



PROCREDIT BANK SH.A.

Quarterly financial report For the period ended on: 31/12/2024

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

Tirana, on 30/04/2025



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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 December 2024, the sole shareholder of the Bank is ProCredit Holding AG 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	4,955,890,143.69 Lek
Amount of paid-up capital	5,711,468,814.47 Lek
Number of shares issued	604,851
Nominal value	9,442.77 Lek*
Capital increased during quarter	-
Shares increased during quarter	-
Nominal value of the capital increased during quarter	-

*Based on NBC extract

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) All forms of lending, including consumer credit and mortgage credit
- 2) Financial lease;
- 3) All payment and money transfer services¹;
- 4) Provision of guarantees
- 5) 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,
- 6) Providing the service of insurance funds;
- 7) Issuance and administration of payment instruments (such as credit and debit cards, traveler's checks and bank checks, payment cards and mobile payments), etc.², including the issuance of electronic money.
- 8) Consulting, mediation and other auxiliary services for all activities listed in points 2 to 7 above.
- 9) Trading on its own account, whether on a stock exchange, an over-the-counter (OTC) market or otherwise, of transferable securities.
- 10) Payment services, listed from point 1 to point 8 of Annex 1 of law no. 55, dated 30.04.2020 "On payment services", as follows:
 - 10.1) Services that enable the deposit of physical money in a payment account as well as all actions necessary for the operation of a payment account,
 - 10.2) Services that enable the withdrawal of physical money from a payment account, as well as all actions necessary for the operation of a payment account
 - 10.3) Execution of payment transactions, including transfers of funds to a payment account opened with the user's payment service provider or with another payment service provider:
 - a) Execution of direct debits, including direct debits that are made only once,
 - b) Execution of payment transactions through a payment card or similar device,
 - c) Execution of credit transfers, including periodic payments.

¹ Based on Article 99, point 1 of Law No. 55, dated 30.04.2020 "On payment services", the activity "All payment and many transfer services" is updated according to Annex 1 of this law by adding the point 10 in this Annex.

² Activity" Issuance and administration of payment instruments (such as credit and debit cards, traveler's checks and banker's checks, payment cards and mobile payments), etc. "it is also provided for in Annex 1 to law no.55, dated 30.04.2020 "On payment services". Due to the provision of these activities in different laws in order to reflect the history of the activities, these activities will continue to be reflected both in the License Annex.



1.2 Information about the activity of the Bank (continued)

10.4) Execution of payment transactions, where the funds are covered by a credit line for a user of the payment service

- d) Execution of direct debits, including direct debits that are made only once,
- e) Execution of payment transactions through a payment card or similar device,
- f) Execution of credit transfers, including periodic payments.

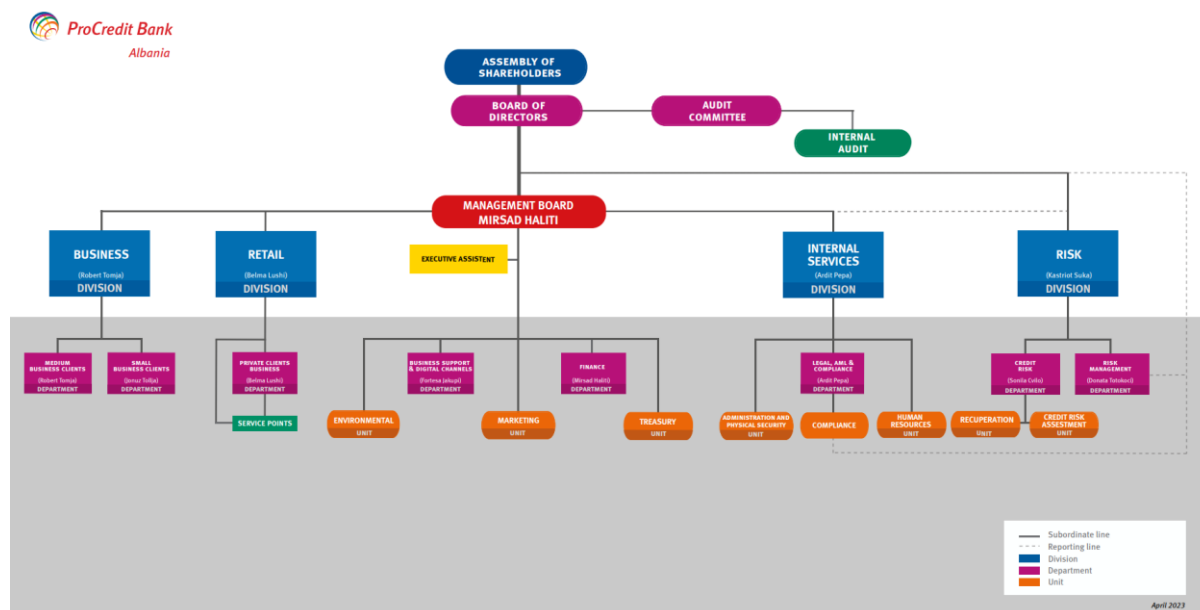
10.5) Issuing a payment instrument and/or accepting payment transactions,

10.6) Remittances

10.7) Payment initiation service

10.8) Account information service.

1.3 Organisational structure



Members of the Board of Directors:

- Eriola Bibolli, Chairperson of the Management Board
- Christian Edgardo Dagrosa
- Gabriel Isaac Schor
- Jovanka Joleska Popovska, and
- Jordan Damcevski

Members of the Management Board:

- Mirsad Haliti, and
- Kastriot Suka

Members of the Audit Committee:

- Jovanka Joleska Popovska
- Vesna Paunovska,
- Nicole Kraft

Note: The information provided above regarding the organizational structure and the composition of Management Board, Board of Directors and Audit Committee is as of 31st of December 2024.



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 always expected from all employees in the ProCredit group 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. Unrealized 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%
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 29/2023 dated 30.03.2023 and instruction no. 26 dated 8.09.2023 of the Income Tax Law. Tax losses are calculated under the same method and are carried forward for five calendar years during which they can be utilized against future taxable income. In case control over an entity is transferred to another shareholder, along with a change in activity, tax loss-carry forward expires, otherwise it can be carried forward.

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 statutory social security contributions (retirement obligations) that provide pension benefits for all 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.

The bank makes use of an occupational pension scheme for its employees. Employees that benefit from this scheme are those with experience with bank 3 years and more. In this case, the bank takes out pension insurance for its employees as the insured. With this form of direct insurance, a portion of employee gross salary can be paid by bank directly to the insurer in the form of insurance, in cases when they want to contribute for themselves. There are tax advantages to this procedure.

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 December 2024	31 December 2023
Cash and Central Bank	8,139,371	10,220,223
Treasury bills and other bills eligible for refinancing with Central Bank	2,192,927	2,567,474
Loans and advances to banks and financial institutions	3,688,520	4,041,748
Loans and advances to customers	33,177,747	27,149,844
Securities	499,905	303,645
Participating interests	156	165
Agent transactions	-	-
Tax to be collected	12,860	-
Intangible assets	4,084	4,806
Fixed assets	188,467	115,595
Other assets	360,463	288,061
Total assets	48,264,500	44,691,560
Liabilities and Equity (Amounts in Lek '000)	31 December 2024	31 December 2023
Liabilities	43,883,772	40,459,189
Due to Central Bank	47,124	21,326
Treasury bills and other bills eligible for refinancing with Central Bank	-	-
Due to credit institutions, not central bank	6,126,691	6,205,455
Due to customers	35,697,830	32,415,538
Due to the government and public organisations	-	-
Agent transactions	96,848	120,527
Provisions for risks and expenses	372,255	313,997
Subordinated debt	1,189,223	750,345
Tax payable	20,311	49,554
Other liabilities	333,490	582,447
Shareholder's equity	4,380,728	4,232,371
Paid in capital	5,711,469	5,711,469
Reserves	725,853	717,165
Retained earnings (losses)	(2,204,951)	(2,218,283)
Current year profit/(loss)	148,357	22,020
Total of liabilities and equity	48,264,500	44,691,560
Off balance sheet items (Amounts in Lek '000)	31 December 2024	31 December 2023
Commitments and guarantees given	4,156,336	3,777,195
Commitments and guarantees received	59,268,215	50,755,913
Commitments no securities	-	-
Foreign currency transactions	-	-
Other commitments	2,302,285	2,337,358
Total of off-balance sheet items	65,726,836	56,870,466

Note: The figures in 2024 have not been audited by external auditors.

3.2 Statement of income and expenses

<i>(Amounts in Lek '000)</i>	1 January 2024 - 31 December 2024	1 January 2023 - 31 December 2023
Interest income	1,832,381	1,519,263
Interest expense	(670,019)	(575,565)
Net interest income	1,162,362	943,698
Income from operations with securities and other financial operations	106,369	116,886
Losses on securities transactions and other financial institutions	-	-
Net income from operations with securities and other financial operations	106,369	116,886
Incomes from commissions	448,623	401,194
Expenses from commissions	(172,045)	(148,064)
Net incomes from commissions	276,578	253,130
Net profit from foreign currency exchange	168,590	118,954
Net profit from leases operations	-	-
Net profit/(loss) from other banking activities	809	(6,246)
Net incomes from banking activity	1,714,709	1,426,423
Personnel expenses	(461,721)	(392,735)
Taxes other than income taxes	(6,869)	(4,151)
General administrative expenses	(1,064,362)	(928,991)
General operating expenses	(1,532,952)	(1,325,878)
Operating Income prior to expenses for amortisation and provisions	181,757	100,545
Net expenses on amortization and provisions for depreciation of fixed assets	(43,362)	(40,685)
Net (charge)/reversal for statistical provisions	(66,815)	(6,925)
Net (charge)/reversal for provisions on substandard, doubtful, and lost loans	168,998	160,197
Losses on unrecoverable receivables	(143,735)	(166,364)
Net (charges)/reversals for other provisions	(1,646)	386
Net profit from extraordinary activities	87,355	26,711
Profit/(loss) before tax	182,552	73,865
Income tax	(34,195)	(51,845)
Net profit/(loss) for the period	148,357	22,020

Note: The figures in 2024 have not been audited by external auditors.

3.3 Profitability Indicators

Indicators of the bank's profitability*	31 December 2024	31 December 2023
1) Return on average assets (ROAA) [net profit/average assets*100]	0.3%	0.1%
2) Net extraordinary result / average assets	0.2%	0.1%
3) General operating expenses/gross operating income	91.9%	95.8%
4) Net interest income/general operating expenses	73.7%	69.1%
5) Return on average equity ratio (ROAE) [net profit / average equity ratio *100]	3.5%	0.5%
6) Assets per employee [total assets / registered number of employees] in Lek'000	201,944	245,558
7) Net interest income / average assets	2.5%	2.2%
8) Net interest margin: [net interest incomes / average assets generating income]	3.4%	3.0%
9) Interest income / average assets	4.0%	3.6%
10) Interest expenses / average assets	1.5%	1.4%
11) Net interest income / gross operating income	67.8%	66.2%
12) Net income from other activities / average assets	1.2%	1.1%
13) Expenses other than interests / gross operating income	10.2%	10.8%
14) Personnel expenses / gross operating income	26.9%	27.5%
15) Expenses for provisions / average assets	0.1%	0.0%

(*) 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 ALL 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 December 2024	31 December 2023
Regulatory Capital	5,406,087	4,977,910
Tier 1 Capital	4,228,287	4,227,565
Core Tier I Capital	4,228,287	4,227,565
Capital instruments known as Common Equity Tier 1 (CET1)	5,711,469	5,711,469
Paid in capital	5,711,469	5,711,469
Memorandum Items: Capital instruments that are not known	-	-
Shares premiums	-	-
Retained earning	(2,204,951)	(2,196,263)
Retained earnings and losses carried forward from previous periods	(2,204,951)	(2,218,283)
End of year profit	-	-
Reporting period profit	-	22,020
Reserves (excluding revaluation reserves)	725,853	717,165
Credit revaluation difference	-	-
CCT1 adjustments related to prudential filters	-	-
(-) Goodwill	-	-
(-) Other intangible assets	(4,084)	(4,806)
(-) Amount exceeding the 17.65% threshold	-	-
Additional Tier I Capital	-	-
Tier II Capital	1,177,800	750,345
Capital instruments and subordinated loans eligible as T2 Capital	1,177,800	750,345
Paid up capital instruments and subordinated loans	1,177,800	750,345
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. 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 M Euribor+4.85%.

In November 25, 2024, ProCredit Bank SH.A received an additional subordinated debt from the shareholder ProCredit Holding AG. The main data of the total subordinated debt are as follows:

- Its amount is 12 Million Euros (in the amount of 1,178,880,000 Lek converted with the exchange rate of the Bank of Albania 98.24 on November 25, 2024).
- The maturity period of the subordinated debt is 10 years.
- The annual interest rate is 12M Euribor+6.50%.

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

<i>(Amounts in Lek '000)</i>	31 December 2024	31 December 2023
Regulatory Capital;	5,406,087	4,977,910
Capital adequacy ratio - CAR - (%) $\geq 12.0\%$	17.75%	21.07%
Common Equity Tier 1 Capital/Risk-weighted assets $\geq 6.5\%$	13.89%	17.90%
Tier 1 Capital/Risk weighed assets. $\geq 9.0\%$	13.89%	17.90%
Total Risk Weighted Exposure	30,451,478	23,622,565
Credit Risk	27,553,696	
Risk weighted exposure for credit, counterparty, and non-DVP settlement risk - Standardized Approach (SA)	27,553,696	21,247,227
SA exposure classes excluding securitisation positions	27,553,696	21,247,227
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 public sector	21,633	-
Claims or contingent claims on international organisations;	-	-
Claims or contingent claims on institutions;	1,058,174	1,038,822
Claims or contingent claims on corporates;	10,031,776	7,438,806
Retail claims or contingent retail claims;	5,898,621	4,788,632
Claims or contingent claims secured on real estate property;	9,975,911	7,507,250
Past due items;	79,592	163,053
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;	487,989	310,665
Securitisation positions;	-	-
<i>out of which: resecuritisations</i>	-	-
Market Risk	140,975	-
Risk weighted exposure for market risk	140,975	-
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	2,756,807	2,375,338
Risk weighted exposure for operational risk	2,756,807	2,375,338
Basic Indicator Approach (BIA)	2,756,807	2,375,338
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 December 31, 2024, the capital adequacy ratio (Tier 1 and Tier 2 capital / risk-weighted assets) was at the level of 17.75% (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, and with decision no. 44, dated 02.11.2022 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.

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 December 2024:

31 December 2024 (Amounts in Lek '000)	District Tirana	District Dures	District Shkoder	District Korce	District Fier
Private non-financial corporate	26,155,097	60,974	13,722	1,126,601	-
Agriculture, forestry, fishing	408,333	9,091	-	39,245	-
Mining and quarrying	-	-	-	-	-
Manufacturing	6,000,997	38,138	4,066	543,283	-
Electricity, gas, steam and air conditioning supply	949,883	-	-	89,664	-
Water supply; sewerage, waste management and remediation activities	28,960	-	-	17,305	-
Construction	3,689,025	-	-	48,145	-
Wholesale and retail trade; repair of motor vehicles and motorcycles	11,416,117	13,746	4,619	172,608	-
Transport and storage	437,694	-	-	-	-
Accommodation and food service activities	661,979	-	5,037	146,644	-
Information and communication	192,586	-	-	-	-
Financial and insurance activities	715,135	-	-	-	-
Real estate activities	135,530	-	-	-	-
Professional, scientific and technical activities	312,034	-	-	-	-
Administrative and support service activities	1,067,521	-	-	-	-
Public administration and defence; compulsory social security	-	-	-	-	-
Education	10,510	-	-	-	-
Human health and social work activities	113,174	-	-	69,706	-
Arts, entertainment and recreation	-	-	-	-	-
Other service activities	15,619	-	-	-	-
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	19,120	-	-	-	-
Individuals + non-profitable institutions serving to individuals	5,721,089	56,793	40,823	250,451	1,357
Total	31,895,306	117,767	54,546	1,377,052	1,357

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

31 December 2024 (Amounts in Lek '000)	Non-performing loans	Provision for credit loss
District Tirana	332,387	246,821
District Dures	3,786	2,227
District Shkoder	1,823	1,380
District Korce	23,264	17,798
District Fier	105	55
Total	361,365	268,280



5.1 Credit risk management (continued)

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

31 December 2024 (Amounts in Lek '000)	Non-performing loans	Provision for credit loss
Private non-financial corporate	291,232	244,021
Agriculture, forestry, fishing	18,585	3,778
Mining and quarrying	-	-
Manufacturing	228,766	205,712
Electricity, gas, steam and air conditioning supply	-	-
Water supply; sewerage, waste management and remediation activities	-	-
Construction	-	-
Wholesale and retail trade; repair of motor vehicles and motorcycles	30,101	22,759
Transport and storage	6,087	6,087
Accommodation and food service activities	5,252	3,245
Information and communication	-	-
Financial and insurance activities	-	-
Real estate activities	-	-
Professional, scientific and technical activities	-	-
Administrative and support service activities	2,440	2,440
Public administration and defense; compulsory social security	-	-
Education	-	-
Human health and social work activities	-	-
Arts, entertainment and recreation	-	-
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	70,133	24,259
Total	361,365	268,280



5.1 Credit risk management (continued)

The reserve funds created by the Bank during the fourth quarter of 2024 are as follows:

31 December 2024 (Amounts in Lek '000)	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	19,704	-	2,846	-	-	16,858
Provisions on doubtful loans	34,937	-	7,341	-	-	27,595
Provisions on lost loans	399,993	-	47,200	128,966	-	223,827
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	323,015	35,104	-	-	-	358,119
Other specific provision	14,135	-	-	-	-	14,135
Total	791,785	35,104	57,388	128,966	-	640,534

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:

31 December 2024 <i>(Amounts in Lek '000)</i>	Total of risk assets (before conversion and weighing factors)	Risk weighted assets	ECAI used
Exposures of potential exposures to central governments or central banks;	8,364,001	-	Moody's; Fitch; S&P; JCR
Exposures of potential exposures to regional governments or local authorities;	-	-	-
Exposures of potential exposures to public sector;	18,929	21,633	Moody's; Fitch; S&P; JCR
Exposures of potential exposures to supervised institutions;	4,379,906	1,058,174	Moody's; Fitch; S&P; JCR
Exposures of potential exposures to trading companies (corporates);	12,221,032	10,031,776	Moody's; Fitch; S&P; JCR
Exposures of potential exposures to retail portfolios;	9,283,536	5,898,621	Moody's; Fitch; S&P; JCR
Exposures or potential insured exposures with immovable property collateral;	14,648,021	9,975,911	Moody's; Fitch; S&P; JCR
Risk exposures (loans);	93,086	79,592	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	5,401,908	487,989	-

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:

31 December 2024 <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	Risk weighted assets
Exposures of potential exposures to central governments or central banks;	8,364,001	-	-
Exposures of potential exposures to regional governments or local authorities;	-	-	-
Exposures of potential exposures to public sector;	18,929	-	21,633
Exposures of potential exposures to supervised institutions;	4,379,906	306,288	1,058,174
Exposures of potential exposures to trading companies (corporates);	12,221,032	1,885,030	10,031,776
Exposures of potential exposures to Retail portfolios;	9,283,536	842,281	5,898,621
Exposures or potential insured exposures with immovable property collateral;	14,648,021	474,159	9,975,911
Risk exposures (loans);	93,086	10,413	79,592
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	5,401,908	-	487,989

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, minimizing potential 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.

As of 31st of December 2024, the market risk is as follows:

31 December 2024 <i>(Amounts in Lek '000)</i>	Requirement for capital	Weighed exposures with risk (requirement for capital * 12.5)
Risk weighted exposure for position, foreign exchange and commodity risk (SA)	11,278	140,975
Risk weighted exposure for market risk	11,278	140,975

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.

The following table presents short-term assets and liabilities on 31st of December 2024:

31 December 2024 <i>(Amounts in Lek '000)</i>	LEK	USD	EUR	OTHER	TOTAL
Total of liquid assets	4,635,639	858,757	5,860,507	15,576	11,370,479
Total of short-term liabilities with one-year residual maturity	13,566,658	1,204,253	20,759,055	15,575	35,545,541
Liquidity indicator (in %)	34.2%	71.3%	28.2%	100.0%	32.0%
Permitted limit	15.0%	20.0%	20.0%	20.0%	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 December 2024:

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	11,409,272	950,524	749,049	106,496	607,311	163,284	34,882	14,020,818
Cash - on hand	2,468,203	-	-	-	-	-	-	2,468,203
Current account with central bank	2,146,650	-	-	-	-	-	-	2,146,650
Required reserve at the central bank	2,442,624	52,920	151,883	106,496	607,311	163,284	-	3,524,519
Deposits with central bank	-	-	-	-	-	-	-	-
Loans to central bank	-	-	-	-	-	-	-	-
Other accounts with the central bank	-	-	-	-	-	-	-	-
Treasury bills	698,157	897,604	597,166	-	-	-	-	2,192,927
Treasury bills and other bills eligible for refinancing with Central Bank	-	-	-	-	-	-	-	-
Current accounts with resident financial institutions	-	-	-	-	-	-	-	-
Current accounts with non-resident financial institutions	2,534,610	-	-	-	-	-	-	2,534,610
Deposits with resident financial institutions	147,236	-	-	-	-	-	-	147,236
Deposits with non-resident financial institutions	971,793	-	-	-	-	-	-	971,793
Loans to resident financial institutions	-	-	-	-	-	-	-	-
Loans to non-residents financial institutions	-	-	-	-	-	-	-	-
Other current account with financial institution	-	-	-	-	-	-	34,882	34,882
Operations with customers	213,839	745,775	2,351,985	4,207,165	6,761,422	14,039,779	5,126,062	33,446,027
Standard loans	78,172	570,049	1,141,695	1,684,396	3,214,361	13,686,233	5,111,803	25,486,709
Credit Lines	-	-	-	-	-	-	-	-
Amortised Loan	78,172	570,049	1,141,695	1,684,396	3,214,361	13,686,233	5,111,803	25,486,709
Special mention	788	467	833	1,187	1,579	3,688	-	8,541
Credit lines	155	1	-	252	60	-	-	468
Amortised Loan	633	466	833	935	1,519	3,688	-	8,074
Substandard loans	-	-	-	-	-	77,827	4,772	82,599
Doubtful loans	-	-	-	-	-	47,981	6,958	54,938
Lost loans	-	-	-	-	-	221,298	2,529	223,827
Other clients accounts	134,879	175,259	1,209,457	2,521,583	3,545,481	2,753	-	7,589,412
Operations with public administration	-	-	-	-	-	-	-	-
Transactions with securities	-	8,805	-	-	301,100	190,000	-	499,905
Other assets	58,630	101,318	25,703	16,465	42,155	110,146	211,612	566,029
I-Total of assets	11,681,742	1,806,422	3,126,738	4,330,127	7,711,988	14,503,209	5,372,555	48,532,780
II- Off-balance sheet items	52,384	132,373	165,741	902,969	1,512,413	69,157	-	2,835,038
Financial Commitments to Customers (Unused part of Credit)	52,384	132,373	165,741	902,969	1,512,413	69,157	-	2,835,038
Financial Commitments to financial institutions (Unused part of Credit)	-	-	-	-	-	-	-	-
Currency (lek+other currencies) bought	-	-	-	-	-	-	-	-
Total (I+II)	11,734,126	1,938,795	3,292,479	5,233,096	9,224,401	14,572,367	5,372,555	51,367,818

5.3 Liquidity risk management (continued)

Liabilities 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	47,124	95,541	755,572	205,882	2,430,912	2,638,783	-	6,173,814
Current account of Central Bank	47,124	-	-	-	-	-	-	47,124
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	-	95,541	191,064	-	-	-	-	286,605
Loans from non-resident financial institutions	-	-	564,508	205,882	2,430,912	2,638,783	-	5,840,086
Other account with financial institutions	-	-	-	-	-	-	-	-
Operations with customers	22,628,740	477,257	1,086,887	2,024,537	5,344,941	4,135,468	-	35,697,830
Current account	15,190,506	-	-	-	-	-	-	15,190,506
Demand deposits	7,282,366	-	-	-	-	-	-	7,282,366
Time deposits	155,868	416,752	1,086,887	2,024,537	5,344,941	4,135,468	-	13,164,453
Certificate of Deposits	-	-	-	-	-	-	-	-
Other customer account	-	60,505	-	-	-	-	-	60,505
Operations with public administration	-	-	-	-	-	-	-	-
Transactions with securities	-	-	-	-	-	-	-	-
Other liabilities	39,033	196,209	1,545	6,622	116,881	37,843	52,517	450,650
Permanent resources	2,099	7,547	23,553	53,543	108,744	285,431	5,461,289	5,942,206
I-Total of liabilities	22,716,996	776,554	1,867,557	2,290,584	8,001,478	7,097,525	5,513,806	48,264,500
II- Off-balance sheet items	-	-	-	-	-	-	-	-
Financial Commitments form Customers and Financial Institutions (Unused part of Credit)	-	-	-	-	-	-	-	-
Currency (lek+other currencies) sold	-	-	-	-	-	-	-	-
Total (I+II)	22,716,996	776,554	1,867,557	2,290,584	8,001,478	7,097,525	5,513,806	48,264,500

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 31st of December 2024:

Change in the economic value <i>(Amounts in Lek '000)</i>	Total weighted position
Net weighed positions in LEK - (FIR+VIR)	(43,903)
Net weighed positions in USD - (FIR+VIR)	-
Net weighed positions in EUR - (FIR+VIR)	(119,729)
Net weighed positions in other foreign currencies - (FIR+VIR)	(5,271)
Change in the exposure value	168,902
Own Funds	5,406,087
(Change in the economic value /own funds) * 100	3.12

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 31st of December 2024, the operational risk is as follows:

31 December 2024 (Amounts in Lek '000)	Requirement for capital	Weighed exposures with risk (requirement for capital * 12.5)
Amount of weighed exposure with risk for operational risk	220,545	2,756,813
Base Indicator Approach (BIA)	220,545	2,756,813