they conclude with us. We engage in financial education in order to raise public awareness of the danger of non-transparent financial offers.

A culture of open communication: We communicate openly, fairly and constructively with each other. We deal with conflicts at work in a professional manner, working together to find solutions.

Social responsibility and tolerance: We offer our clients sound and well-founded advice. Before offering loans to our clients, we assess their economic and financial situation as well as their business potential and creditworthiness in order to avoid over-indebtedness and to provide appropriate financial services. In addition, we are committed to treating all customers and employees with fairness and respect, regardless of their origin, colour, language, gender or religious beliefs. We also ensure that requests for loans are evaluated in terms of the applicant's compliance with our ethical business practices. No loans are issued to enterprises or individuals if they are suspected of engaging in unsafe, environmentally harmful or morally objectionable forms of labour, in particular child labour.

High professional standards: Our employees take personal responsibility for the quality of their work and always strive to grow as professionals.

Personal integrity and commitment: Complete honesty is expected from all employees in the ProCredit group at all times and any breaches of this principle are swiftly and rigorously dealt with. These principles represent the backbone of our corporate culture and are actively applied in our day-to-day operations. They are reflected in the ProCredit Code of Conduct, which translates the group's principles into practical guidelines for our staff.



1.5 Environmental policies of the Bank

Every ProCredit institution has set high standards regarding the environmental impact of its operations. Protecting the environment and ensuring that the economic development supported by the ProCredit institutions is as environmentally and socially sustainable as possible is a central component of ProCredit's group-wide development mission. As part of the ProCredit group, ProCredit Bank Albania regards protecting the environment and helping to slow the advance of climate change to be part of its corporate social responsibility and considers these endeavours to be critical components of socially responsible economic development.

In our operations, we seek to continuously reduce our negative environmental impact as well as that of our clients and to contribute to raising the awareness of our staff, clients and the public about environmental issues by implementing consistent and sustainable measures.

As a financial institution, ProCredit Bank Albania affects the environment mainly in terms of consumption of energy, water, paper and other materials, transportation and equipment, and building conditions. In terms of its activities, the bank also indirectly affects the environment through the services it provides to its clients (including banking services and financing) and through the services and products it consumes from external suppliers. Because we are aware of the fact that our activities have an environmental impact, we have elaborated and implemented an Environmental Policy..

2. Summary of significant accounting policies

2.1 Basis of preparation

The Bank prepares financial statements in compliance with the "Methodology of reporting and content of financial reporting" ("Methodology of Financial Reporting" or "MRF"), approved by the Supervisory Council of the Bank of Albania on December 24, 2008.

The financial statements are prepared in accordance with the historical cost principle, except for the financial instruments of investment securities, which are measured at fair value.

The financial statements are reported in lek, which is also the functional currency of the Bank. Unless otherwise stated, the financial information expressed in lek is rounded to the nearest thousandth.

2.2 Cash and cash equivalents

Cash and cash equivalents include amounts of cash and deposits with an original maturity of three months or less. The required reserve at the Central Bank is not included as a component of cash and cash equivalents for the purpose of presenting cash flows statement.

2.3 Financial instruments

Debt securities classification

The Bank classifies debt securities as available-for-sale financial assets. The management determines such a classification of its investments from the initial recognition. Debt securities are classified as available-for-sale when they are purchased with the intention of holding them for a period longer than six months, or when they cannot meet the criteria for classification as trading securities, or as securities of investments held until maturity.

Debt securities measurement

Financial assets are initially recognized at fair value, being their acquisition price excluding costs. Transaction costs are not included. Any discount or premium paid on the nominal value at the moment of the transfer is accrued to the payment date of the security's nominal amount. Financial securities available-for-sale after initial recognition are tested for impairment at each reporting date. The Bank creates provisions for impairment of debt securities available-for-sale by homogeneous groups of securities of the same type against unrealized capital losses resulting from the difference between the carrying amount adjusted, if necessary, by amortization and returns the differences and the market price. Impairment losses arising from changes in the fair value of such available-for-sale investments are included in net profit or loss in the period in which they arise. Unrealised capital gains are not recorded in the accounts.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank determines the fair value by using valuation techniques, commonly used by market participants. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on market rates for instruments with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.



2. Summary of significant accounting policies (continued)

2.4 Loans and advances to customers

Operations with customers represent all kinds of operations performed by the Bank with its customers. Customers are considered all third parties which are not banks, credit institutions or other financial institutions.

Loans to customers granted by the Bank by providing cash to a borrower are categorised as loans originated by the Bank. All loans and advances are recognised when cash is advanced to customers. When funds are not immediately disbursed, the commitment is reflected as off-balance sheet. Loans disbursed are initially recognised at the nominal amount of the contract which is disbursed. Interest is accrued on a pro-rata basis over the period of the loan.

Loans and advances to customers are stated net of provisions for loan impairment for substandard, doubtful and loss credit risk categories. A provision for loan impairment is established based on the Bank of Albania's Regulation "On Credit Risk Management" referred to below.

Specific provisions are created pursuant to regulation No. 62 of the Bank of Albania "On Credit Risk Management for banks and branches of foreign banks", dated 14 September 2011, as amended, originally approved by the Supervisory Council of the Bank of Albania (the "Credit Risk Regulation"). For each risk category, the following rates of provisions are applied:

Credit risk category	Provision rates
Standard	1%
Special Mention	5%
Restructured standard and special mention	10%
Substandard	Min 20%
Doubtful	Min 50%
Loss	100%

Provisions for credit losses on loans classified as standard and special mention are considered by the Credit Risk Regulation as statistical provisions and are separately presented within liabilities.

The Bank does not accrue interest for loans that are classified as substandard, doubtful and loss or loans for more than 90 days past due.

Classification of loans into the credit risk categories defined above is performed by the Bank on a monthly basis.

The classification is driven by days past due and the financial conditions of the borrower.



2. Summary of significant accounting policies (continued)

2.4 Loans and advances to customers

Loans restructured for the first time remain at least in the risk category from the loans classified before the restructuring, and in no case, can be classified higher than the "substandard" category until the following conditions are met:

- a) the borrower has regularly repaid the instalments (principal and interest) for a period of 12 (twelve) months from the restructuring date, and the instalments during this period must be material compared to the instalments of the payment plan provided for the following period ;
- b) the borrower has regularly repaid at least 4 (four) instalments (principal and interest).

Loans restructured for the second time, after the restructuring, are classified in a lower class from the category in which it was classified before the restructuring, and loans restructured for more than two times, after the restructuring, are classified in the "lost" category, up to fulfilment of conditions a) and b) above.

When a loan is uncollectible, it is written off against the corresponding provision for impairment. Subsequent recoveries are credited to the income statement. Loans are written off by decision of the Bank's Board of Directors, or at the request of the Bank of Albania, no later than 2 years after being classified as a loss.

2.5 Loans and advances to banks

Loans and other amounts due from banks and financial institutions are initially recorded at fair value, being the disbursement amount. Interest is accrued on pro-rata basis over the term of the instrument. Amounts past due from other banks or credit institution are not considered to represent a credit risk unless it is certain that there is a risk that the amounts are not recoverable. In such a case, a provision for depreciation is recorded based on the probability of default of the counterpart.



2. Summary of significant accounting policies (continued)

2.6 Property and equipment

An asset is classified as property and equipment if used by the Bank for at least one year in its operations or for administrative purposes and/or rendering banking services. Property and equipment are initially stated at cost, being their acquisition costs, as well as costs directly related to acquisition. Property and equipment are subsequently measured at cost less accumulated depreciation and impairment, if any.

Upgrading expenditure (current maintenance and repairs) may be capitalised only if such expenditure increases the service life of the asset or its value.

Depreciation, which is calculated on a straight-line basis over the estimated useful lives of the assets. The annual depreciation rates are as follows:

	Rates in %
Buildings	2.5
Computers and electronic equipment	20
Vehicles	20
Furniture and equipment	10

Leasehold improvements relate to expenditure for branch and leased premises renovations. Leasehold improvements are classified under other assets. These assets are depreciated over the period of the lease.

Property and equipment that are not available to use or which construction is still in progress, are recorded as "assets in-progress". Progress payments and advances to suppliers for these assets are also included in assets in-progress. Assets in-progress and not available for use are not depreciated. When available for use, the assets are transferred to the respective category of property and equipment or investment property considering their destination and depreciated accordingly.

2.7 Intangible assets

Intangible assets include the software licenses acquired by the Bank. These software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful life of ten years.

2.8 Investment property

Investment property is property held by the Bank to earn rental income or for capital appreciation, or both. Investment property includes assets for future use as investment property. Investment property are stated at historical cost less accumulated depreciation and accumulated impairment, if any.



2. Summary of significant accounting policies (continued)

2.9 Assets acquired through legal processes

Assets acquired through legal processes include non-financial collateral repossessed through enforcement of insurance on non-performing loans and advances to customers, which do not generate rental income and are not used by the Bank in its operations. Such assets are intended for disposal in a short period of time, without significant restructuring.

Assets acquired through legal processes are classified as inventory within other assets and are initially recognized at cost, being the acquisition amount after execution procedures (auction value). Any subsequent reserve fund is recognized as a gain or loss, together with any realized gains or losses after the sale. The reserve funds are created according to the regulations in force (the regulation of the Bank of Albania "On credit risk management by banks and branches of foreign banks" (amended) approved by decision no. 62, dated 14.09.2011 and amended by decision no. 27, dated 27.03.2013, with decision No. 22, dated 27.02.2014, with decision No. 26, dated 1.04.2015, with decision No. 50, dated 30.03.2016, with decision No. 52, dated 3.7.2019, with circular decision No. 13, dated 12.3.2020, with circular decision No. 33, dated 28.05.2020 and with decision No. 5, dated 13.1.2021 of the Supervisory Council of the Bank of Albania.

Provisions for real estate are created for a period of 7 (seven) years from the date of their benefit using the following rates:

Year	Provision rates
First year	5%
Second year	15%
Third year	30%
Fourth year	45%
Fifth year	60%
Sixth year	80%
Seventh year	100%

For movable assets, the Bank creates reserve funds in the full accounting value of the movable assets within one year from the acquisition date.

2.10 Liabilities to customers

Liabilities to customers consist of amounts deposited with the Bank with an agreed repayment date. Accounts payable to customers are initially recognized at fair value. Then, interest is calculated on a pro-rata (proportional) basis over the term of the account, if interest is applicable.

2.11 Contract guarantees

Contract guarantees are contracts that provide compensation if one of the parties fails to fulfil a contractual obligation. Such contracts, in addition to the credit risk, also transfer the non-financial performance risk. In cases where the Bank has the contractual right to approach the customer for the recovery amounts paid to settle the guarantee contracts, such amounts will be recognized as loans and receivables after the transfer of the loss compensation to the beneficiary of the contract.



2. Summary of significant accounting policies (continued)

2.12 Leases

Bank, regarding Credits which are not paid for more than 90 days shall not account the accrued interest. Interest income and expense is recognized on an accrual basis, whilst interest on substandard, doubtful and loss loans, is recognized on a cash basis.

Disbursement fees for loans that are likely to be drawn down are deferred (together with related direct costs). Fee and commission income arises on financial services provided by the Bank including cash management services, brokerage services and investment advice. Fee and commission income is recognized when the related service is performed.

2.13 Income and expenses

Bank, regarding Credits which are not paid for more than 90 days shall not account the accrued interest. Interest income and expense is recognized on an accrual basis, whilst interest on substandard, doubtful and loss loans, is recognized on a cash basis.

Disbursement fees for loans that are likely to be drawn down are deferred (together with related direct costs). Fee and commission income arises on financial services provided by the Bank including cash management services, brokerage services and investment advice. Fee and commission income is recognized when the related service is performed.

2.14 Income tax

The Bank determines income tax at the end of the calendar year in accordance with the Albanian tax legislation which stipulates that corporate income tax is based on profit before tax as determined based on the Bank's financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The IFRS financial statements may differ from the Bank of Albania Financial Reporting Methodology due to the different accounting policies. Corporate income tax is based on taxable income calculated by adjusting the IFRS financial statements' profit before tax for tax non-deductible expenditure as specified in the Law "On income tax". Tax losses are calculated under the same method and are carried forward for three calendar years during which they can be utilised against future taxable income. In case control over an entity is transferred to another shareholder, tax loss carry forwards expire.

2.15 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at year-end. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historic cost, are translated at the foreign exchange rate ruling at the date of the transaction.



2. Summary of significant accounting policies (continued)

2.16 Provisions

Provisions for legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

2.17 Employees' benefits (retirement obligations)

The Bank makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan. The Bank's contributions to the benefit pension plan are charged to profit or loss as incurred..

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, interest is accrued on pro-rata basis. Difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the life of the borrowings using the effective interest method.

2.19 Share capital and reserves

Share capital represents the funds invested in the Bank by the shareholders through irredeemable ordinary shares. Paid-in capital represents the nominal value of the shares issued and fully paid up by the shareholders.

Legal reserves are compulsory due to specific regulatory requirements and are generally increased where applicable by a certain percentage of the profit for the year

2.20 Comparatives

Comparative information is presented consistently applying the Bank's accounting policies. Errors are accounted for prospectively in the year they are identified. Retrospective correction is not allowed unless specific guidance by the Bank of Albania.



3. Financial statements and profitability indicators

3.1 Statement of financial position and off-balance sheet items

Assets (Amounts in Lek '000)	31 March 2022	31 December 2021
Cash and Central Bank	5,301,354	5,021,113
Treasury bills and other bills eligible for refinancing with Central Bank	1,779,529	1,699,147
Loans and advances to banks and financial institutions	2,487,382	3,366,992
Loans and advances to customers	28,904,183	27,725,977
Securities	-	-
Participating interests	193	192
Agent transactions	-	-
Tax to be collected	-	244
Intangible assets	9,019	7,625
Fixed assets	581,061	592,545
Other assets	495,347	522,594
Total assets	39,558,068	38,936,429
Liabilities and Equity (Amounts in Lek '000)	31 March 2022	31 December 2021
Liabilities	35,758,233	35,573,180
Due to Central Bank	-	-
Treasury bills and other bills eligible for refinancing with Central Bank	-	-
Due to credit institutions, not central bank	8,454,571	7,403,643
Due to customers	25,102,152	26,428,254
Due to the government and public organisations	-	-
Agent transactions	166,171	23,669
Provisions for risks and expenses	365,474	359,427
Subordinated debt	854,821	858,560
Tax payable	8,672	18,229
Other liabilities	806,372	481,398
Shareholder's equity	3,799,835	3,363,249
Paid in capital	5,359,302	4,995,616
Reserves	708,110	708,110
Retained earnings (losses)	(2,341,406)	(2,387,008)
Current year profit/(loss)	73,829	46,531
Total of liabilities and equity	39,558,068	38,936,429
Items off balance sheet (Amounts in Lek '000)	31 March 2022	31 December 2021
Commitments and guarantees given	3,904,764	3,941,123
Commitments and guarantees received	49,724,284	49,460,311
Commitments no securities	-	-
Foreign currency transactions	-	-
Other commitments	2,551,129	2,573,188
Total of off-balance sheet items	56,180,177	55,974,622

Note: The figures have not been audited by external auditors.



3.2 Statement of profit or loss

<i>(Amounts in Lek '000)</i>	1 January 2022 - 31 March 2022	1 January 2021 - 31 December 2021
Interest income	268,877	1,044,492
Interest expense	(69,148)	(308,667)
Net interest income	199,729	735,825
Income from operations with securities and other financial operations	7,444	33,470
Losses on securities transactions and other financial institutions	(6,607)	(2,482)
Net income from operations with securities and other financial operations	837	30,988
Incomes from commissions	102,608	361,314
Expenses from commissions	(28,941)	(120,000)
Net incomes from commissions	73,667	241,314
Net profit from foreign currency exchange	27,210	98,391
Net profit from leases operations	66	1,900
Net profit/(loss) from other banking activities	(1,894)	1,073
Net incomes from banking activity	299,615	1,109,491
Personnel expenses	(66,671)	(303,603)
Taxes other than income taxes	(1,820)	(6,560)
General administrative expenses	(183,629)	(788,928)
General operating expenses	(252,120)	(1,099,091)
Operating income prior to expenses for amortisation and provisions	47,495	10,400
Net expenses on amortization and provisions for depreciation of fixed assets	(13,567)	(76,236)
Net (charge)/reversal for statistical provisions	(992)	12,630
Net (charge)/reversal for provisions on substandard, doubtful and lost loans	(25,258)	150,108
Losses on unrecoverable receivables	-	(122,460)
Net (charges)/reversals for other provisions	(717)	(72)
Net profit from extraordinary activities	73,586	72,161
Profit/(loss) before tax	80,547	46,531
Income tax	(6,718)	-
Net profit/(loss) for the period	73,829	46,531

Note: The figures have not been audited by external auditors.



3.3 Financial indicators of profitability

Indicators of the bank's profitability *	31 March 2022	31 December 2021
1) Return on average assets (ROAA) [net profit/average assets*100]	0.0%	0.1%
2) Net extraordinary result / average assets	0.8%	0.2%
3) General operating expenses/gross operating income	88.7%	105.9%
4) Net interest income/general operating expenses	75.2%	62.6%
5) Return on average equity ratio (ROAE) [net profit / average equity ratio *100]	8.5%	1.4%
6) Assets per employee [total assets / registered number of employees] in Lek'000	311,481	314,024
7) Net interest income / average assets	2.1%	1.9%
8) Net interest margin: [net interest incomes / average assets generating income]	2.7%	2.5%
9) Interest income / average assets	2.8%	2.8%
10) Interest expenses / average assets	0.7%	0.8%
11) Net interest income / gross operating income	66.7%	66.3%
12) Net income from other activities / average assets	1.0%	1.0%
13) Expenses other than interests / gross operating income	13.5%	12.1%
14) Personnel expenses / gross operating income	22.3%	27.4%
15) Expenses for provisions / average assets	0.4%	-

(*). The indicators have been calculated pursuant to Regulation No. 60, dated 29.08.2008 of the Bank of Albania (amended).



4. Capital management

The Bank's objectives during capital management, which is a broader concept than "capital" presented on the balance sheet, are:

- to comply with the capital requirements determined by the Bank of Albania;
- to protect the Bank's ability, as a continuous concern, so that it can continue to provide profits for shareholders and benefits for other interested parties; and
- to maintain a strong capital base to support its business development.

Capital adequacy and the use of regulatory capital are continuously monitored by the Bank's Management, using techniques based on the guidelines drawn up by the Basel Committee and European Community Directives, implemented by the Bank of Albania, for supervisory purposes. The required information is deposited in the Bank of Albania on a quarterly basis.

The Bank of Albania requires that each bank or banking group:

- a) to maintain the minimum level of regulatory capital of 1 billion lek and
- b) to ensure a ratio of total regulatory capital to risk-weighted assets at or above the minimum of 12%,
- c) to evaluate and maintain additional capital, as a result of the Internal Capital Evaluation Process, based on the relevant instruction of the Bank of Albania,
- d) to comply with the macroprudential requirements according to the relevant regulations and decisions.

Regulatory capital is the Bank's capital, calculated in accordance with the requirements of the Bank of Albania regulation, to cover credit risk, market risk and operational risk. The regulatory capital of the Bank is divided into two levels. The bank calculates regulatory capital as the sum of Tier 1 capital and Tier 2 capital, taking into account deductions in accordance with the requirements set forth in the regulations of the Bank of Albania.

Banks calculate risk-weighted exposures as the sum of the following elements:

- i) Potential weighted credit exposures or counterparty risk;
- ii) Capital requirements related to market risks; and
- iii) Capital requirements related to operational risk.



4. Capital management (continued)

4.1 Structure of regulatory capital

<i>(Amounts in Lek '000)</i>	31 March 2022	31 December 2021
Regulatory Capital	4,526,206	4,167,654
Tier I Capital	3,671,385	3,309,094
Core Tier I Capital	3,671,385	3,309,094
Capital instruments known as Common Equity Tier 1 (CET1)	5,359,302	4,995,616
Paid in capital	5,359,302	4,995,616
Memorandum Items: Capital instruments that are not known	-	-
Shares premiums	-	-
Retained earning	(2,387,008)	(2,387,008)
Retained earnings and losses carried forward from previous periods	(2,387,008)	(2,387,008)
End of year profit	-	-
Reporting period profit	-	-
Reserves (excluding revaluation reserves)	708,110	708,110
Credit revaluation difference	-	-
CCT1 adjustments related to prudential filters	-	-
(-) Goodwill	-	-
(-) Other intangible assets	(9,019)	(7,625)
(-) Amount exceeding the 17.65% threshold	-	-
Additional Tier I Capital	-	-
Tier II Capital	854,821	858,560
Capital instruments and subordinated loans eligible as T2 Capital	854,821	858,560
Paid up capital instruments and subordinated loans	854,821	858,560
Standard Method (SA) main credit risk adjustments	-	-
Components of Tier 2 (T2) capital or other deductions	-	-

On August 30, 2019, ProCredit Bank SH.A received a subordinated debt from the shareholder ProCredit Holding AG & CO.KGaA. The main data of the subordinated debt are as follows:

- Its amount is 7 million Euros (in the amount of 854,840,000 lek converted with the exchange rate of the Bank of Albania 122.12 on August 30, 2019).
- The maturity period of the subordinated debt is 10 years.
- The annual interest rate is 6M Euribor+4.85%.

In the subordinated debt contract, it is stipulated that interest payments are made on a six-months basis and the principal is payable on the maturity date. Interest is calculated on an annual basis and the year is assumed to have 360 days. The parties have agreed that within the first 5 years from receiving the subordinated debt, no further payments will be made for the purpose of early repayment of the subordinated debt. This option is possible after the first 5 years have passed since receiving the subordinated debt. The subordinated debt is in accordance with the Regulation of the Bank of Albania No. 69 dated 18.12.2014 "On the bank's regulatory capital". Based on articles 30 and 31 of this regulation, subordinated debt is classified as a tier two capital instrument. For the classification of subordinated debt as a tier two capital instrument, preliminary approval was given by the Bank of Albania at the time of its issuance, in 2019.



4.2 Capital adequacy ratio

(Amounts in Lek '000)	31 March 2022	31 December 2021
Regulatory Capital;	4,526,206	4,167,654
Capital adequacy ratio - CAR - (%) \geq 12.0%	15.15%	14.75%
Common Equity Tier 1 Capital/Risk-weighted assets \geq 6.5%	12.29%	11.71%
Tier 1 Capital/Risk weighed assets. \geq 9.0%	12.29%	11.71%
Total Risk Weighted Exposure	29,882,264	28,251,838
Credit Risk		
Risk weighted exposure for credit, counterparty, and non-DVP settlement risk - Standardized Approach (SA)	27,990,397	26,359,971
SA exposure classes excluding securitisation positions	27,990,397	26,359,971
Claims or contingent claims on central governments or central banks;	-	-
Claims or contingent claims on regional governments or local authorities;	-	-
Claims or contingent claims on administrative bodies and non-commercial undertakings;	-	-
Claims or contingent claims on multilateral development banks;	-	-
Claims or contingent claims on international organisations;	-	-
Claims or contingent claims on institutions;	848,665	1,009,090
Claims or contingent claims on corporates;	19,575,640	18,363,168
Retail claims or contingent retail claims;	6,074,704	5,616,754
Claims or contingent claims secured on real estate property;	155,983	143,024
Past due items;	392,595	352,385
Items belonging to regulatory high-risk categories;	-	-
Claims in the form of covered bonds;	-	-
Claims in the form of collective investment undertakings ('CIU');	-	-
Other items;	942,810	875,550
Securitisation positions;	-	-
<i>out of which: resecuritisations</i>	-	-
Market Risk		
Risk weighted exposure for market risk	-	-
Risk weighted exposure for settlement risk	-	-
Settlement risk in the banking book	-	-
Settlement risk in the trading book	-	-
Risk weighted exposure for position, foreign exchange and commodity risk (SA)	-	-
Position risk of debt securities	-	-
Position risk of equities	-	-
Foreign exchange risk	-	-
Commodity investment risk	-	-
Risk weighted exposure for concentration risk in the trading book		
Operational Risk		
Risk weighted exposure for operational risk	1,888,658	1,891,867
Basic Indicator Approach (BIA)	1,888,658	1,891,867
Standardised Approach / Alternative Standardised Approach	-	-
Total risk-weighted assets' increase, based on "Treasury and interbank transactions" and "Securities transactions" of non-residents, denominated in foreign currency	-	-



4.2 Capital adequacy ratio (continued)

The Bank's Capital Adequacy is calculated monthly and reported to both the Executive Board, the Bank of Albania and the Group Risk Management Committee, along with current forecasts to ensure future compliance with capital adequacy requirements.

Also in this aspect, the strong support of our shareholders has enabled the Bank to maintain a comfortable level of capital. On March 31, 2022, the capital adequacy ratio (Tier 1 and Tier 2 capital / risk-weighted assets) was at the level of 15.15% (Methodology of the Bank of Albania).

The bank's objectives in capital management, which is a broader concept than just 'equity', as far as the balance sheet is concerned, are:

- acting in accordance with all capital requirements set by the Bank of Albania;
- protecting the bank's ability to withstand any risk that may materialize; and
- maintaining a strong capital base to support future developments of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management level, using techniques based on the guidelines drawn up by the Basel Committee and European Community Directives, as implemented by the Bank of Albania, for supervisory purposes. The required information is deposited in the Bank of Albania every three months.

The Bank has implemented the Methodology according to the Regulation of the Supervisory Council of the Bank of Albania on Capital Adequacy, approved by decision no. 48, dated 31.7.2013 and amended by decision no. 43, dated 30.7.2014, decision no. 70, dated 18.12.2014, decision no. 49, dated 1.7.2015, decision no. 91, dated 2.12.2015, decision no. 49, dated 30.3.2016, decision no. 5, dated 1.2.2017, decision no. 34, dated 2.5.2018, decision no. 7, dated 5.2.2020 and with circular decision no. 22, dated 1.4.2020, circular decision no. 54, dated 9.11.2021 and with decision no. 68, dated 22.12.2021 of the Supervisory Council of the Bank of Albania).

The bank calculates capital adequacy as the ratio between the amount of regulatory capital and the amount of risk-weighted exposures, expressed as a percentage, on an individual and consolidated basis. The bank ensures that the capital adequacy ratio, calculated as above, is not less than 12%.

The bank calculates risk-weighted exposures as the sum of the following elements:

- a) items of exposures and possible exposures, weighted with the credit risk and the credit risk of the counterparty, calculated according to the Standard Method, defined respectively in chapter III and Chapter VI of the regulation of the Supervisory Council of the Bank of Albania for Capital Adequacy;
- b) the capital requirement for market risk, calculated according to the requirements defined in Chapter VII of this regulation, multiplied by 12.5;
- c) the capital requirement for operational risk, calculated according to the Simple Indicator Approach or according to the Standard Approach, defined in Chapter VIII of this regulation, multiplied by 12.5.



4.2 Capital adequacy ratio (continued)

The bank calculates the regulatory capital according to the instructions of the Bank of Albania "On the regulatory capital of the bank", approved by decision no. 69 dated 18.12.2014 and amended by decision no. 19, dated 03.04.2015 and by decision no. 2, dated 9.1.2019 of the Supervisory Council of the Bank of Albania.

Regulatory capital is the bank's capital, calculated according to the requirements of this regulation, to cover credit risk, market risks and operational risk. The bank's regulatory capital, depending on its characteristics and the conditions defined in this regulation, is divided into two categories:

- a) Tier 1 capital;
- b) Tier 2 capital.

The bank calculates its regulatory capital as the sum of Tier 1 capital and Tier 2 capital, taking into consideration deductions according to the requirements of this regulation and/or other regulatory acts.

Based on the requirements of the Bank of Albania, ProCredit Bank: (a) maintains the minimum level of regulatory capital of 1 billion lek; (b) maintains a total regulatory ratio of risk-weighted assets ('Basel ratio') at the internationally accepted level of 12% or above and acts in accordance with these requirements.

Also, the Bank performs the process of internal assessment of capital adequacy on a monthly basis, based on the internal policies of the Group, as well as on an annual basis based on the requirements of the Guide of the Bank of Albania "On the process of internal assessment of capital adequacy" ".

In addition, the Bank calculates, monitors and reports the fulfilment of requirements related to macro-prudential capital additions, based on the relevant regulation of the Bank of Albania (Regulation "On macro-prudential capital additions" approved by Supervisory Council Decision no. 41, date 5.6.2019 (Regulation 41/2019), and relevant decisions of the Governor of the Bank of Albania.



5. Financial risk management

The Board of Directors has the ultimate responsibility for the bank's risk management, defining and approving responsible structures and appropriate mechanisms (policies, standards, procedures, committees, etc.) to identify, assess and mitigate the bank's exposure to risks. The Bank's Executive Directorate is responsible for the implementation and continuous monitoring of the Bank's risk management framework. The Governing Council has established the necessary Committees (Credit Risk Management Committee, ALCO Committee, Operational Risk Management Committee, Risk Management Committee, Compliance Committee, Anti-Money Laundering Committee), to monitor the range of full of risks to which the bank is exposed. Additionally, these Committees have risk-related decision-making authority.

At ProCredit Bank Albania, the risk is measured and reported according to the regulations in force of the Bank of Albania, also according to the risk management policies, which have been approved by the bank's Board of Directors. The policies are in full compliance with the legal regulations in force in Albania and with the requirements set by the Bank of Albania. The policies are based on the principles and standards of the Risk Management and Control Group, which in turn are based on the guidance documents of the German Federal Financial Supervisory Authority. Bank ProCredit Albania regularly reports its risk position to the Group's Risk Management Units.

5.1 Credit risk management

Lending to SMEs constitutes the main operation of the ProCredit bank in terms of its assets, and therefore the classic credit risk, which means the risk that the borrowers may not be able to pay, is the main risk the bank faces. Credit risk constitutes most of the risk in the context of calculating risk bearing capacity.

ProCredit Bank Albania has adopted credit risk policies based on the ProCredit Group Credit Risk Management Policy and the Group Collateral Evaluation Policy, which together reflect the experience gained in more than two decades of successful lending operations in economies in transition and under development and are in full compliance with the regulations in force in Albania. For each client of the bank, a credit exposure limit is set and the decision-making authority for the loan is determined; all decisions to grant a loan, or to change the terms, are made by a credit committee and all credit risk assessments are carefully documented.

Above all, the bank strives to build and maintain long-term relationships with its customers, taking care to be fully aware of their financial situation and not to burden them with more debt than they can afford.



5.1 Credit management risk (continued)

Credit risk is also reduced by the fact that our portfolio is highly diversified. The businesses we serve operate in a wide range of sectors and their exposure to global market fluctuations is limited. Also, the bank continuously monitors the concentration risk according to the exposure.

Since most bank loans are paid in monthly instalments, the borrower's failure to meet the payment deadline is treated as an early sign of a potential default problem and prompts a response from the bank. When an interest or principal payment is overdue for more than 30 days, the loan in question moves to the portfolio at risk (PAR>30), which serves as the main indicator for the quality of the loan portfolio and for measuring the classic credit risk.

Bank ProCredit Albania determines the provisioning fund based on the regulation of the Bank of Albania for credit risk management. All Medium exposures are evaluated individually through a rating system determined by the bank, once every three months.

In principle, ProCredit Bank accepts all types of collateral. The collateral serves as a guarantee that the bank, as a creditor, can recover the credit exposure and as a motivation for the borrower to pay the credit exposure. Collateral evaluation is done according to the Group's Collateral Evaluation Policy, which reflects the experience gained in more than two decades of successful lending operations, and is in accordance with the European Standards for Collateral Evaluation.

Risk margin control and mitigating policies

The Bank uses a number of policies and practices to mitigate credit risk. The most traditional among them is insurance for fund advances, which is a common practice. The Bank applies guidelines on the eligibility of specific categories of collateral or credit risk mitigation. The main types of collateral for loans and advances are:

- Blocking of monetary assets and bank guarantees (collateral in monetary assets),
- Financial guarantee,
- Mortgages on residential and other properties;
- Blocking of business assets such as premises.

Loans for corporations and individuals are generally secured. Individual private advances and issued credit cards are determined by the decisions of the credit committees.



5.1 Credit risk management (continued)

The following table provides the classification of credits portfolio according to the sectors of economy and geographical distribution, as of 31st of March 2022:

March 31, 2022 (Amounts in Lek '000)	District: Tirana	District Durrës	District Shkodër	District Korça
Private non-financial corporations	23,648,161	173,009	130,044	1,497,693
Agriculture, forestry, fishing	721,955	15,529	-	-
Mining and quarrying	1,351	-	-	-
Manufacturing	6,948,415	98,028	34,109	666,637
Electricity, gas, steam and air conditioning supply	584,930	-	-	158,696
Water supply; sewerage, waste management and remediation activities	42,568	-	-	87,225
Construction	2,119,245	-	-	68,105
Wholesale and retail trade; repair of motor vehicles and motorcycles	10,088,119	36,446	48,407	336,318
Transport and storage	628,816	875	-	16,307
Accommodation and food service activities	362,988	-	47,527	152,942
Information and communication	378,389	-	-	-
Financial and insurance activities	429,918	-	-	-
Real estate activities	497,500	-	-	-
Professional, scientific and technical activities	210,459	-	-	-
Administrative and support service activities	464,446	2,075	-	-
Public administration and defence; compulsory social security	-	-	-	-
Education	4,240	20,057	-	-
Human health and social work activities	127,027	-	-	11,463
Arts, entertainment and recreation	32,516	-	-	-
Other service activities	5,279	-	-	-
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	-	-	-	-
Activities of extraterritorial organisations and bodies	-	-	-	-
Public non-financial corporations	24,000	-	-	1,526
Individuals + non-profitable institutions serving to individuals	3,695,929	165,148	47,732	247,281
Total	27,368,090	338,157	177,776	1,746,500

The portfolio of overdue loans and non-performing loans according to geographic distribution is presented below:

March 31, 2022 (Amounts in Lek '000)	Non-performing loans	Provision for credit loss
District Tirana	1,164,698	672,150
District Durrës	44,040	33,885
District Shkodra	10,398	3,090
District Korça	19,151	17,215
Total	1,238,287	726,340



5.1 Credit risk management (continued)

The portfolio of overdue and non-performing loans according to economic sectors is presented in the following table:

March 31, 2022 <i>(Amounts in Lek '000)</i>	Non-performing loans	Provision for credit loss
Private non-financial corporate	1,144,716	687,361
Agriculture, forestry, fishing	-	-
Mining and quarrying	1,350	686
Manufacturing	567,770	308,127
Electricity, gas, steam and air conditioning supply	-	-
Water supply; sewerage, waste management and remediation activities	-	-
Construction	5,403	1,086
Wholesale and retail trade; repair of motor vehicles and motorcycles	312,137	225,213
Transport and storage	201,128	109,759
Accommodation and food service activities	13,399	2,833
Information and communication	-	-
Financial and insurance activities	-	-
Real estate activities	-	-
Professional, scientific and technical activities	-	-
Administrative and support service activities	11,013	7,141
Public administration and defense; compulsory social security	-	-
Education	-	-
Human health and social work activities	-	-
Arts, entertainment and recreation	32,516	32,516
Other service activities	-	-
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	-	-
Activities of extraterritorial organisations and bodies	-	-
Non-financial public organisations	-	-
Individuals + Non-profitable institutions serving to individuals	93,571	38,979
Total	1,238,287	726,340



5.1 Credit risk management (continued)

The reserve funds created by the Bank during the first quarter of 2022 are as follows:

March 31, 2022 <i>(Amounts in Lek '000)</i>	Balance at the beginning of the period	Provisions added	Provisions retaken	Written off loans during the period	Other corrections taken during the period	Balance at the end of the period
Provisions for depreciation of eligible bills for refinancing with central bank	-	-	-	-	-	-
Provisions on doubtful receivables from banks, credit institutions and other financial institutions	-	-	-	-	-	-
Provisions on substandard loans	108,466	-	19,981	-	-	88,485
Provisions on doubtful loans	118,412	55,301	-	-	-	173,713
Provisions on lost loans	470,667	-	6,526	-	-	464,141
Provisions on doubtful receivables with government and other public administrations	-	-	-	-	-	-
Provisions on doubtful receivables with customers other than loans	-	-	-	-	-	-
Provisions for depreciation	-	-	-	-	-	-
Provisions for depreciation	-	-	-	-	-	-
Provisions for depreciation	-	-	-	-	-	-
Provisions for depreciation of other assets	-	-	-	-	-	-
Provisions for depreciation of participating interests	-	-	-	-	-	-
Provisions for depreciation of affiliates	-	-	-	-	-	-
Provision for depreciation of fixed assets	-	-	-	-	-	-
Provisions for risks and expenses	336,139	2,609	-	-	-	338,748
Other specific provision	23,288	3,437	-	-	-	26,725
Total	1,056,972	61,347	26,507	-	-	1,091,812



5.1 Credit risk management (continued)

Information on credit portfolio pursuant to the standard approach

The classification of exposures of the bank's book is carried out based on Regulation No. 48 "On the Report of Capital Adequacy". The assessment of the capital requirement for credit risk is calculated pursuant to the standard approach defined in this regulation. The bank shall, after classifying each item exposure, on and off the balance sheet, calculate the exposure classes after deducting capital funds for coverage of losses and based on the risk weight of each exposure class, the capital requirement for credit risk is determined. The basis for determining the exposures according to the classes defined in the regulation are the type of loan, the purpose of loan financing, the type of property left as collateral for securing the loan, as well as the ownership of the collateral. The following table provides the values of exposures according to credit quality before and after the application of credit risk mitigation techniques, the values of exposures deductible from regulatory capital as well as the names of external credit assessment institutions:

March 31, 2022 <i>(Amounts in Lek '000)</i>	Total of risk assets (before conversion and weighing factors)	Weighed exposures with some risk	ECAI used
Exposures of potential exposures to central governments or central banks;	5,394,820	-	Moody's; Fitch; S&P; JCR
Exposures of potential exposures to regional governments or local authorities;	-	-	-
Exposures of potential exposures to supervised institutions;	2,902,102	848,665	Moody's; Fitch; S&P; JCR
Exposures of potential exposures to trading companies (corporates);	20,938,302	19,575,640	Moody's; Fitch; S&P; JCR
Exposures of potential exposures to retail portfolios;	7,770,746	6,074,704	Moody's; Fitch; S&P; JCR
Exposures or potential insured exposures with immovable property collateral;	401,562	155,983	Moody's; Fitch; S&P; JCR
Risk exposures (loans);	511,947	392,595	Moody's; Fitch; S&P; JCR
Exposures to high-risk categories;	-	-	-
Exposures in the form of covered bonds;	-	-	-
Exposures in the form of the titles of collective investments enterprises CiE;	-	-	-
Other items	2,771,682	942,811	-



5.1 Credit risk management (continued)

Risk mitigation techniques

The bank calculates the exposure value in cases where this exposure is subject to funded protection credit, considering credit risk mitigation techniques, and more specifically - the protection of financed loan, in accordance with Chapter IV of Regulation No. 48, dated 31.07.2013 "On reporting of capital adequacy". For the purpose of calculating the sums of exposures weighted by the risk, for credit risk, during the implementation of the comprehensive approach of financial collateral, the Bank takes into account mismatches between the maturity of the exposure and that of the financial collateral, the inconsistency of the currencies, as well as regulates the volatility of the collateral value, with the following results:

March 31, 2022 <i>(Amounts in Lek '000)</i>	Total of risk assets (before conversion and weighing factors)	Credit risk mitigation approach, funded credit protection, comprehensive financial collateral approach	Weighed exposures with some risk
Exposures of potential exposures to central governments or central banks;	5,394,820	-	-
Exposures of potential exposures to regional governments or local authorities;	-	-	-
Exposures of potential exposures to supervised institutions;	2,942,102	40,000	848,665
Exposures of potential exposures to trading companies (corporates);	22,675,540	1,737,238	19,575,640
Exposures of potential exposures to Retail portfolios;	8,360,843	590,097	6,074,704
Exposures or potential insured exposures with immovable property collateral;	401,562	-	155,983
Risk exposures (loans);	512,791	845	392,595
Exposures to high risk categories;	-	-	-
Exposures in the form of covered bonds;	-	-	-
Exposures in the form of the titles of collective investments enterprises CiE;	-	-	-
Other items	5,712,477	2,940,795	942,811



5.2 Market risk management

Market risk is the risk that changes in market prices, such as interest rates, capital prices, foreign currency exchange rates and credit spreads (not related to changes in the debtor/creditor's condition) will affect the Bank's profits or the holding value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, maximizing return on risk.

Exchange rate risk specifies the risk of negative impacts on the bank's financial results and capital adequacy caused by their fluctuations in the market. ProCredit Bank Albania has a low level of exposure to currency risk as it does not enter into open speculative currency positions, nor does it engage in transactions arising from them.

Exchange rate risk is managed in accordance with the Exchange Rate Risk Management Policy and the relevant regulations of the Bank of Albania.

The Bank continuously monitors exchange rate movements and foreign exchange markets and manages its foreign exchange positions on a daily basis. Stress tests are performed regularly to assess the impact of exchange rate movements on open currency positions for each foreign currency.

The bank calculates the capital requirement for market risk only for the open currency position. Based on the capital adequacy regulation, the bank calculates the capital requirement in relation to market risk if the currency position is more than 2% of the regulatory capital.

In the last third months, the open currency position did not exceed 2% of the regulatory capital.



5.3 Liquidity risk management

Short-term liquidity risk specifies the risk that the bank will no longer be able to fully or partially meet its current and future payment obligations. Therefore, the bank must always maintain sufficient liquidity funds to meet its obligations, even in difficult times. Several factors that are an inherent part of the bank's business model offset liquidity risk. First, the bank's loan portfolio with its diversity and high quality means that there is a high possibility of cash inflow. Secondly, the Bank constantly keeps in focus the collection of deposits from targeted groups of SME businesses as well as from the savings of individual customers, with whom it has built a strong relationship that ensures reliability even in difficult times. The use of short-term financing instruments from the money market is intended to be at low levels and the Bank limits the dependence of the liquidity situation on them. In addition, the bank has access to long-term and stable financial resources from International Financial Institutions (IFN), thanks to established relationships, cooperation and the relevant coordination of the specialized financing structure at the group level. All these factors limit possible concentrations of liquidity risk and guarantee a simple system of managing this risk.

The Bank manages liquidity risk based on internal policies, manuals and standards, ensuring at all times compliance with all regulatory requirements defined in the relevant regulations of the Bank of Albania. In order to determine the bank's liquidity ability in the face of a possible shock, the bank performs regular stress tests based on the scenario defined at the group level by the Liquidity Risk Management Policy, also based on scenarios and models developed at the local level. The assumptions underlying the stress tests are continually reviewed and adjusted to reflect market conditions. Whenever it is deemed necessary to overcome liquidity shortages, ProCredit Bank Albania can be financed by a guaranteed and unconditional credit line from ProCredit Holding or from the financing line from IFN.

The following table presents short-term assets and liabilities on March 31, 2022:

31 March 2022 <i>(Amounts in Lek '000)</i>	LEK	USD	EUR	OTHER	TOTAL
Total of liquid assets	3,314,121	446,247	3,681,585	66,324	7,508,277
Total of short-term liabilities with one-year residual maturity	10,518,913	1,263,615	15,353,675	66,316	27,202,519
Liquidity indicator (in %)	31.5%	35.3%	24.0%	100.0%	27.6%
Permitted limit	15.00%	20.00%	20.00%	20.00%	20.0%



5.3 Liquidity risk management (continued)

The following table presents the assets and liabilities pursuant to the remaining maturity as of 31st of March 2022:

Assets according to the residual maturity (Amounts in Lek '000)	Up to 7 days	8-30 days	1-3 months	3-6 months	6-12 months	1-5 years	over 5 years	Total
Treasury and interbank transactions	7,085,430	17,062	228,339	440,068	1,657,764	119,870	19,732	9,568,265
Cash - on hand	1,686,063	-	-	-	-	-	-	1,686,063
Current account with central bank	1,065,331	-	-	-	-	-	-	1,065,331
Required reserve at the central bank	1,866,386	17,062	72,869	141,846	331,927	119,870	-	2,549,960
Deposits with central bank	-	-	-	-	-	-	-	-
Loans to central bank	-	-	-	-	-	-	-	-
Other accounts with the central bank	-	-	-	-	-	-	-	-
Treasury bills	-	-	155,470	298,222	1,325,837	-	-	1,779,529
Treasury bills and other bills eligible for refinancing with Central Bank	-	-	-	-	-	-	-	-
Current accounts with resident financial institutions	-	-	-	-	-	-	-	-
Current accounts with non-resident financial institutions	2,467,650	-	-	-	-	-	-	2,467,650
Deposits with resident financial institutions	-	-	-	-	-	-	-	-
Deposits with non-resident financial institutions	-	-	-	-	-	-	-	-
Loans to resident financial institutions	-	-	-	-	-	-	-	-
Loans to non-residents financial institutions	-	-	-	-	-	-	-	-
Other current account with financial institution	-	-	-	-	-	-	19,732	19,732
Operations with customers	169,132	732,555	2,215,793	3,247,362	5,213,049	14,376,612	3,676,020	29,630,523
Standard loans	75,768	491,321	1,142,249	1,471,748	2,786,035	11,918,698	3,556,570	21,442,389
Credit Lines	-	-	-	-	-	-	-	-
Amortised Loan	75,768	491,321	1,142,249	1,471,748	2,786,035	11,918,698	3,556,570	21,442,389
Special mention	3,287	3,392	7,094	12,516	17,248	68,342	16,383	128,262
Credit lines	27	-	65	2,000	-	-	-	2,092
Amortised Loan	3,260	3,392	7,029	10,516	17,248	68,342	16,383	126,170
Substandard loans	-	-	-	-	-	397,721	35,134	432,855
Doubtful loans	-	-	-	-	-	328,046	13,246	341,292
Lost loans	-	-	-	-	-	409,454	54,687	464,141
Other clients accounts	90,077	237,842	1,066,450	1,763,098	2,409,766	1,254,351	-	6,821,584
Operations with public administration	-	-	-	-	-	-	-	-
Transactions with securities	-	-	-	-	-	-	-	-
Other assets	-17,638	236,676	45,056	44,527	32,932	153,793	590,273	1,085,619
I-Total of assets	7,236,924	986,293	2,489,188	3,731,957	6,903,745	14,650,275	4,286,025	40,284,407
II- Off-balance sheet items	92,835	90,001	289,188	797,829	1,144,175	15,913	2,900	2,432,841
Financial Commitments to Customers (Unused part of Credit)	92,835	90,001	289,188	797,829	1,144,175	15,913	2,900	2,432,841
Financial Commitments to financial institutions (Unused part of Credit)	-	-	-	-	-	-	-	-
Currency (lek+other currencies) bought	-	-	-	-	-	-	-	-
Total (I+II)	7,329,759	1,076,294	2,778,376	4,529,786	8,047,920	14,666,188	4,288,925	42,717,248

5.3 Liquidity risk management (continued)

Liabilities according to the residual maturity <i>(Amounts in Lek '000)</i>	Up to 7 days	8-30 days	1-3 months	3-6 months	6-12 months	1-5 years	over 5 years	Total
Treasury and interbank transactions	680,016	-	543,837	1,383,422	1,565,712	3,839,329	442,255	8,454,571
Current account of Central Bank	-	-	-	-	-	-	-	-
Deposits with Central Bank	-	-	-	-	-	-	-	-
Loans from Central Bank	-	-	-	-	-	-	-	-
Other accounts with Central Bank	-	-	-	-	-	-	-	-
T-bills sold under REPO Agreement	-	-	-	-	-	-	-	-
Other T-bills sold under REPO agreements	-	-	-	-	-	-	-	-
Current account of resident financial institutions	-	-	-	-	-	-	-	-
Current account of non-resident financial institutions	-	-	-	-	-	-	-	-
Deposit from resident financial institutions	-	-	-	-	-	-	-	-
Deposit from non-resident financial institutions	-	-	-	-	-	-	-	-
Loans from resident financial institutions	680,016	-	175,232	-	-	-	-	855,248
Loans from non-resident financial institutions	-	-	368,605	1,383,422	1,565,712	3,839,329	442,255	7,599,323
Other account with financial institutions	-	-	-	-	-	-	-	-
Operations with customers	15,512,707	788,080	793,050	2,047,457	3,189,657	2,771,201	-	25,102,152
Current account	10,260,772	-	-	-	-	-	-	10,260,772
Demand deposits	5,103,139	-	-	-	-	-	-	5,103,139
Time deposits	148,796	398,416	793,050	2,047,457	3,189,657	2,771,201	-	9,348,577
Certificate of Deposits	-	-	-	-	-	-	-	-
Other customer account	-	389,664	-	-	-	-	-	389,664
Operations with public administration	-	-	-	-	-	-	-	-
Transactions with securities	-	-	-	-	-	-	-	-
Other liabilities	51,161	666,800	1,578	4,980	199,087	25,998	31,610	981,214
Permanent resources	1,947	8,365	24,246	39,162	90,920	234,777	4,620,714	5,020,131
I-Total of liabilities	16,245,831	1,463,245	1,362,711	3,475,021	5,045,376	6,871,305	5,094,579	39,558,068
II- Off-balance sheet items	-	-	-	-	-	-	-	-
Financial Commitments form Customers and Financial Institutions (Unused part of Credit)	-	-	-	-	-	-	-	-
Currency (lek+other currencies) sold	-	-	-	-	-	-	-	-
Total (I+II)	16,245,831	1,463,245	1,362,711	3,475,021	5,045,376	6,871,305	5,094,579	39,558,068



5.4 Interest rate risk management

Interest rate risk specifies the risk that movements in market interest rates will negatively affect the bank's economic value as well as its interest earnings and ultimately its own capital. The interest rate risk is administered in accordance with the Interest Rate Administration Policy and the Bank of Albania's guide on the Administration of Interest Rate Risk in the banking book. The exposure to interest rate risk is measured through a repricing gap analysis. Stress tests are performed to measure and analyse the impact of interest rate changes on the Bank's economic value as well as interest income. The bank tries to ensure as much compatibility as possible in the re-pricing structure of its asset-liability according to different currencies.

Also, the Bank tries to match as much as possible the basic interest rates (references) used to determine the prices of its products, so as not to be affected by changes in the basic reference rates of the foreign market.

The following table presents the change in the exposure value as of March 31, 2022:

Change in the economic value <i>(Amounts in Lek '000)</i>	Total weighted position
Net weighed positions in LEK - (FIR+VIR)	11,588
Net weighed positions in USD - (FIR+VIR)	-
Net weighed positions in EUR - (FIR+VIR)	(11,234)
Net weighed positions in other foreign currencies - (FIR+VIR)	(2,313)
Change in the exposure value	1,959
Own Funds	4,526,206
(Change in the economic value /own funds) * 100	0.04%



5.5 Operational risk management

The assessment of the capital requirement for operational risk is calculated based on Regulation No. 48, "On Capital Adequacy Report", Chapter VIII Operational Risk, according to the basic indicator approach defined in this regulation. Under this method, the capital requirement is calculated as the average of the last three years of net income, according to each reporting period. The capital requirement is based on the net income from banking activity for the last three years of the bank's activity and an α coefficient of 15%

As of March 31, 2022, the operational risk is as follows:

31 March 2022 <i>(Amounts in Lek '000)</i>	Requirement for capital	Weighed exposures with risk (requirement for capital * 12.5)
Amount of weighed exposure with risk for operational risk	151,093	1,888,658
Base Indicator Approach (BIA)	151,093	1,888,658