ANNUAL REPORT 2022

Fibank
First Investment Bank
Cilësia vjen e para

GROWTH MINDSET
IS THE KEY

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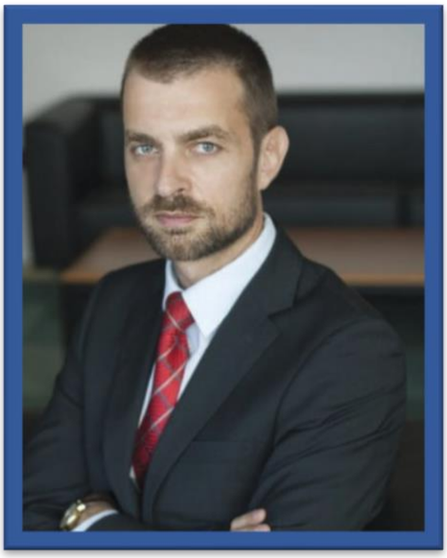
Message from the CEO



BOZHIDAR TODOROV

Chief Executive Officer

Dear Shareholders, Partners, and Employees,

I am extremely pleased to repeat for several years in a row 'this was the best year'.

Again, year 2022 was absolutely Fibank Albania best year so far!

Fibank Albania performance indicators were the highest in the banking system, with ROE of 20% and ROA of 2%. In addition, what makes 2022 the most successful year for us was Fibank net profit of EUR 7.7 million, the highest ever recorded and growth of loan portfolio with 30%, also the highest in the banking system. Furthermore, increase with more than 25% in each of the 3 main components, total assets, deposits, and capital was another clear indicator of sustainable growth of Fibank. We have continued to have better and better results year after year and it is impressive how this fact is positively impacting on our team spirit, our partnerships, and our customer relations.

Our clear objective is healthy steady growth! Fibank Group has a clear intention and direction to follow, for a strong presence in Albania with a growing bank that plays its role in the Albanian banking system and economy.

Fibank Albania is aiming to preserve performance indicators despite our ambitious appetite for growth and in midterms period to reach 5% market share.

The main strategic goals of our bank are to focus on continuously improving customer experience whether it is via better digital capabilities or via personalizing the experience to strengthen the connection for a long-lasting relationship and strengthening our retail base and further digitization of services for a more innovative and advanced customer experience. Further developments in digitalization will continue to be on the loop. Fibank is continuing to design innovative products and services aiming to combine the best features for its customers and offering them possible options to better manage their finances be it for savings or investments.

Macroeconomic Development

During 2022, the Albanian economy has shown a good resistance to the blow received by the world price crisis that followed the military conflict in Ukraine.

The Albanian economy and financial markets have been under the influence of the foreign shock, manifested in the form of high inflation in the country and in the world, the increased of uncertainty of economic agents and the tightening of financial conditions.

The country's economic growth was relatively solid during 2022 and consumer price and inflation start to decline in the last two months of the year.

Albania's GDP advanced 4.7% year-on-year in the Q4 of 2022, easing from an upwardly revised 4.9% growth in the previous period. Household consumption increased 4.5%, while government expenditure fell 3%. Also, gross fixed capital formation surged 9.%. On the other hand, foreign demand contributed negatively to growth, as exports went up by 0.6% while imports rose at a faster 3.2%.

Average annual inflation decreased in 7.4 % in December 2022 the lowest in six months and from 7.9% in the previous month. Average annual inflation during 2022 was 6.7%, moving it 4.7 percentage points above last year's level.

High inflation and the general increase in inflationary pressures led to normalizing interventions in the stance of monetary policy. Bank of Albania increased the base interest rate five times during 2022, bringing it from the historical minimum of 0.5% at the beginning of the year, to the level of 2.75% in November

Albania recorded a Government Debt to GDP of 67 % in 2022. The main holders of the government's internal debt remain the commercial banks, which own about 60% of the public internal debt. However, a significant part of the increase in borrowing in the last quarter of the year was borne by individuals who increased their exposures to government securities, as a result of the rapid increase in rates of return on investments in securities.

The total new borrowing in ALL for 2022 was increased mainly with short-term instruments, which have partially replaced long-term ones.

The net foreign borrowing has been as result of servicing the external debt to a greater extent than foreign currency inflows from abroad to finance the budget deficit. Most of the inflows in foreign currency have been in the form of budget support from international institutions.

At the end of 2022, budget revenues reached 26.8% of GDP with a decrease of - 0.7% compared with a year ago. While the income in net value recorded an annual increase of 12% in 2022, on the other hand, the effectiveness of their collection has decreased as the economy appears to have expanded faster in relation to the budget performance.

The GDP increased by 4.85% during the year 2022, while the revenues collected in the budget were 26.8% of the GDP with deterioration compared to the previous year.

Budget expenditures in October and November were with an annual increase of 18.4%. Half of the increase was formed by the support of 8 billion lek that the government granted to the energy sector to enable partial amortization of the costs of the high price of electricity imports.

The nominal trade deficit decreased by 5.1%, an opposite trend if compared to the developments of the first 9 months of the year, when the deficit expanded at double-digit rates.

The data on foreign trade of goods for the Q4, 2022 indicate a slowdown in growth rates, both for exports and imports. This is related to both a slower increase in international prices and a slight expansion of traded quantities. The slowdown is more visible in the case of imports, this is also related to a strong negative effect from electricity imports.

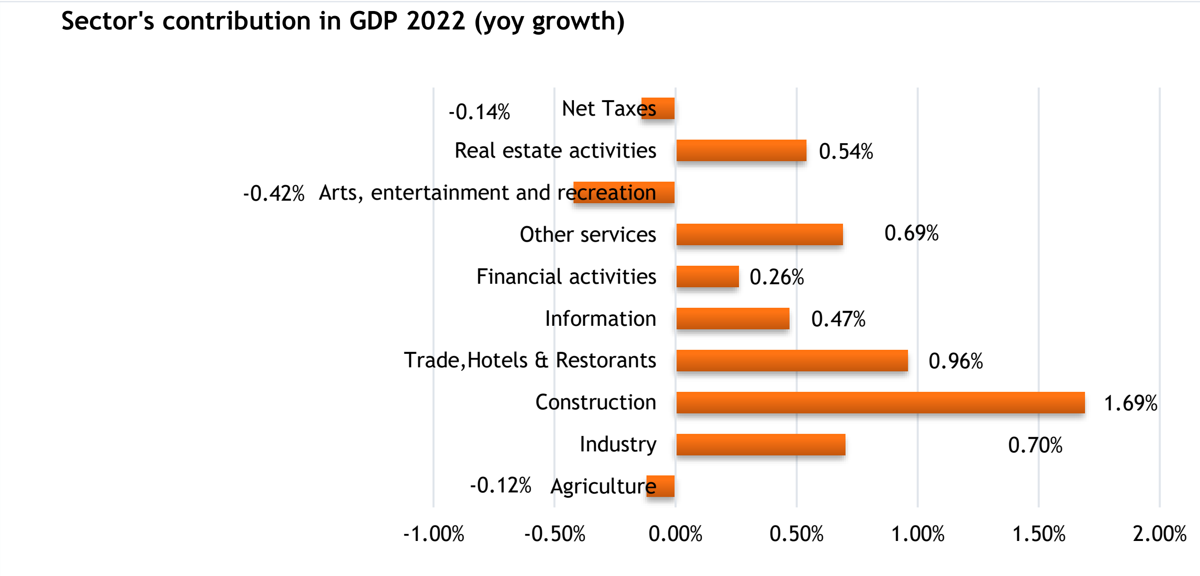
In the Q3,2022, employment increased by 4.2%, the unemployment rate dropped to a new historic low of 10.6%, while the average salary in the private sector recorded an annual increase of 12.4%.

Foreign direct investment set a new historical record for 2022, increasing by 33% compared to the previous year. The reinvested profit accounted for more than 53% of the total foreign direct investments.

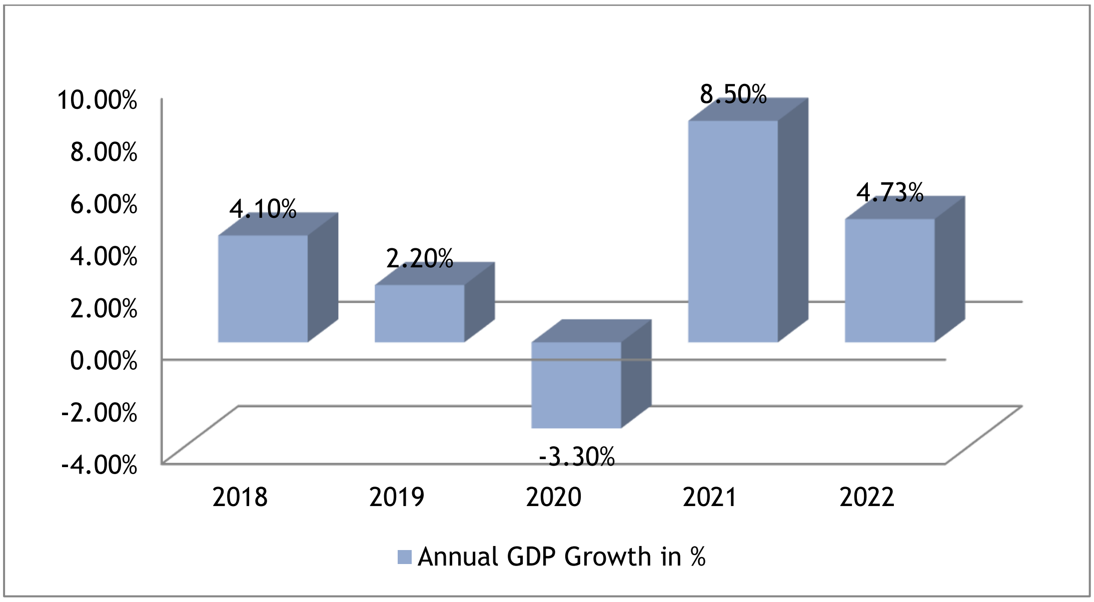
In recent years, reinvested gains in value have increased new foreign direct investment flows and offset some of the decline in new outward investment flows. During the Q4,2022, incoming foreign exchange flows in the form of foreign direct investments were mainly concentrated in the hydrocarbons sector to the extent of 17%, financial intermediation to the extent of 17%, energy, to the extent of 11%, and communication, to the extent of 11%.

Main macroeconomic indicators

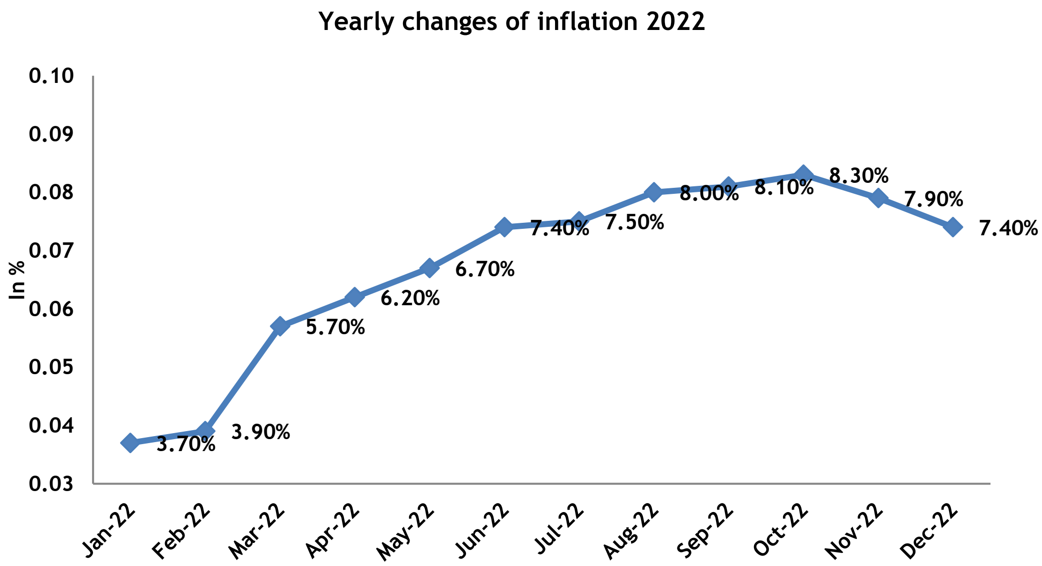
	2022	2021	2020
Real GDP growth (annual, in %)	4.7	8.7	(3.3)
Industrial output (% yoy)	0.5	(1.8)	(1.8)
Producer prices (avg. % yoy)	21.4	5.6	3.4
Consumer prices (avg. % yoy)	7.4	3.7	1.6
Unemployment rate (15-64 years of age)	10.8	11.9	11.8
Budget Balance (including grants, % of GDP)	0.5	(4.8)	(6.9)
Budget revenues (% of GDP)	26.8	28.9	26.5
Budget expenditure (% of GDP)	31.4	33.7	33.4
Public debt (% of GDP)	67	78	80
Current account (excluding official transfers, in % of GDP)	(7.8)	(8.9)	(9.2)
Imports of goods (fob, as a percentage of GDP)	3.2	5	(27.1)
Exports of goods (fob, as a percentage of GDP)	0.6	1.8	6
Foreign Direct Investments (% of GDP)	7.2	2.1	6.9
International reserve (in EUR million, end of period)	4,960	4,715	3,942



Albania's GDP advanced 4.7% year-on-year in the Q4, of 2022, easing from an upwardly revised 4.9 % growth in the previous period. Household consumption increased 4.5%, while government expenditure fell 3 %. Also, gross fixed capital formation surged 9.8 %. On the other hand, foreign demand contributed negatively to growth, as exports went up by 0.6 % while imports rose at a faster 3.2 %. On a quarterly basis, the economy expanded 0.2 %. Considering full 2022, the GDP advanced 4.84 %.



The annual inflation rate in Albania decreased to 7.4 % in December of 2022, the lowest in six months, from 7.9 % in the previous month. Cost slowed for food and non-alcoholic beverages (14.2 % vs 14.7 % in November); housing, water, electricity, gas and other fuels (2.8 % vs 3.1 %); transport (6 % vs 9.6 %); alcoholic beverages and tobacco (5.5 % vs 5.8 %); health (1.1 % vs 1.3 %); Hotels, coffee-houses and restaurants (5.2 % vs 6.1 %); and miscellaneous goods and services (3.3 % vs 3.6 %). On a monthly basis, consumer prices went up 0.4 %, after a 0.3 % decrease in November.



The Banking System

During the period, the banking sector expanded its activity by about 4%. The main contribution to this increase was given by treasury transactions and investments in securities. The growth of loans and the reduction of provisions for the quality of assets also had a positive impact on the performance of assets. In annual terms, the growth of the balance sheet of the banking sector was 6%. On the asset side, the use of foreign currency was higher in loans and interbank investments while in terms of liabilities was higher in deposits. The statistical effect of the exchange rate, related to the appreciation of the Lek against the Euro, has influenced the reduction of the reported size of the balance sheet items in foreign currency and has been significant during the period.

The Bank of Albania has reconfirmed its position on a stimulating monetary policy, injecting liquidity through 1-week reverse repurchase agreements, which represent its main instrument. Liquidity injections with 3-month maturity have been present, but to a lesser extent.

All debt issuance by the government for the period was in local currency and mainly in short-term bonds. This trend has reflected the reluctance of investors to finance the demand for long-term borrowing in the conditions of uncertainty about the progress of interest rates and the Government's intention to moderate the cost of borrowing.

The most prominent development in the domestic securities market during the second half of 2022 was the significant increase in interest rates. At the end of the year, the average interest rate for short-term debt reached 4.4%, increasing by 2.8 p.p. while for long-term securities it reached the level of 5.80%, increasing by 2.4 p.p. compared to a year ago. The weighted average rate reached the level of 4.8%.

In the secondary securities market, volumes remain low, and transactions are carried out at higher interest rates. The market-makers model offers daily quotes of reference titles (benchmark) with 3- and 5-year maturities, which enables the calculation of the yield curve, which serves as a reference for other debt securities in the market.

The yield curve at the end of the period appears shifted upwards, with higher interest rates for longer maturities.

At the end of 2022, the capital adequacy ratio of the banking sector was 18.1% above the minimum required level of 12%. The determining contribution to this performance was given by the decline in regulatory capital, which has simultaneously conditioned the decline in the financial leverage ratio.

The accumulated net financial result of the banking sector at the end of 2022 marked a profit of ALL 21.7 billion, unchanged from the previous year. The stability in the financial result of the banking sector is reflected in the stability of the profitability indicators of the banking sector RoA and RoE, which marked 1.2% and 12.3%, respectively, from 1.3% and 12.9% a year ago.

The increase in interest income was also reflected in the increase in the net interest margin, which reached 3.5%. Non-interest income was positive, but about 30% lower than a year ago, due to losses in financial instrument investments. The ratio of activity expenses to income was at 60%.

Expenses for loan provisions increased, that was partially mitigated by the reversal of provisions for other financial instruments.

The stock of bank loans expanded by 2% during the period and by 6.6% compared to a year ago. The growth has been supported by the new loan. The biggest increase was recorded in loans for individuals, foreign currency and short-term loans.

In the loan portfolio for individuals, the fastest growth was reported in the stock of loans for the purchase of real estate, which accounts for more than 2/3 of the loan for individuals. In businesses, growth rates have been positive for short-term credit, mainly for working capital. Banks have continued to carry out loan restructurings and write-offs, mainly in the loan portfolio for businesses, but at lower rates compared to previous periods.

The ratio of non-performing loans (NPL) decreased by 0.3 p.p., to the level of 5% at the end of the period. At the end of the year, the stock of non-performing loans fell to ALL 36 billion, and this is the lowest level recorded during the last thirteen years.

The weighted interest rate for all new loans increased during the period and, at the end of December, reached 6%. The increase in the interest rate for new loans is observed both for new loans in Lek and for those in foreign currency, and this progress has been in line with the recent decisions of the central banks for the normalization of the monetary policy.

In annual terms, the growth rate of deposits was 5.9%, and the biggest contribution to this growth was given by the expansion of foreign currency deposits. The strongest growth was recorded in individuals' deposits those in foreign currency and current accounts. The structure of deposits by term and sector does not present significant changes during the last year, but the structure of deposits by currency has slightly changed in favor of foreign currency deposits. At the end of 2022, the latter accounted for 54%. At the end of the period, the average rate of time deposits for individuals in lek currency was 1.4%, and in euro currency it was 0.7%.

During the last quarter of 2022, private investments in Albanian government debt securities have increased significantly as they offer a higher rate of return and as a competitive alternative to bank deposits that remain, however, the main form of investment.

The liquidity position of the banking sector remains at good levels and the liquidity indicators continue to be significantly above the regulatory limits. The loan/deposit ratio was 47.1%, the ratio of liquid assets to total assets was 29.6% and the ratio of liquid assets to short-term liabilities was increased to 41.1%.

The gap between assets and liabilities for the basket of maturities up to 3 months has narrowed, but the overall gap remains positive and stable. The difference between the average maturity of loans and deposits has widened by about 4 months, mainly as a result of the increase in the remaining average maturity of loans.

The banking sector's exposure to direct exchange rate risk has declined over the period, with the main impact from systemically important banks. At the end of the period, the indicator of the open foreign currency position was in the direction of "buying" and the size of the position was 5.0% of the regulatory capital of the banking sector.

The exchange rate of the lek has been stable during the period, appreciating against the EUR and the US dollar currency. The Bank of Albania has continued to hold auctions for the purchase of euros, in order to increase the foreign exchange reserve. In general, the currency exchange market appeared calm and was characterized by normal trading parameters.

The basic infrastructure for payment clearing and settlement has continued to function securely and efficiently. The AIPS and AECH systems recorded significant increases in the number and value of transactions processed through them. Card payments take the leading place in terms of the number of transactions with 60%, remaining for the third year in a row the main payment instrument used by customers.

An important development during 2022 was the launch of the AIPS-EURO system, which enables making payments in euros for customers within Albania, aims to reduce time and costs for the public, as well as contributes to reducing the volume of physical money in euro that is administered by local banks. During the year 2022, a total of 156 thousand payments were processed by this system, with a total value of about 3,350 million euros and an average value per transaction of 21,450 euros.

Banking system indicators

in% p.p	2022	2021	2020	2019	2018	Yearly Change in%
Capital adequacy ratio	18.31	18.00	18.32	18.28	18.24	0.31
Loans/ deposits	44.97	43.50	47.33	48.25	46.23	1.47
Leverage ratio (equity/assets)	9.50	10.12	10.39	10.45	11.06	(0.61)
Return-on-equity (ROE)	13.29	10.71	10.64	13.45	12.96	2.58
Return-on-assets (ROA)	1.30	1.12	1.20	1.49	1.2	0.18
Efficiency ratio	50.24	54.78	54.08	54.62	52.32	(4.54)
Problem loans (90 days past due)	5.92	7.26	8.11	8.40	11.08	(1.34)

Source: Bank of Albania

Net interest income was 13% higher than a year ago. Income from interest collected from customers was about 9.3% higher while interest collected from investments in securities was also about 17.3% higher compared to income reported a year ago. On the other hand, during this six-month period, banks have recorded about 12% more income from commissions compared to a year ago. Banks recorded about 12% more income from commissions, while operating expenses increased slightly to about ALL 38.5 billion. The costs of the activity continue to be adequately covered by the banks' income.

The ratio of activity expenses to income remained unchanged during the period, at 60% since the increases of activity expenses and total income have had similar rates.

In ALL million	2022	2021	2020	2019	2018	Yearly Change in %
Net interest income	52,014	45,971	42,790	41,656	43,772	13.1
Net fee, commission & trading income	11,815	16,184	14,967	13,338	(356)	(27)
Impairments	1,500	1,218	5,404	(83)	(7,011)	23
Administrative, taxes & other expenses	38,535	37,450	33,923	33,664	33,711	2.9
Net profit	23,817	21,634	16,875	19,895	18,391	10.1

The banking sector has normally developed the main functions of the activity and has supported the economy with financing. The reported value of assets increased by about ALL 70 billion during the period, reaching about ALL 1,880 billion at the end of the year. The main contribution to the increase in assets was given by the expansion of treasury operations by about ALL 33 billion and investments in securities by about ALL 20 billion.

In ALL million	2022	2021	2020	2019	2018	Yearly Change in%
Assets	1,873,683	1,773,793	1,581,466	1,475,551	1,452,926	5.6
Business loans	457,096	447,631	409,369	388,912	405,592	2.1
Household loans	233,774	223,400	199,542	186,833	175,095	4.6
Deposits from private sector	355,452	285,997	225,214	190,132	202,843	24.3

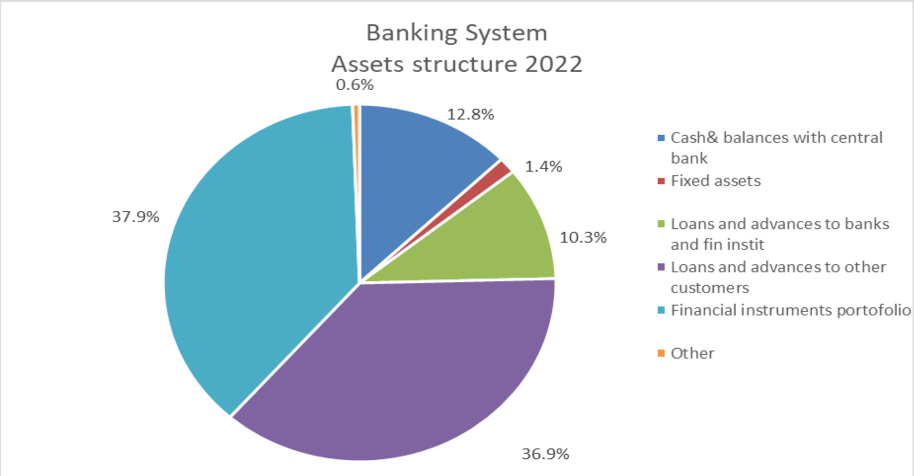
In annual terms, the growth rate of deposits was 5.9%, and the biggest contribution to this growth was given by the expansion of foreign currency deposits, which increased by 10.1% in annual terms. At the end of 2022, the latter accounted for 54% of total deposits, up from 52% six months and a year ago. About 90% of foreign currency deposits consist of euro currency deposits. During the last 12 months, these deposits have increased by around 1 billion euros.

Throughout the year 2022, time deposits have become an important contributor to the growth of banking sector deposits, after current accounts. The increase in this category has come entirely as a result of the increase in term deposits in foreign currency for businesses and individuals, while term deposits in Lek decreased. The development of interest rates affects the public's preference in terms of choosing between term and non-term deposits.

The stock of bank loans has expanded by 6.6% compared to a year ago, rising to the level of 715 billion ALL. The growth was supported by the new loan. The biggest increase was recorded in loans for individuals, foreign currency, and short-term loans. In the growth of credit for businesses, the main contribution has been made by the expansion of the stock of loans for short-term purposes, while the expansion of credit for individuals is related to credit for the purchase of real estate, which occupies almost 2/3 of the credit for individuals.

Investments in loans expanded compared to the previous six months by about 13 billion ALL (or 2%), supported by loans to the private sector and short-term loans. The contraction of the provisioning funds of the banking sector expanded the level of assets by about 2 billion ALL during the period.

During the period, the share of financial system assets to GDP decreased by 10 b.p. at the level of 96.8%. This performance reflects the fact that the annual GDP growth rate was higher compared to that of the growth of the balance of the financial system. In this trend, the biggest contribution was made by the decrease in the share of banking sector assets by almost 8 b.p., despite its expansion in absolute value, and the decrease in the share of investment funds by almost 2 b.p. The financial system continues to be dominated from the banking sector, which has 91% of the total assets of the system.



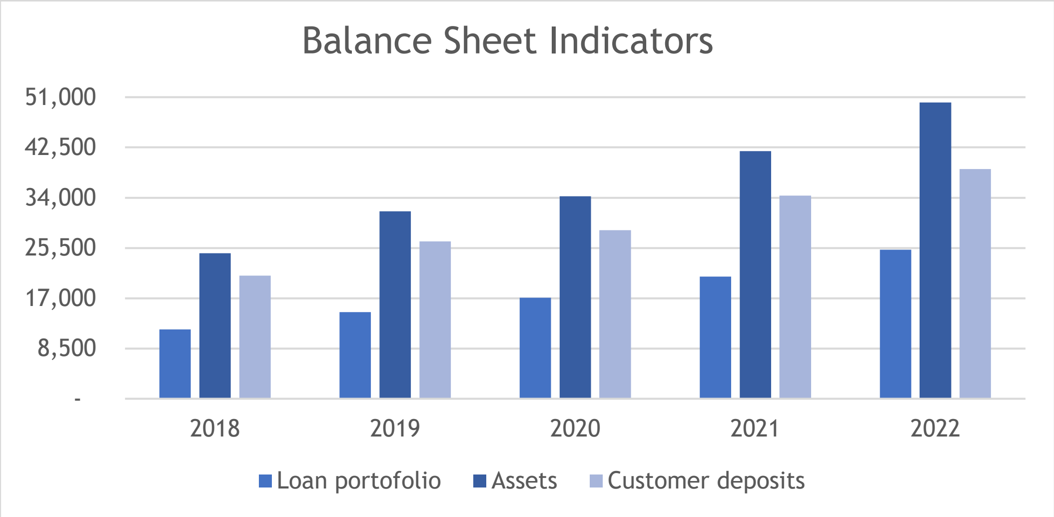
In the total assets of the banking system, financial instruments have the biggest share with 37.9%; followed by loans and advances to customers with 36.9% and Cash & balances with central bank 12.80%. This indicates the high capacity to credit the economy and the capability to grow of the banking system.

Mission

First Investment Bank, Albania Sha is known for a fast-growing, innovative, customer oriented that delivers products and quality services, to find excellent opportunities to develop their employees and contribute to friends.
Our vision is that good leadership, employee interaction; innovation, high - tech solutions and flexibility allow us to better serve our customers, partners and attract intellectual capital and increase our shareholder value.

Positive Development

In 2022, Fibank Albania continued to successfully overcome the challenges of the external and internal market factors and reported enhanced results. During the last year, Fibank expanded its activity with significant rates. From all bank indicators, 2022 performance was the most successful year where Fibank Albania showed a consistent increase on its main financial figures. This success was thanks to the strategic decisions and implemented measures from Fibank Management to maintain a balance between risk and profitability, as well as reinforce our high-quality products and services while providing a flexible business model.



Bank Profile

Corporate Status

First Investment Bank, Albania Sha (Fibank Albania) is a successor of the foreign branch of First Investment Bank AD, Tirana Branch which has started operating in the Albanian Market since 1999. Fibank Albania is a subsidiary of First Investment Bank A.D. an entity incorporated in Bulgaria as a credit institution which owns 100% of the Bank's shares.

Fibank Albania obtained a general banking license from the Bank of Albania on July 6th, 2007. This license authorizes Fibank to conduct all banking transactions in compliance with the Albanian legislation in force and encompasses the activities previously carried out by First Investment Bank AD, Tirana Branch. As a fully licensed bank, Fibank Albania embarked on several strategic initiatives, including:

- Branch expansion
- Full range of SME and Retail products
- Notably, Fibank became the first bank in Albania to receive a license from the Albanian Financial Supervisory Authority that enables the institution to provide depositary, custodian, and brokerage services.

In execution of the obligations resulting from Regulation (EC) № 648/2012 of the European Parliament and of the Counsel on OTC derivatives, central counterparties and trade repositories (EMIR), the Bank has a LEI code (Legal Entity Identifier): 529900TCJ9K2BDH3TR75 issued by Global Markets Entity Identifier (GMEI) Utility.

Fibank Albania Sh.a is FATCA compliant institution under status "Registered Deemed-Compliant Financial Institution". The Global Intermediary Identification Number (GIIN) of the Bank is: SP7FU7.00001.ME.008.

Participations and Memberships

- Albanian Association of Banks
- Albanian Foreign Investors Association
- Bulgarian-Albanian Chamber of Commerce and Industry

Correspondent Relations

Fibank Albania has a network of 4 correspondent banks, through which it performs international payments and trade finance operations. The Bank executes international transfers in three foreign currencies and performs different documentary operations.

Over the years, Fibank Albania has established a strong reputation as a reliable and fair partner, earning the trust and confidence of international financial institutions. The Bank has gained valuable experience and expertise through its interactions with business partners, customers, and counterparties.

Branch Network

As of December 31, 2022, Fibank Albania's branch network consists of one main branch and 13 agencies, in addition to the Head Office. The Head Office, along with the branch and three agencies, is located in Tirana. The rest of the agencies are situated in the cities of Durrës, Fieri, Vlora, Elbasan, Korça, Shkodra, Berati, Lezha, Lushnja, and Saranda.

First Investment Bank: Dates and Facts

1999 First Investment Bank AD opens a Branch in Tirana.

2007 First Investment Bank Albania receives a license from Bank of Albania as an independent Albanian bank, with its mother bank in Bulgaria.
Opens three new branches in Elbasan, Vlora and Korca adding them to the existing branches in Tirana and Durres. Launches a wide range of innovative banking products for all customer groups aiming to penetrate the market through specific and interesting offers.

2008 Branch network grows with other branches in Fier, Shkodra and Berat aiming to be present in the main cities by offering dedicated products and services to individual customers as well as businesses located in these cities.

2009 Fibank assets increased by 77%, investment by 200% while deposits showed an increase by 160%.

2010 Fibank Albania was licensed by Financial Supervisory Authority.
To exercise intermediary activity (broker / dealer) in the securities of the Government of the Republic of Albania in stock exchange and the retail market. Custodian of securities of the Government of the Republic of Albania. Depository of Voluntary Pension Funds, with responsibility for safekeeping of the assets, operations and documents of the pension fund or investment fund. Fibank is the 6th bank licensed in the Albanian market.
Increase on investments reached 370%, in deposits 75% and in loans 99%.

2011 To act as Depository of Voluntary Pension Funds and Collective investment undertakings with responsibility for safekeeping of the assets, operations and documents of the investment fund.
Continued the increase on main bank performance indicators, loans to customers and deposits with around 30%.

2012 First in terms of growth rate in the Albanian banking system. Net profit showed a positive result of EUR 700 thousand. Assets reached to EUR 96 million at the end of the year with a capital adequacy ratio of 16.6% and a liquidity ratio of 38.6%.

2010-2012 In October 2010 and in February 2012 Fibank Albania signed the agreement with Raiffeisen Invest Fund, the biggest investment fund company in Albania and the only company in the country that manages the collective investment undertakings. Fibank Albania is acting as depositary of five investment and pension funds, four of which are managed from Raiffeisen Invest Albania and one from WVP Management Tirana.

2013 Total assets reached EUR 120 million, and deposits exceeded EUR 100 million as well. Continued to increase net profit to approximately of EUR 800 thousand.

2014 FIBank Albania was licensed by Financial Supervision Authority as Custodian of Corporate and Municipality Bonds. FIBank Albania is acting as custodian of two corporate bonds issued by Credins Bank and Digitalb SHA.

2015 Fibank was honored with the award "Bank of the Year" for 2015 by Chamber of Commerce and Industry. Significant for this year was that net profit reached the highest value EUR 1.8 million since bank has been opened its first branch in April 1999.

2016 Fibank marked a significant impact in corporate social responsibility activities supporting significant causes for Albania such as: You are a Sunflower Foundation, Down Syndrome Albania, Pensioner's Union, social media activities by increasing brand visibility and helping Fibank community.

2017 Recorded best years in all performance indicators and in the last 2 years in total:

- Loans increased with 83%;
- Total assets increased with 44%;
- Deposits increase with 42%;
- Net profit exceeded EUR 3 mil in each year;

2018 Fibank Albania is assigned as Primary Dealer in Albanian Banking System. This way, Fibank is among 5 banks assigned as Primary Dealer for Albanian Government Bonds in a country where 14 banks exercise their activity.
Fibank expanded its network with three additional branches in the cities of Saranda, Lushnja and Lezha.

2019 Fibank Albania successfully issues its first Bond on a 2 million Euros value through a private offer.

2020 In 2020 Fibank Albania successfully issues a consecutive Bond on a 2.9 million Euros value through a private offer.

2021 During 2021 Fibank Albania showed a consolidated financial position for the 10th year in a row and reach in 2.35% of market position in the whole banking system.
In April 2021 Fibank Albania were able to implement payment of taxes to Municipality of Tirana through consuming the Web Service which they provided.

2022 Fibank Albania's financial performance indicators were the highest in the banking sector for 2022 with RoE of 20% and RoA of 2%. In addition, what makes year 2022 best year so far was Fibank net profit of EUR 7.7 million, the highest. ever recorded and increase in loans with 30% also the highest in the banking system. Increase with more than 25% in each of the 3 main components, total assets, deposits, and capital was another clear indicator of sustainable growth of Fibank.

Highlights 2022

- In 2022 Fibank Albania gross loan portfolio increase by 21.41% (ALL 4,622,533 thousand) and reached ALL 26,213,730 thousand at the end of the period (2021: ALL 21,591,197 thousand; 2019: ALL 17,908,218 thousand). This year has been very positive, due to the big efforts of the Sales force and the focus of the Bank in strengthening its position in the market.
- The portfolio of loans to individuals to total lending portfolio is 45.5% as at the end of December 2022. The portfolio of loans to individuals increased by ALL 2,560,651 thousand reaching a total value of ALL 11,914,362 (2021: ALL 9,353,711 thousand; 2020: ALL 7,445,883 thousand).
- SME client's portfolio increased at the same pace as prior year, at the level of 16.8% during 2022 and reached 14,299,369 thousand (2021: ALL 12,237,486 thousand; 2020: ALL 10,462,335 thousand). This increase comes mainly for loans granted in Tirana, but even from branches which over performed like Fieri, Vlora and Lushnja.
- Year 2022 was a good year for deposits in the banking sector because it reached a good level of stability. During 2022 the deposits in the banking sector increased by ALL 91.4 billion. Fibank Albania's attracted funds for 2022 increased by 13.21% (2021: 20.45%; 2020: 7.20%) and reached ALL 38,869,160 thousand (2021: ALL 34,332,798 thousand; 2020: ALL 28,503,007 thousand).
- 2022 brought a significant improvement in ATM service. Fibank replaced the old ATMs with new ATMs, the number of ATMs with deposit module increased from 11 to 20 ATMs, which also increased the number of cash deposit throughout the ATM line. By the end of 2022, all Fibank branches are equipped with ATMs with deposit modules.

  During the year 2022, the number of transactions with non Fibank cards has increased significantly compared to the previous year with 5,876 or 52% with foreign card transaction and 767 or 12% with domestic card transactions.

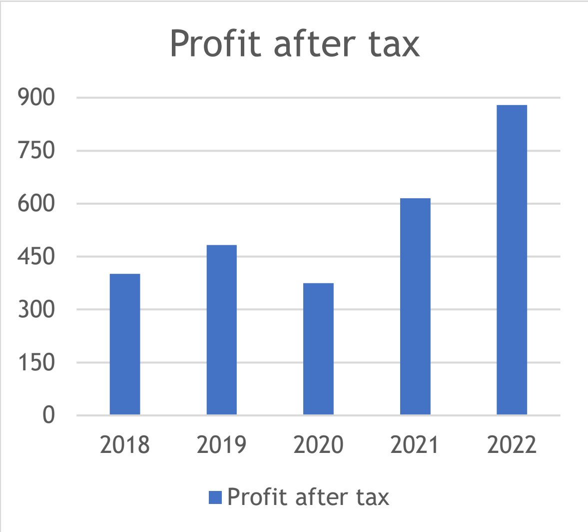
  In November 2022 we did changes in our Bank Cards System to transfer VISA cards number to 8-digit BINs according to the process of VISA Corporation plans. This implementation was successful and was able we to stay on the road of the world of changes with bank cards.
- Regarding money transfers in local currency in 2022 the number increased around 44% for outgoing transfers, and 2.21% for incoming transfers in favor of our clients when compared to 2021.
- In January 2022 we implemented AECH transfers in EUR as the Bank of Albania's AIPS system started accepting transfers not only in ALL but also in EUR.
- In March 2022 we were able to implement the request for granting loans with different (promotional) interest rates for different periods. This saved a lot of manual work for our staff and allowed to propose a lot of different and flexible new loan products to our clients.
- As of 31 December 2022, the consolidated headcount of First Investment Bank was 425 employees, exhibiting an increase compared to the previous year' figures of 367. This growth in staff is attributed to activities focused on process and resource optimization as well as the Bank's commitment to achieving synergy and optimal efficiency.

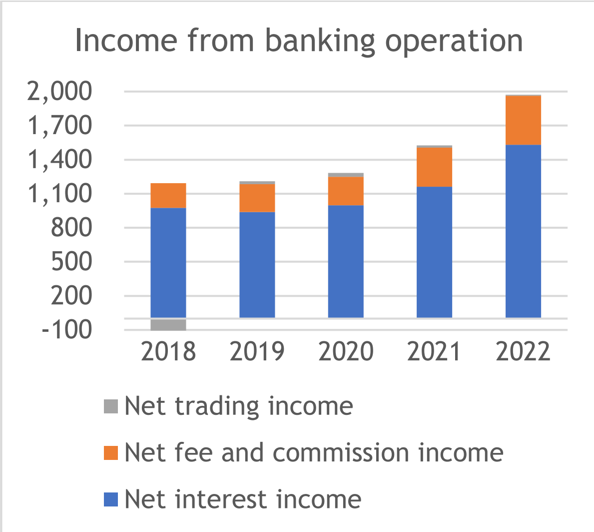
Key Indicators

	2022	2021	2020	2019	2018
Financial results (in ALL thousand)					
Net interest income	1,532,364	1,160,395	1,027,936	938,325	976,478
Net fee and commission income	429,356	346,234	251,201	245,316	217,187
Net trading income	10,701	19,947	35,168	26,250	(106,151)
Total income from banking operations	1,979,152	1,644,830	1,439,728	1,379,012	1,131,058
Administrative expenses	(682,297)	(730,514)	(707,524)	(676,748)	(574,932)
Impairment	(272,349)	(192,334)	(284,889)	(130,787)	(71,880)
Profit after tax	879,149	615,307	375,204	482,480	401,032
Balance-sheet indicators (in ALL thousand)					
Assets	50,122,288	41,883,294	34,243,838	31,722,865	24,632,952
Loans and advances to customers	25,231,137	20,645,991	17,098,142	14,669,657	11,713,074
Loans and advances to banks and financial institutions	3,182,229	4,234,180	2,422,790	3,279,997	2,448,132
Due to other customers	38,869,160	34,332,798	28,503,007	26,588,459	20,807,370
Equity	4,796,739	4,235,850	3,646,590	3,457,903	3,407,541
Key ratios (in %)					
Capital adequacy ratio	19.94	18.94	20.24	17.06	17.35
Loans/ deposits	60.00	59.40	59.75	57.58	59.14
Liquidity ratio	44.69	47.31	52.08	59.79	55.43
Loan provisioning ratio	3.75	4.38	4.52	4.26	4.89
Net interest income/ Total income from banking	77.43	70.55	71.40	68.04	86.33
Return on equity (after tax)	19.47	15.61	10.56	14.06	14.39
Return on assets (after tax)	1.91	1.62	1.14	1.71	1.79
Resources (in numbers)					
Branches and offices	14	14	14	14	13
Staff	425	367	351	218	183

Financial Results

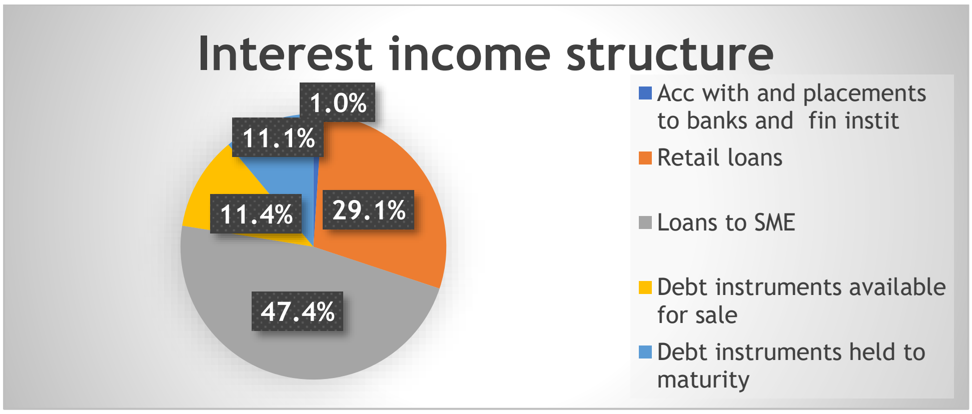
In 2022 Fibank Albania reported profit after tax in the amount of ALL 879,149 thousand (2021: ALL 615,307 thousand; 2020: ALL 375,204 thousand). This was due to higher income from banking operations, especially from an increase in net interest income and net fee and commission income. Fibank Albania ranked 9th in terms of profit among the banks in the country. Return on equity (after tax) in 2022 reached 19.47% (2021: 15.61%, 2020: 10.56%) and return on assets (after tax) reached 1.91% (2020: 1.62%; 2020: 1.14%).



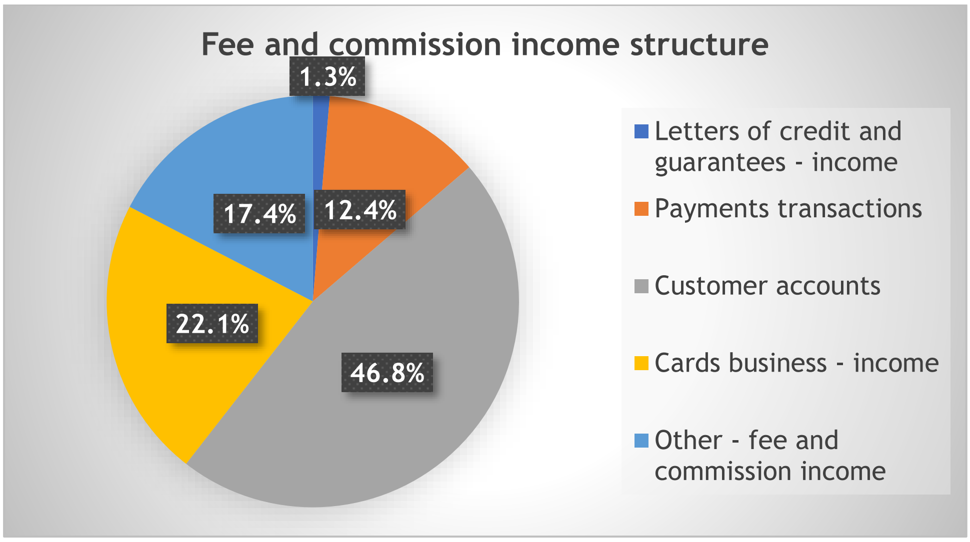


During the reporting period Fibank Albania continued its business development in accordance with the economic environment and the need of financing. Total income from banking operations increased by 20.3% and reached ALL 1,979,152 thousand (2021: ALL 1,644,830 thousand; 2020: ALL 1,439,728 thousand).

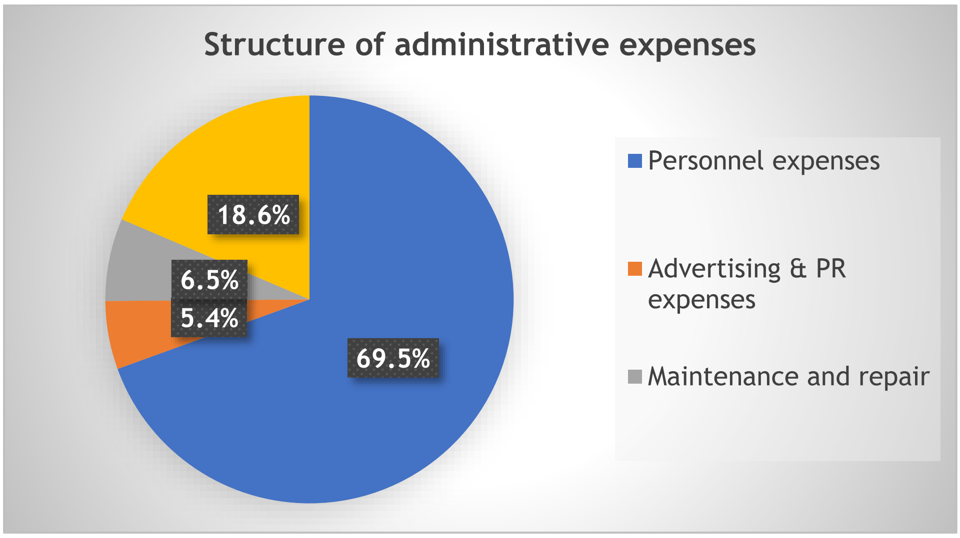
Interest incomes meet an increase by 22.63% to ALL 1,938,415 thousand (2021: ALL 1,580,647 thousand; 2020: ALL 1,336,444 thousand). A main contributor was interest income from loans to small and medium enterprises customers which increased by 30.29% to ALL 919,412 thousand (2021: ALL 705,677 thousand; 2020: ALL 569,233 thousand), meanwhile loans to retail customer increased by 34.44% to ALL 563,403 thousand (2021: ALL 419,069 thousand; 2020: ALL 352,481 thousand), and together represent 76.50% of total interest income.
Interest income from securities amounted to ALL 435,430 thousand (2021: ALL 449,631 thousand; 2020: ALL 406,905 thousand) and formed 22.46% of total interest income.



Net fee and commission income faced an increase by 24.01% or ALL 83,122 thousand and amounted ALL 429,356 thousand (2021: ALL 346,234 thousand; 2020: ALL 251,201 thousand) due to increased business volumes and customers of the Bank. Meanwhile net fee and commission income had a relative share of 21.69% of total income from banking operations, compared to 21.05% in 2021 and 17.45% in 2020, as a result of the Bank's consistent policy on the diversification of income from banking operations.
The predominant share of fee and commission income was formed from customer accounts fees with 46.82% followed by 22.05% from card business income and then with 17.41% and 12.40% of other fees and commission income and payment transactions income respectively.



General administrative expenses increased by 14.65% and reached ALL 616,129 thousand for the reporting period (2021: ALL 537,398 thousand; 2020: ALL 509,628 thousand). Personnel expenses formed the biggest portion of 69.46% while the smallest share of 5.42% is presented by the group Advertising & PR expenses.



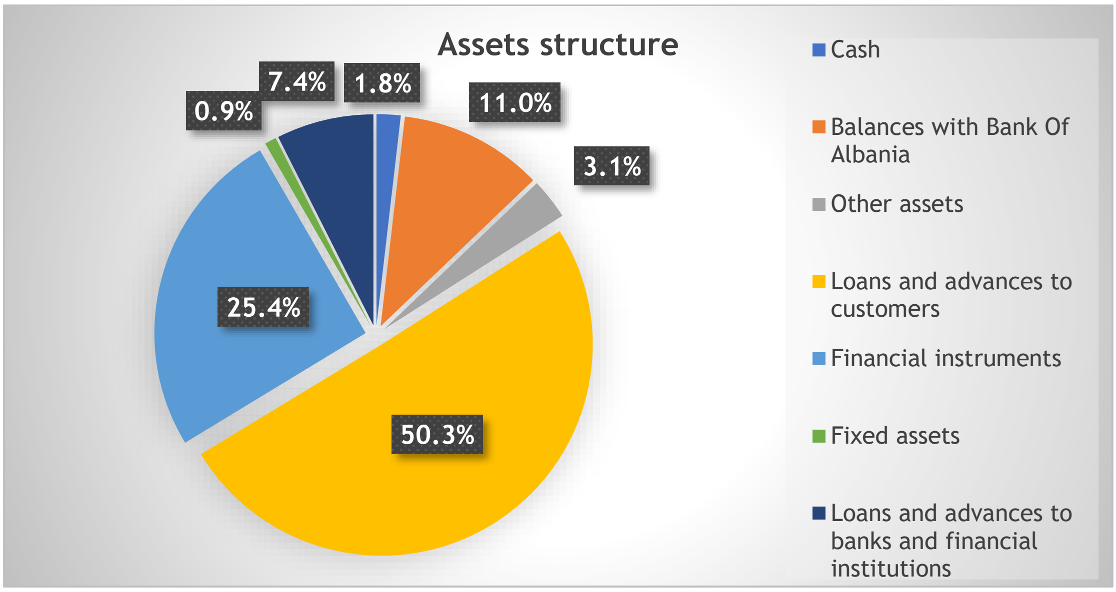
Net impairment losses of loan exposures by the Bank amounted to ALL 180,260 thousand for 2022, compared to ALL 272,380 thousand in the previous year (2020: ALL 279,805 thousand).

Balance Sheet

As at the end of December 2022, the total assets of Fibank Albania reached ALL 50,122,288 thousand (2021: ALL 41,883,294 thousand; 2020: ALL 34,243,838 thousand) increased by 19.67% (amounted ALL 8,238,997 thousand) resulted mainly from increase in loans and advances to customers by 22.21%, increase in cash and balances with central bank by 78.27% and increase in investment in securities by 9.63%.

During 2022 Fibank Albania showed a consolidated financial position as also in the past years and reach in 2.68% of market position in the whole banking system.

The asset structure remained relatively unchanged reflecting market conditions and the Bank's strategy for maintaining an adequate balance between risk, capital, and return. Portfolio loans and advances to customers preserved first majority share and formed 50.3% (2021:49.3%; 2020:49.9%), leaded by financial instruments (investment in securities) 25.4% (2021: 27.7%; 2020: 29.1%) of total assets, and balances with Bank of Albania at 11.0% (2021: 6.5%, 2020: 6.4%).



Cash and balances with central banks increased by 78.27% (ALL 2,827,030 thousand) to ALL 6,438,913 thousand (2021: ALL 3,611,884 thousand; 2020: 3,021,201 thousand) reaching a share of 2.14% of total assets (2020: 2.43%; 2019: 2.21%) as the Bank manage cash in respect of its daily operations and in accordance with the market environment and external conditions. Current accounts and balances with the Central Bank are increased with 103.29% amounting ALL 5,516,826 thousand (2021: ALL 2,713,818 thousand; 2020: 2,189,283 thousand), resulting from the increased deposit base. Cash on hand increased by 2.67% (ALL 24,022 thousand) to ALL 922,087 thousand (2021: ALL 898,066 thousand; 2020: ALL 831,917 thousand).

Loans and advances to banks and financial institutions amounted ALL 3,730,441 thousand, compared to ALL 4,234,180 thousand at the end of 2021 (2020: ALL 2,422,790 thousand).

Portfolio of financial instruments is comprised from papers of Albanian Government, Belgium Government, American Government and EFSF. At the end of the year investments in securities at amortized cost amounted ALL 9,093,158 (2021: nil; 2020: nil) and investment in securities at FVOCI amounted ALL 3,616,033 thousand (2021: ALL 11,592,311 thousand; 2019: ALL 9,961,169 thousand).

Loans

In 2022 Fibank Albania gross loan portfolio increase by 21.41% (ALL 4,622,533 thousand) and reached ALL 26,213,730 thousand at the end of the period (2021: ALL 21,591,197 thousand; 2019: ALL 17,908,218 thousand). This year has been very positive, due to the big efforts of the Sales force and focus of the Bank in strengthening its position in the market. The positive trend is reflected in both segments; retail and small & medium enterprises, respectively with 27.4% and 16.8%. This was also in compliance with the Bank's strategy for increase of new lending and consequently increase of received funds.

Loan portfolio by business line:

In ALL thousand / % of total	2022	%	2021	%	2020	%
Retail customers	11,914,362	45.5	9,353,711	43.3	7,445,883	41.6
Small and medium enterprises	14,299,368	54.5	12,237,486	56.7	10,462,335	58.4
Gross loan portfolio	**26,213,730**	**100**	**21,591,197**	**100**	**17,908,218**	**100**
Impairment	(982,593)		(945,206)		(810,077)	
Loan portfolio	**25,231,137**		**20,645,991**		**17,098,142**	

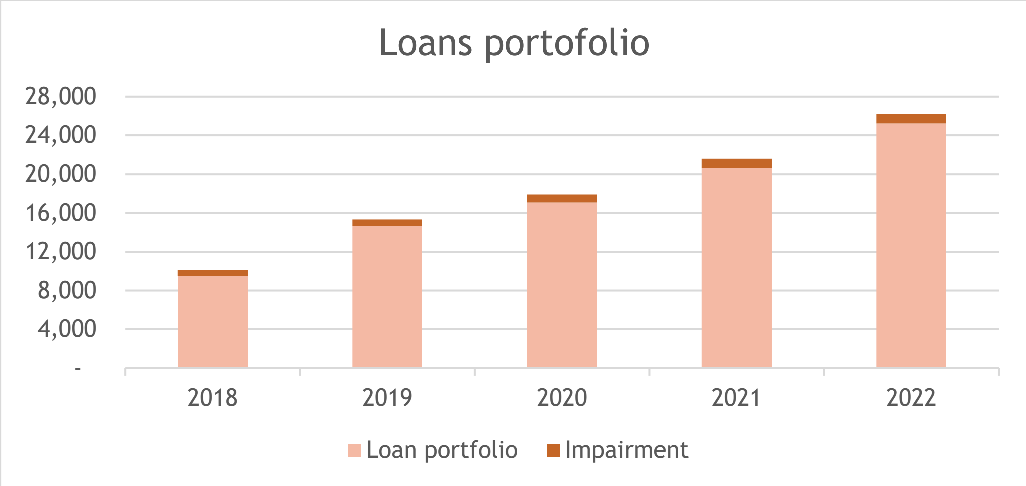
At the end of 2022, loans to small and medium enterprises slightly decreased their share in the Bank's loan portfolio, respectively at 54.5% (2021; 56.7%; 2020; 58.4%; meanwhile loans to retail customers increased its share at 45.5% (2021: 43.3%: 2020: 41.6%): Fibank focus on retail lending was reflected with increased collaboration with biggest construction companies in the country, offering new products and good conditions to retail clients. The facility consists of taking as collateral the property during the construction phase or the construction company offers the collateral in favor of the client's request. Meantime in business lending the Bank continued to support sound projects in accordance with the need for financing and market conditions in the country.

Loan portfolio by currency:

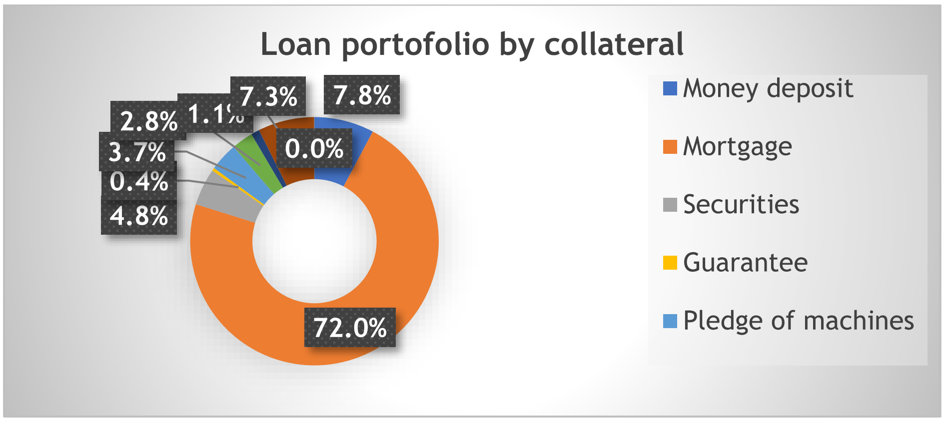
In ALL thousand / % of total	2022	%	2021	%	2020	%
Loans in ALL	9,753,305	37.2	8,425,521	39	6,178,894	34.5
Loans in EUR	16,202,903	61.8	12,822,520	59.4	11,577,571	64.6
Loans in other currency	257,522	1.0	343,156	1.6	151,754	0.9
Gross loan portfolio	**26,213,730**	**100**	**21,591,197**	**100**	**17,908,218**	**100**
Impairment	(982,593)		(945,206)		(810,077)	
Loan portfolio	**25,231,137**		**20,645,991**		**17,098,142**	

Loans and advances in EUR continue to mark a predominant share equal to 61.8% (2021: 59.4%; 2020: 65.8%); in the currency structure of the loan portfolio. They reached the amount of ALL 16,202,903 thousand at the end of the period, or an increase of 26.4% compared to the previous year (2021: 12,822,520; 2020: 11,577,571).

The effort of the Bank is to lend in local currency, minimizing foreign exchange risk for the borrowers. Loans in ALL increased both in absolute value and share, and equal to ALL 9,753,305 thousand (2021: 8,425,521 ALL; 2020: 6,178,894 ALL thousand) and loans in other currencies decreased in absolute value and share, to ALL 257,522 (2020: ALL 343,156 thousand; 2019: ALL 151,754 thousand).



At year end of 2022 the NPL ratio is 6.6%, improving from the level 8.4% of the previous year. Non-performing loans amounted to ALL 1,722,060 thousand at the end of the year. Allowances for impairment increased and reached ALL 982,593 thousand (2021: ALL 945,206 thousand; 2020: ALL 810,077 thousand). Allowances for impairment for loans, classified as non-performing amounted ALL 462,930 thousand. The Bank applies rules for the classification and impairment of risk exposures which are following the criteria provided by International Financial Reporting Standards. The loan provisioning ratio was 3.75% (2021: 4.38%,2020: 4.52%).



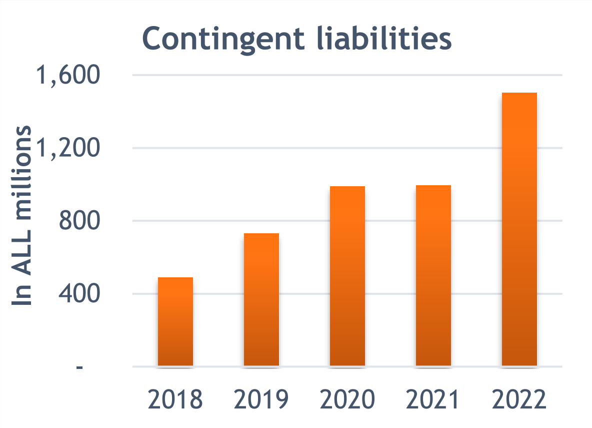
The policy of the Bank requires proper collateral coverage before granting a loan. In this respect, it accepts all types of collateral permitted by law and applies discount rates depending on the expected realizable net value of the collateral. At the end of 2022, the collateral with the largest share in the Bank's portfolio were mortgages at 72.1%, followed by money deposit at 7.8% and securities at 4.8%.

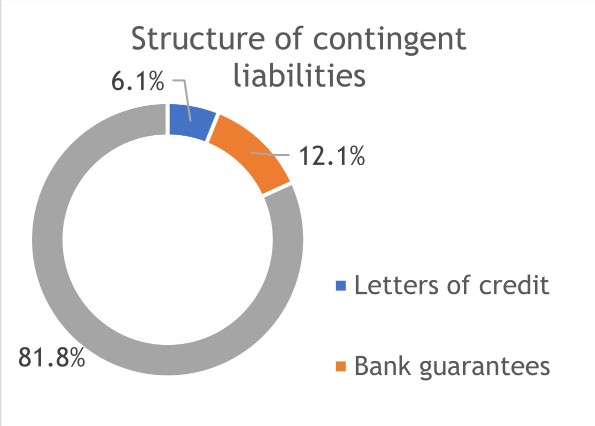
Related Party Transactions

In the normal course of business, the Bank carries out transactions with related parties. These transactions were affected in market conditions. The internal rules and regulations of the Bank with respect to such transactions and agreements are following the effective legislation.
For further information regarding related party transactions, see Note 31 "Related parties" of the Financial Statements as of 31 December 2022 together with the Report of the Independent Auditor.

Commitments and Contingent Liabilities

Commitments and contingent liabilities of the Bank include bank guarantees and commitments given on behalf of customers. These are issued in compliance with the general loan policy of the Bank on risk assessment and collateral sufficiency. Contingent liabilities are preferred instruments for credit institutions because they carry lower credit risk and at the same time are good sources of fee and commission income. They are also preferred by clients because they not only facilitate payments but also reduce the cost of financing as compared to direct financing and immediate payment.

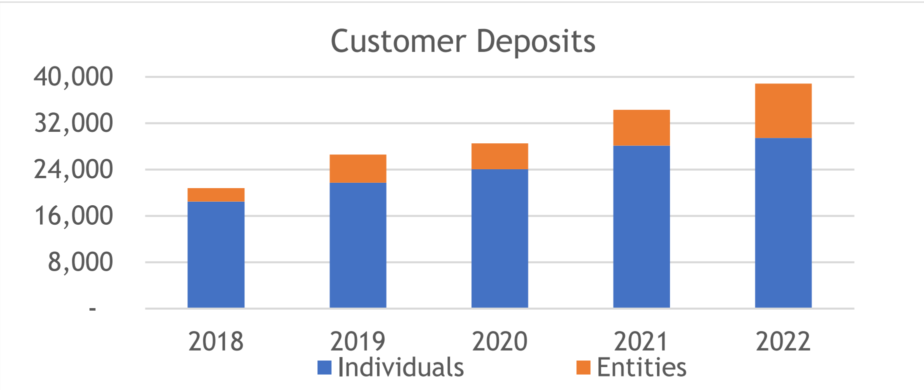




At the end of the reporting period, the total amount of off-balance sheet commitments increased to ALL 1,501,277 thousand (2021: ALL 993,049 thousand 2020: ALL 988,174 thousand). Unused credit lines have a predominant share of 81.8% in the total amount of contingent liabilities, followed by bank guarantees at 12.1% and letters of credit at 6.1%. Unused credit lines have reached the value of ALL 1,228,474 thousand (2021: ALL 818,779 thousand; 2020: ALL 900,727 thousand).

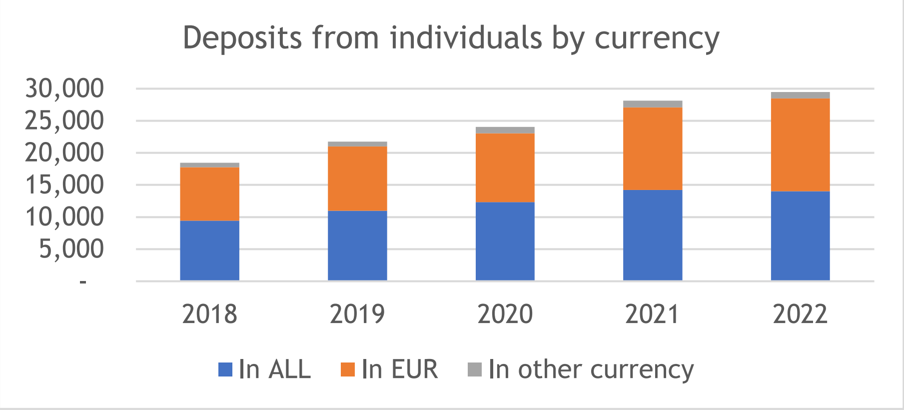
Attracted Funds

In 2022 attracted funds from customers increased by 13.21% (ALL 4,536,362 thousand) and reached ALL 38,869,160 thousand (2021: 34,332,798 thousand; 2020: 28,503,007 ALL thousand) remaining the Bank's major source of funding.



Attracted funds from retail customers increased by 4.71% (ALL 1,325,023 thousand) up to ALL 29,483,006 thousand (2021: ALL 28,157,983 thousand; 2020: 24,058,835 ALL thousand) during the year, preserving their upward trend over the last year and maintaining their predominant share in total attracted funds from customers at 75.85%.

In the currency structure of attracted funds from retail customers those in EUR were greatest at 37.27% of total attracted funds from customers (2021: 37.54%; 2020: 37.69%), followed by attracted funds in ALL with 36.07% (2021: 41.42%; 2020: 43.21%) and those in other currencies at 2.52%.



Due to other customers

In ALL thousand / % of total	2022	%	2021	%	2020	%
Retail customers	29,483,006	76%	28,157,983	82%	24,058,835	84%
In ALL	14,020,058	36%	14,219,672	41%	12,315,534	43%
In EUR	14,484,756	37%	12,888,881	38%	10,744,015	38%
In other currency	978,192	3%	1,049,430	3%	999,286	4%
Corporate, state-owned, and public institutions	9,386,155	24%	6,174,816	18%	4,444,172	16%
In ALL	4,376,951	11%	2,242,104	7%	1,637,693	6%
In EUR	4,561,949	12%	3,506,742	10%	2,563,476	9%
In other currency	447,254	1%	425,970	1%	243,002	1%
Total attracted funds from customers	**38,869,160**	**100%**	**34,332,798**	**100%**	**28,503,007**	**100%**

Fibank Albania sets aside the required annual premiums in accordance with the law "On insured deposits", which serves to increase the safety of the Bank's depositors. According to regulatory requirements the amount guaranteed by the Insurance Deposit Agency on customer's bank accounts held with the Bank is ALL 2,500,000 per retail customer.

Attracted funds from corporate, stated-owned, and public institutions increased by 52.01% (ALL 3,211,339 thousand) to ALL 9,386,155 thousand (2021: ALL 6,174,816 thousand; 2020: ALL 4,444,172 thousand) during the year increasing their relative share to 24.15% of total attracted funds from customers (2021: 17.99%; 2020: 15.59%).

In the currency structure of attracted funds from corporate, stated-owned, and public institutions those in ALL formed 11.26% of all attracted funds from customers (2021: 6.53%; 2020: 5.75%), those in EUR were at 11.74% (2021: 10.21%; 2020: 8.99%).

Internal audit

The internal Audit department in First Investment Bank Albania carries out independent, objective assurance and consulting activities, having the adequate resources and access to the management and supervisory bodies. It contributes to add value and improve Bank's operations, while accomplishing its objectives.

It evaluates the effectiveness of risk management, control, and governance processes and gives reasonable assurance that laws and regulations, strategies, and policies are strictly adhered to, and appropriate and timely corrective actions are taken.

Internal Audit carries out periodic planned and extraordinary inspections to ensure efficient use of resources, adequate control of various risks, protection of assets, reliability and integrity of financial and management information, and compliance with current internal and external regulatory framework.

In 2023, in the General Meeting of Shareholders Assembly of First Investment Bank Albania was approved the Annual Report on the Internal Audit activities of 2022, with information on the main results of the activities of Internal Audit, the measures taken, and their implementation.

Risk Management

Risk Management has the responsibility to identify measure and monitor credit, market, and operational risk in all its banking operations. Risk Management monitors bank's exposures that carry credit risk as loans, overdrafts, guarantees, letter of credit, deposit accounts with other banks, investment securities and all other products where the debtor has or may have a contingent or direct obligation to the bank.

Fibank aims to constantly develop, update and improve to the highest risk management systems in order to meet the challenges of the market environment and in the legal framework.

In 2022 the Bank performed its activity in line with the updated risk strategy and in accordance with the goals for development and further enhancing the control mechanisms with respect to risks inherent to the banking activity, including taking into consideration the challenges of the external environment related to the increased of inflation and interest rates.

Risk appetite

Risk appetite reflects the types and size of risks the Bank is able and willing to take to achieve its strategic business goals. The risks identified in the risk map are included in the risk appetite. With the aim of maintaining a moderate risk profile, the main goals based on which the risk strategy is structured, are defined, as follows:

- achieving a sustainable level of capital to ensure good risk-taking capacity, as well as capacity to cover risks in the long term.
- maintaining good asset quality while providing for an efficient decision-making process on liquidity management.
- achieving a balanced risk/return ratio for all business activities of the Bank.
- maintaining effective control environment for existing business processes and actively managing operational risks inherent in the activity

The risk demand is subject to Steering Council review on a yearly basis or in accordance with the business environment dynamics, capital support, liquidity, regulatory limits. It is part of the annual process for defining the strategy and planning within the Bank.

Risk culture

In compliance with the best risk management standards, the Bank seeks to develop a risk culture that will further enhance visibility and prevention in terms of individual risk types, their identification, evaluation and monitoring, including by applying appropriate forms of training among the employees and senior management involved in risk management.

Risk Management Framework

The Steering Council has an overall responsibility for the establishment and oversight of the bank's risk management. For managing various types of risk in compliance with the requirements of the Bank of Albania, the following bodies operate in Head Office:

Credit Committee of Fibank Albania has the authority to approve loan applications as per limits approved, as of December 2022. Credit Committee Members consists of: Chief Executive Officer, Executive Director, Chief Risk Officer, Chief Business Officer, and Head of Legal Department.

Operational Risk Committee (ORC) is responsible for implementing policies, processes, and procedures for administrating operational risk for all services/products, activities, processes and systems relevant to the bank. Operational Risk Event Committee is composed of: Chief Risk Officer, Chief Operational Officer, Chief Compliance Officer, Head of Financial and Operational Risk, Head of International Payments & Correspondent Banking Dept and Branch Network Manager.

The Bank risk's management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls and to monitor these limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Credit Risk

Credit Risk is the risk of financial loss to the bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers, other banks, and investment securities. Credit Risk Management performs independent credit and risk analysis of loan proposals which are being proposed.

Credit Risk Management monitors the performance of borrowers; this includes non-performing loans to ensure appropriate action is being taken due to the improvement of the loan quality of the portfolio. Credit amounts requested above authority approval of Branch Managers/SME/Retail and up to equivalent EUR 200,000 are approved by Risk Management together with SME and Retail, respectively. Credit amounts requested above EUR 200,000 and up to EUR 1,000,000 are approved by Credit Committee and above EUR 1,000,000 are approved by the Steering Council of Fibank Albania.

Market risk

Market risk is the risk of losses due to changes in the prices of financial instruments resulting from general risk factors not related to the specific characteristics of individual instruments such as changes in interest rates, exchange rates, market liquidity risk, concentration risk etc. The main objective of administrating market risk is to manage and control market risk and to keep it within required limits.

Stress-testing is a useful method to analyze the resilience of a financial institution. Stress testing is a general term encompassing various techniques for assessing resilience to extreme events. They involve testing beyond normal operational capacity, often to a breaking point, to observe the results.

Stress-testing can be thought as a process that includes identification of specific vulnerabilities or areas of concern; construction of a scenario; mapping the outputs of the scenario into a form that is usable for an analysis of financial institutions. Stress test allows a more detailed assessment of the capital adequacy commensurate with Bank's risk profile and the current operating environment. RM performs the stress testing techniques on quarterly basis and all respective analysis are reported to ALCO and Steering Council.

Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rates. Accepting this risk is an essential part of banking and can be an important source of profitability and shareholder value. However, excessive interest rate risk can pose a significant threat to a bank's earnings and capital base.

Interest rate risk in the banking book is monitored and analyzed to assess the impact of interest rate scenarios on the economic value of the Bank and on the net interest income with a one-year horizon. The evaluation of the impact on net interest income is based on a maturity/re-pricing table of assets and liabilities and the estimated change in interest rates by classes of instruments following a change in market interest rates. Taking in consideration the sensitivity of interest rate risk in the financial position of the Bank, Financial and Operational Risk Management monitors internal as well as Bank of Albania`s limit on monthly bases, and respective analysis are reported to ALCO on monthly basis and Steering Council on quarterly basis.

Evaluating the complexity of operations of Fibank Albania, Financial and Operational Risk Management has oriented the risk management structures toward the main resource or risk from interest rates, which is the re-pricing risk.

The risk from exchange rate means the loss caused to the bank due to the unfavorable development of exchange rates in ALL, incomes, and expenses in foreign currency (risk from transactions) or the value in ALL of net assets of the bank (risk from translation).

Fibank Albania has limits for the foreign exchange position in a currency as well as total positions for all currencies.

Based on the regulation from Bank of Albania "On the open foreign exchange positions risk management", Risk Management monitors on daily basis the limits for each position in individual currency the limit of all positions, while in weekly bases reports to ALCO for Value-at-Risk for the basket of currencies.

Liquidity Risk

Liquidity Risk is the risk that the bank will encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk tolerance level is defined as the level of liquidity risk that the bank is willing to undertake. The tolerance level appropriates the business strategy of the bank and reflects the bank's financial condition and funding capacity. The tolerance ensures that the bank manages its liquidity strongly in normal times and that it can withstand a prolonged period of stress. Liquidity Risk Management policy includes how the Bank identifies, measures, monitors, and control that risk.

Fibank Albania estimates the liquid position of the bank by means of the following indirect indicators: assets with high liquidity in relation to assets in total and assets with high liquidity in relation to short-term liabilities.

The Bank has also developed methodology for calculation of Liquidity Coverage Ratio at Fibank Albania, which is in full compliance with regulation No.27 date 28.03.2019 on "Report on the Coverage with Liquidity" of Bank of Albania.

The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of the Bank. It does this by ensuring that the Bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in financial markets into cash to meet their liquidity needs for a 30-calendar day liquidity stress scenario. In the internal rules for Liquidity Coverage Ratio are clearly specified:

- Criteria and rules for the calculation of LCR; and
- The minimum level of LCR

Starting from end year 2022 Fibank Albania has developed in compliance with regulation No.70 date 02.12.2020 on “Report on the Net Stable Funding Ratio” of Bank of Albania, the monitoring of NSFR. The objective of the NSFR is to promote the long-term resilience of the liquidity risk profile of the Bank. It does this by ensuring that the Bank has an adequate available amount of stable funding to cover the liquidity needs for amount of required funding.

The objectives of this document are:

- Criteria and rules for the calculation of NSFR; and
- The internal minimum level of NSFR.

The liquidity risk management practices integrate and considers a variety of factors, regarding the time horizons over which to identify, measure, monitor and control liquidity risk. These include vulnerabilities to changes in liquidity needs and funding capacity on an intraday basis; day-to-day liquidity needs and funding capacity over short and medium-term horizons; longer-term, fundamental liquidity needs over one year; and vulnerabilities to events, activities and strategies that can put a significant strain on internal cash generation capacity.

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes Legal Risk but excludes Strategic and Reputation Risk.

The bank handles Operational Risk as a distinct risk category. Sound and comprehensive operational risk management is a vital part in achieving the Vision, Mission and Values of the Bank. This will underline the commitment of the Bank to meet high ethical and business standards in the way it conducts its business.

The bank has created and developed an adequate internal system (policies, procedures, rules, and techniques) for administrating operational risk management. The purpose of this system is to identify, evaluate, control, and monitor regularly the operational risk.

Risk Management defines and categorizes operational events across event types and business lines inherent in banking; the department also defines the responsibilities of employees from different departments tasked with data collection.

ALCO of the Bank assigns Operational Risk Committee (ORC) with the role of managing the operational risk.

Operational Risk Committee is responsible for:

- Monitor and analyze on a monthly basis the occurring operational events and propose measures to minimize and eliminate the operational risks which have led to such events.
- Monitors the adequate management of operational risk inherent in Bank, as well as the availability of current policies, procedures and practices for management of the operational risk in the Bank.
- Implementing of internal acts for administrating operational risk management to all business lines.

- Implementing of the responsibilities and development of reporting lines to encourage and maintain accountability, provide financial and human resources needed to effectively manage operational risk.
- Perform detailed analyzes in the field of operational risk and the existing control mechanisms.
- Consult the Fibank Management in the area of operational risk and offers measures for prevention or reduction of operational events according to the risk tolerance of the Bank.
- Monitors the adequate management of Fraud Prevention function within the Bank by ensuring complementary of all Fibank Policies, Procedures and Manuals under fraud prevention function.
- Review topics related to the frauds reporting and conduct of investigations against the frauds, as for that purpose the Committee calls and meets in the extended staff with the complementary members according to point 4.2. Questions related to the investigation of all suspected fraudulent acts are put forward for discussion based on reports, due diligence, prepared from an employee from Permanent Control, coordinated with the respective structural departments participating in the investigation of frauds
- Reviewing and analyzing the Key Risk Indicators which are used by respective Departments.
- Introduce benchmarks for each key risk indicator from reporting department and monitor all deviations from these benchmarks with related arguments and proposed measures.
- Establishing on yearly basis Benchmark for operational losses based on historical data and divides these limits into different business lines in order to better monitor operational losses.
- Analyzing and taking decisions for reimbursements of credit cardholders claim related to fraud transactions, reimbursements of annual fees, interest etc. based on analysis and investigation performed by Card Department for amount over EUR 20.
- All decisions of ORC related to frauds or reimbursements are provided to Fibank Management to be formulized with Internal Decision.

Further, to obtain bank's performance in the long term, the need for measuring the risks in advance becomes an important procedure for management to assess the potential impact of an activity performed and the possible risks it carries. Such evaluation metrics are essential to pro-actively manage the prospective risky ventures and facilitate timely detection and take appropriate steps to prevent malfunctions. The timing plays a significant role as the sooner a risk is identified and tackled, better would be the chances to avert it and would ensure timely action and assist in long term success of the organization. While using KRIs the following criteria are taken into consideration:

- Select the right indicators to anticipate potential problems.
- Identify and specify an indicator and integrate it within your risk management framework.
- Understand the methods and strategies to use KRIs efficiently.
- Learn how to avoid subjectivity in operational risk reporting.
- Master how to avoid useless information to ensure the right decisions.
- Collect the right information and work with effective indicators.
- Risk and control self-assessment are another tool to assess the exposure of Fibank Albania to operational risk and operational controls to reduce this type of risk.

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Self-Assessment can be conducted in the form of questionnaires or by analyzing the work processes. The results of self-assessment are used to reduce operational losses, to identify gaps in controls and respectively improve control mechanisms and are reported to Operational Risk Committee (ORC) and ALCO. Reporting of the process results and the follow ups is also submitted to Operational Risk Management Fibank Bulgaria

Internal Capital Adequacy Analysis

Based on the decision of Supervisory Council of Bank of Albania No 26 dated 03.05.2017 on the Guideline "On Internal Capital Adequacy Assessment Process", Internal Capital Adequacy Assessment Process (ICAAP) is mandatory for all banks licensed to conduct banking and financial activity in the Republic of Albania. ICAAP report is produced annually and represents First Investment Bank Albania Sh. a`s own assessment of its internal capital requirements.
The ICAAP report serves two key purposes:

- It informs Steering Council and the Management how the Bank assesses its risks, how it intends to mitigate those risks and how much current and future capital is deemed necessary to support operations considering those risks.
- The ICAAP report is also how the Bank evidence its internal capital adequacy assessment processes to the regulations issued by Bank of Albania.

The primary purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that the Bank always has sufficient capital to cover the risks associated with its activities, as well as to inform the Steering Council for ongoing assessment of risks, how the Bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.
The Bank applies Bank of Albania`s regulation and guidelines on risk management and capital adequacy, which, together with internal policies, regulations, and decisions for managing credit, market, operational and other risks build its overall internal system of the Bank to manage the risks associated with the Bank's operations and the adequacy of its capital.
The Bank's approach on calculating its own internal capital requirements is to take the minimum capital required for credit, market, and operational risk under Pillar 1 as the starting point, assess whether this is sufficient to cover risks, and then identify other risks and assess prudent levels of capital to meet them.
ICAAP is adopted at the highest levels of Fibank Albania structure and risk management processes. ICAAP assumptions are being challenged and examined to ensure that Fibank Albania continues to retain its focus on the risks it faces.

Internal Liquidity Adequacy Analysis

The report of Internal Liquidity Adequacy Assessment Process (ILAAP) of Fibank Albania (Fiban) was prepared in accordance with the guideline No.2, dated on 12.01.2021 issued by the Bank of Albania.
The ILAAP Report of Fibank Albania was prepared for the purpose of informing the Steering Council, the Fibank Management and bank of Albania about the adequacy of internal liquidity in relation to its current and future risk profile.
The main objective of the Fibank Albania overall liquidity management is to maintain adequate liquidity and financial position to enable the Bank to meet its payment obligations not only on a current basis but also in the event of market stress, keeping refinancing risk at a manageable level.
As part of the internal process for assessing liquidity adequacy, ALCO performs regular monitoring of liquidity ratios and possible deviations from the funding plan (for more information – Chapter 5 of this ILAAP report "Information for Funding Strategy"). While preparing this report, Fibank Albania considered the risk profile and as well as the Risk Appetite of Fibank Albania.
The ILAAP is closely interlinked with the Internal Capital Adequacy Assessment Process (ICAAP) and the Risk Appetite Framework (RAF), with strategic and business objectives aligned with the actions required to meet minimum liquidity buffer requirements as in business as usual, as well as under stress.

At the end of 2022, the liquidity risk profile of Fibank Albania is estimated to be moderately low, as it shows a relatively high buffer compared to the restrictions built in the Risk Appetite Framework. The Bank's liquid position ensures a stable balance between incoming cash flows and outgoing cash flows for a period of 12 months, which is the main condition for ensuring the normal operational continuity of the business. It is of paramount importance that the Bank executes timely payments within the day, both under normal and stressed conditions, thus ensuring smooth functioning of the payment and settlement systems. In general, at the level of the Bank, there were no violations of the limits of the medium-term / long-term liquidity position. The absence of violations is a signal of the high level of attention of the senior management regarding the compliance of the main liquidity indicators with the restrictions in force.

Recovery Plan

Recovery Plan (Plan) of First Investment Bank Albania SH. A has been prepared pursuant to Bank of Albania regulation “On Banks Recovery Plan” Nr.72 dated 06.12.2017 for all banks licensed to conduct banking and financial activity in the Republic of Albania.

The recovery plan defines the measures to be taken to counteract negative factors and shocks of various kinds, as well as to demonstrate the ability of Fibank to restore viability. The plan contributes to building a stable recovery strategy of the Bank in a crisis to cover the widest possible range of potential threats. This recovery plan does not provide access to or receipt of extraordinary public financial support. The plan defines people and departments in the Bank who are responsible for developing, updating, and implementing as well as the process for its approval. Also indicates people in charge as coordinators of Recovery Plan. An essential element of the Plan is the procedure for timely implementation of recovery measures, which sets out the relevant departments to monitor specific indicators of recovery, escalation timetable for decision-making, monitoring their application and notifications.

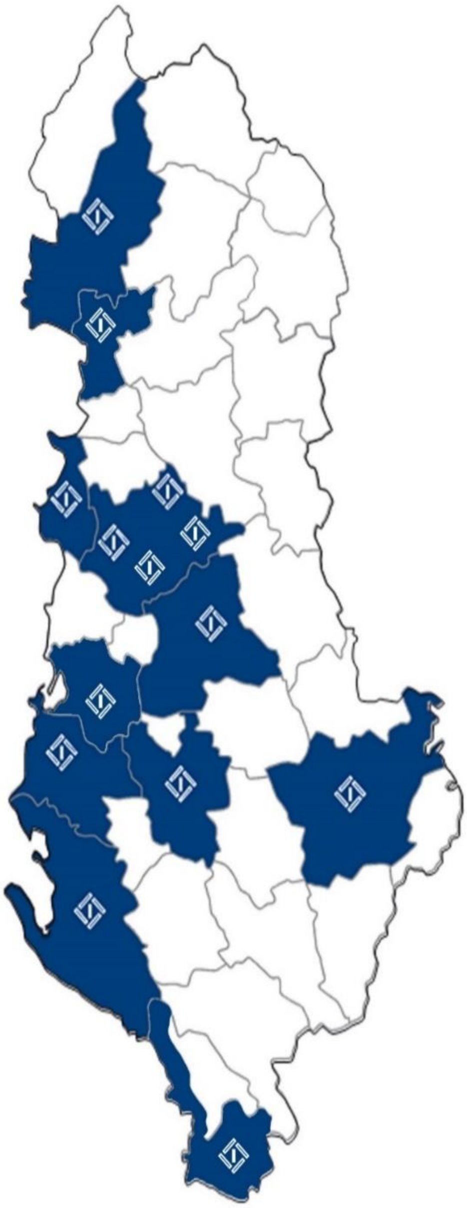
Sets the following quantitative and qualitative early warning signals and indicators of recovery, the occurrence of which triggers the implementation of recovery measures:

- Capital Indicators
- Liquidity Indicators
- Profitability Indicators
- Asset’s quality Indicators
- Market Based Indicators

Key Business Lines of the Bank includes SME lending, Retail Lending, Investments in Securities and Deposit taking. Critical functions necessary for the smooth functioning serving depositors and borrowers - the main source, appropriate resource, and incomes for the Bank.

Recovery measures include the measures related to sale of security portfolio, the sale of loan portfolio, optimizing the conditions of deposit products, limiting lending, sale of repossessed assets and sale of loan portfolio. As a permanent measure is provided internal sources of capital increase. For each measure of recovery is an assessment of its impact including on critical bank functions assess, the feasibility and risks associated with its implementation and identify the necessary time for implementation and evaluation of its effectiveness.

An important element is a plan for public relations and information disclosure, which describes various methods for dealing with negative effects on the market (false rumors, misleading publications) when there are conditions for the implementation of recovery measures. The Bank has specialists in communications who know the high professional media market and are aware of communication channels both in the bank and external to it.



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Information Technologies

New Implementations in the Core Banking System in 2022

Fiscalization Project 2

The second part of Fiscalization Project (started in 2021) was successfully finished at 21.01.2022 and caused big improvement in the payments of Fiscalized Invoices according to the requirements of the local authorities. With these changes we hope to achieve a good improvement in our software to facilitate fiscalization payments. We must mention that during the year 2022 we constantly did improvements in the Fisakalization Module in the Core Banking System in order to facilitate not only our staff, but also our clients with fisaclization payments.

AIPS Transfers in EUR

Also, in January 2022 we implemented AECH transfers in EUR as the Bank of Albania's AIPS system started accepting transfers not only in ALL but also in EUR.

Minimal Interest rates for Loans

In March 2022 we were able to implement the request for granting loans with different (promotional) interest rates for different periods. This saved a lot of manual work for our staff and allowed to propose a lot of different and flexible new loan products to our clients.

New way of uploading documents

On 15.08.2022 together with Datamax Company we successfully implemented New Module for Storing Documents which helped us to not have the problems with documents importing which we encountered in the past. This significantly improved the work performance of our staff.

8-Digit BIN application for new cards

In November 2022 we did changes in our Bank Cards System to transfer VISA cards number to 8-digit BINs according to the process of VISA Corporation plans. This implementation was successful and was able we to stay on the road of the world of changes with bank cards.

Corporate Governance

First Investment Bank, Albania Sha is a joint-stock company registered with the Tirana district Court dated 19 April 2006. The Bank obtained a banking license in 2007, enabling it to conduct both domestic and international operations. The governance structure of First Investment Bank, Albania Sha has a one-tier system. The corporate governance of the Bank is well defined, with clear functions, rights, and responsibilities at all levels of the organization. These levels include the Shareholder Assembly, Steering Council and its Committees, Audit Committee, Directorate, as well as the structures at the Head Office and branches. First Investment Bank, Albania Sha offers a wide range of services in the sphere of corporate banking, lending to companies, servicing individuals, card payments, payment, and trade operations.

The Shareholder Assembly is the highest governing body, allowing the shareholders to take decisions on principle matters related to the Bank's existence activities.

Steering Council (SC) is responsible for defining the Bank's development strategy and managing its operations. It addresses and resolves various issues within its scope of activity, except for matters that fall under the exclusive authority of the Shareholder Assembly. The SC convenes monthly to discuss and guide the Bank's strategic direction.

The Directorate is responsible for the day-to-day management of the bank. It resolves operational matters within its line of business, excluding those that are within the exclusive competence of the Steering Council. The directorate is supported in its activity by various committees such as Procurement Committee, Operational Risk Committee, Credit Committee, ALCO, HR Committee, Workout Committee. These committees operate based on pre-determined written structure, defined scopes of activities, and specific functions.

Human Capital

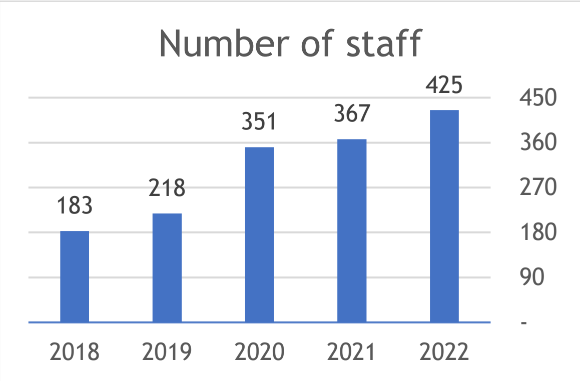
The Personnel Management policy of Fibank Albania is designed to foster a long-term relationship between the employees and the institution, aligning personal goals with the overall objectives and strategies of the Bank. This approach emphasizes the fulfillment objectives and strategies while linking payment incentives to the sustainability of achieved results and the reliable management of risks. The Bank aims to establish itself as a preferred workplace for its employees. The policy is guided by principles of transparency, preventing conflicts of interest, ensuring accountability, and maintaining objectivity. These principles ensure that the Bank's personnel management practices are fair, consistent, and in line with ethical standards.

First Investment Bank, Albania Sha places great emphasis on motivating employees through various initiatives aimed at recognizing, distinguishing and encouraging their contribution and achievements, as well as promoting business behaviors that are crucial to its success.

The development of expertise and social competencies among First Investment Bank, Albania Sha employees, is facilitated through the execution of an annual training plan, that aligns with the organization's business objectives and identified needs. To maintain a high standard of service and exceptional professional skills while effectively attracting new customers, significant educational projects are undertaken throughout the year. These initiatives include comprehensive training for all agencies' staff and in head quarter aimed at enhancing their knowledge and acquainting them with new bank products and procedures. The training programs provided participants with an opportunity for self-reflection and skill enhancement.

During 2022, the Annual Training Plan placed particular emphasis on the development of branch network and head office staff. Various training sessions were organized throughout the year to cater to the specific needs of these individuals.

As of 31 December 2022, the consolidated headcount of First Investment Bank was at 425 employees, exhibiting an increase compared to the previous year' figures of 367. This growth in staff is attributed to activities focused on process and resource optimization as well as the Bank's commitment to achieving synergy and optimal efficiency.
It is worth noting that the staff number has experienced a consistent upward trend in recent years. For instance, in 2021, the headcount was 367; while in 2020, it was 351. Further back, in 2019, the headcount was at 218, and in 2018, it was 183 employees. Starting from 2020 and continuing thereafter, the headcount was increased due to the joint project with One telecommunication.
Variable remunerations are based on performance results and the targets achieved in the long term, using an evaluation based on financial (quantitative) and non-financial (qualitative) criteria.
Throughout the year, Fibank prioritized the motivation of its employees, aiming to foster greater individual and collective contribution towards the achievement of both personal and corporate objectives. This was accomplished by employees' personal and professional competencies in crucial areas such as people management, customer service, sales, and the promotion of bank products and services. By investing in these skills, Fibank aimed to empower its employees to excel in their roles, provide sales growth, and effectively offering a comprehensive range of banking products and services.



Fibank has established a fruitful collaboration with the leading training company "EPPC Albania & Kosovo" to enhance the skills and knowledge of its employees. As part of this partnership, training sessions on Business Ethics were conducted, addressing the growing importance of ethical considerations in today's complex business landscape. The objective of these sessions was to equip employees with a better understanding of ethical issues and enable them to handle such situations appropriately in the workplace. This training holds particular significance for sales staff, as it provides customized approaches and best practices for dealing with clients. The collaboration with EPPC Albania & Kosovo will extend to cover other training subjects such as Sales Capacity Development, Sales Cycle in Business, and Presentation Competence, offering employees a comprehensive skill set.
Furthermore, the Human Resources Department, in collaboration with the Albanian Association of Banks (AAB) and ATTF, with the support of the Luxembourg government, facilitated online training and certification opportunities for many employees. These initiatives aimed to enrich their knowledge base with a range of subjects including AML & CTF Foundation Level, Robotization in Banking, IT Audit - Implementation of COBIT, The Capital Adequacy Assessment Process (ICAAP), Selling Financial Services and Managing Client Relationships, IT Audit and the Role of Internal Auditors, Blockchain & Crypto Assets, and Tokenization, among others.

Remuneration Policy

The remuneration principles of First Investment Bank - Albania are structured in such a way as to contribute to sound corporate governance and risk management. The Bank implements a Remuneration Policy in accordance with the regulatory requirements, which is consistent with the business and risk strategy, goals, values and long-term interests of the Bank, promoting reliable and effective risk management and does not stimulate risk-taking beyond the level acceptable to the Bank.

The main goal of the Policy is to attract and retain highly qualified staff, motivate them to achieve high results at a moderate level of risk and in accordance with the long-term interests of the Bank and its shareholders. It is based on the principles of avoiding conflicts of interest and equal treatment of all employees, gender neutrality, documentation, objectivity, reliable risk management.

The key management personnel of the Bank received remuneration of ALL 25,624 thousand (2021: ALL 26,228 thousand) for the year ending 31 December 2022. Key management received other benefits amounting ALL 5,010 thousand (2021: 7,494 thousand) for the year ending 31 December 2022.

Corporate social responsibility

SDG (Sustainable Development Goals) is an evolving business practice initiated by the United Nations that incorporates sustainable development into Fibank's business model. It has a positive impact on social, economic, and environmental factors. As the use of corporate responsibility expands, it is becoming extremely important to have a socially conscious image. Recognizing how important socially responsible efforts are for our customers, employees, and stakeholders, Fibank's 2022 focus was present in four CSR categories: Environmental efforts, philanthropy, ethical labor practices and volunteering.

Philanthropy

#4SDG/ Quality Education

Fibank supports the development of Skiing in the areas of Shishtavec, Borje & Pukë.

Fibank supports the Albanian Ski Federation for the development of this sport in Albania.

Residents of Shishtavec, Borje and Puke areas have this sport in their tradition, and it is very important to support them with investments for the development of winter tourism in the country.

The ambassador of Bulgaria in Tirana, Mr. Momtchil Raytchevski, Fibank's Chief Executive Director, Mr. Bozhidar Todorov, the President of the Olympic Committee for Albania, Mr. Fidel Ylli, and the President of the Albanian Ski Federation, Mr. Elvis Toci, were present at the sponsorship activity.

In his speech for the donation of 60 complete sets for practicing skiing by the residents of the area, Mr. Bozhidar Todorov emphasized that he is "Happy that we support such a sport in Albania and that on this occasion, through this equipment, more people will have the opportunity to practice the sport of skiing. We hope that this initiative will also help in improving the infrastructure in Shishtavec, Borje and Puke. Fibank Group is the most important supporter of this sport in Bulgaria, therefore Fibank Albania is happy to join this sport, which is so dear to this area in Albania, continuing with social responsibility here.".

#5SDG & #4SDG/ Gender Equality & Quality Education
Fibank supports the project "Safe at School, Safe at Home"
Fibank supports the implementation of the project "Safe for School, Safe for Home" by the Albanian Red Cross, Tirana Branch. This project aims to educate children about road traffic rules and first aid techniques to prevent road accidents and their consequences.
Children learn through informative and fun activities. An important part of the project is the training of the pedagogical staff in first aid in accidents that may occur within the school environment. First aid volunteers in cooperation with the General Directorate of Road Transport Services taught the children the rules of road traffic, as well as some first aid techniques in case of accidents.

#3SDG/ Good Health and Wellbeing

"Next time with a daughter"/ Fibank Albania in support of the Mother and Child Hospital Foundation

In partnership with the Mother and Child Hospital Foundation and Fibank Albania, within the 16 days of activism against violence against women and in the presence of representatives from the Ministry of Health and Social Protection, the Municipality of Tirana, the Commissioner for Protection from Discrimination and implementing partners from state institutions and society civil, we got together at the opening of the exhibition with photos of Albanian girls and silhouettes of those girls who are missing among us.

Statistically, 109 boys are born for every 100 girls in Albania. In Albania, for every 10 boys born, we lose one girl. According to this calculation, in Albania, in just one decade, we have about 21,000 "missing girls" between the ages of 0-19. This phenomenon creates a chain of gender inequality that affects every sphere of our society.

Together we aim to put an end to social norms and bad traditions that stigmatize and abuse girls. The exhibition stayed in the Tirana Pedestrian Street until December 18 and was open to everyone.

#5SDG/ Gender Equality

Our consideration for International Women's Day.

International Women's Day is a global holiday that is celebrated every year on March 8 to commemorate the cultural, political, and socio-economic achievements of women. This day is also a main reference for the movement for women's rights, bringing attention to issues such as gender equality, reproductive rights...etc. At Fibank, 74% of the workforce are now women and we consider them as the architects of our society, starting from the creation of a family, care for children's education and their contribution in every sector where they work. This year, Fibank dedicated a special gift to every first female client in our branches.


#5SDG/ Gender Equality

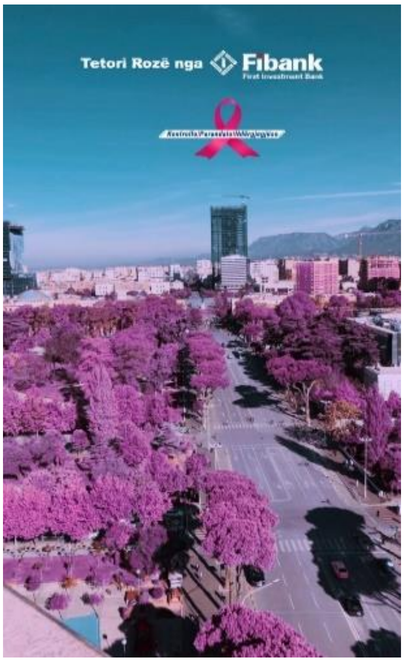
Fibank launches the “Smart Lady Program."

The program is aimed at businesses (individuals or companies) owned or operated by women or that produce products and services for women. This program includes existing female customers if they need additional money, excluding refinancing cases. In cooperation with various projects, this product also supports the financing of start-up activities.

#3SDG/ Good Health and Well-Being

Breast Cancer Awareness Month 2022

October is the breast cancer awareness month where each year Fibank has played a pivotal role to raise awareness and raise funds to support different cancer causes. This year all the gathered funds during October, including the ones donated by the bank, went for a Fibank staff member who is battling with such a disease to support our colleague’s journey in defeating this illness.



Environmental efforts

#11SDG/ Sustainable Cities and Communities
Fibank sponsors Pustec Municipality aiming to enhance tourism in this area.
Fibank is supporting several Social Development Goals in the country through projects that are bringing long term added value. One of them is the reconstruction of a boat that belongs to Pustec Municipality. This boat is used at Prespa lake, a very nice and interesting place where there is a lot of space for enhancement of tourism. “Personally, I am fond of this area for its natural beauty and some historical facts connections. – says Fibank CEO Bozhidar Todorov
Pustec Municipality is part of Korca region and is located at National Prespa Park on the side of Prespa lake a beautiful one divided between three countries Albania, North Macedonia, and Greece.
Fibank remains highly committed to supporting this area and not only, considering corporate environmental responsibility, the good potential for tourism and the fact that there are not many developments on this direction.

Ethical labor practices

Fibank Albania – Main sponsor of Bulgaria's National Day Event
The Bulgarian Embassy hosted its event on Bulgaria's National Day today, and Fibank has always been the main sponsor of this event. The Ambassador of Bulgaria, Mr. Momchil Raytchevski and Fibank Albania CEO, Mr. Bozidar Todorov hosted the reception with the participation of diplomatic corps accredited in Tirana, senior officials of the Albanian government and Bulgarian supporters.
The largest Bulgarian investor in Albania is Fibank, a regional bank operating in the Bulgarian market for more than 25 years being one of the most important players in terms of assets, loans, and deposits. Fibank is the largest Bulgarian bank and the third largest bank in Bulgaria with a total of about 5 billion euros, a close to half of the total value of the Albanian banking system. Throughout the years, its business profile has had positive developments, continuous growth, and quality customer service.

Fibank is aiming to highly focus on the Albanian banking system through increased presence in Albania as well as the parent bank's expertise and knowledge in similar markets. Human capacities are designed to expand the network and deliver innovative products and services to a dynamic bank with very fast decision making in flexible products and services tailored for each client.

#4SDG/ Quality Education
Fibank staff training in cooperation with Digital Academy Albania in Digital Marketing.
Social media has spread everywhere in Albania, and it serves as a direct tool to inform more people to become not only clients of Fibank but also promoters of our brand.
All Fibank staff in collaboration with Digital Academy Albania developed a transformative training on increasing presence & digital communication and strategies to educate more customers, create effective relationships with them, and continuously generate sales.

Volunteering

#4SDG/Quality Education
Job Fair, Tirana.
Organized: "Job Fair" with the aim of creating opportunities for the development of practice for students of the Faculty of Economics, bachelor's, and master's level.
The history of Fibank's participation in this fair has been successful, enabling over the years many interested students to develop student internships, from where a significant part of students has also been offered the opportunity of employment in vacant positions.
The interest from the students was great, we believe that this year will also be fruitful.
Fibank highly appreciates the cooperation with the Faculty of Economics, always offering the possibility of teaching practices for the students of this faculty.

#4SDG/ Quality Education
Job Fair, Shkoder
University of Shkodra "Luigj Gurakuqi", Faculty of Economics in cooperation with ABSL Albania (The Association of Business Service Leaders in Albania) organized "Job Fair 11".
#Fibank supported the job fair, to interview potential students in the city of Shkodra!

#3SDG/ Good Health and Well-Being
Red Cross Albania - Blood donation
On November 5th, Fibank Albania joined Red Cross Albania by organizing a day of blood donation at its main premises. Fibank staff, but also external donors, responded to our public call in all our social media channels to contribute to donating blood. Fibank has turned this cause into a yearly tradition as a main blood donor to continue its mission to help this vulnerable part of society and further strengthen the general awareness for all the people in need.

#3SDG/ Good Health and Well-Being
Tirana Marathon.
Tirana Marathon is the largest sports' event in Tirana, since 2016, the race has become a monolith moment for both running and the city. This year, Tirana Marathon welcomed more than 3,000 participants not only from Albania, but also from many foreign countries. Each year, Fibank Albania encourages and sponsors all its employees that are willing to participate and set a healthy and sustainable lifestyle example for all our community.

Public relations & promotions

#Growth

Fibank Albania – Impressive growth of financial indicators for 2022

Fibank Albania reported the results for 2022 and they mark an impressive increase in all financial indicators. Fibank achieved ROE of around 20% and a profit of over 7 million Euros. Loans, deposits, and total assets recorded an increase of about 25% each, return on assets and return on capital are among the highest in the banking system, while profitability was the highest that Fibank has ever had in its history in Albania.

The Fibank Group has a very clear objective in its journey to have a strong presence in Albania with a growing bank that plays its role in the Albanian banking system. The main strategic goals of Fibank Albania in the coming period are Retail products and the further digitalization of services for a more innovative and advanced customer experience.

#CreditCards

Fibank Credit Cards - a useful asset for holidays abroad and not only!

Along with Visa, Fibank organized a credit card summer campaign.

Fibank Visa Credit Card is a great use to make purchases anywhere online, as well as in stores, hotels, restaurants, travel agencies, etc. It can be in LEK, EUR or USD and there is no maintenance fee for the first year. You can also withdraw the credit card limit at ATMs and Fibank does not apply any commission for online or point of sale transactions inside and outside Albania.

Repayment of the card is very convenient with small monthly installments starting from only 5%. Cards issued by Fibank are contactless and you can simply tap and go without the need for additional steps and signatures. Fibank cards offer 3D security, to protect customers for online shopping.

#Supersavings

Super Savings Account at Fibank – the best choice for this summer!

To all depositors that are wondering what to do with their savings, Fibank has prepared the best choice for this summer.

Super Savings account gives the opportunity to better manage savings according to personal goals and needs. Fibank offers the opportunity for maximum interests every day that the money stays in the account combined with high Flexibility as a very good advantage as you can deposit or withdraw at any time you need the money without losing the earned interests.

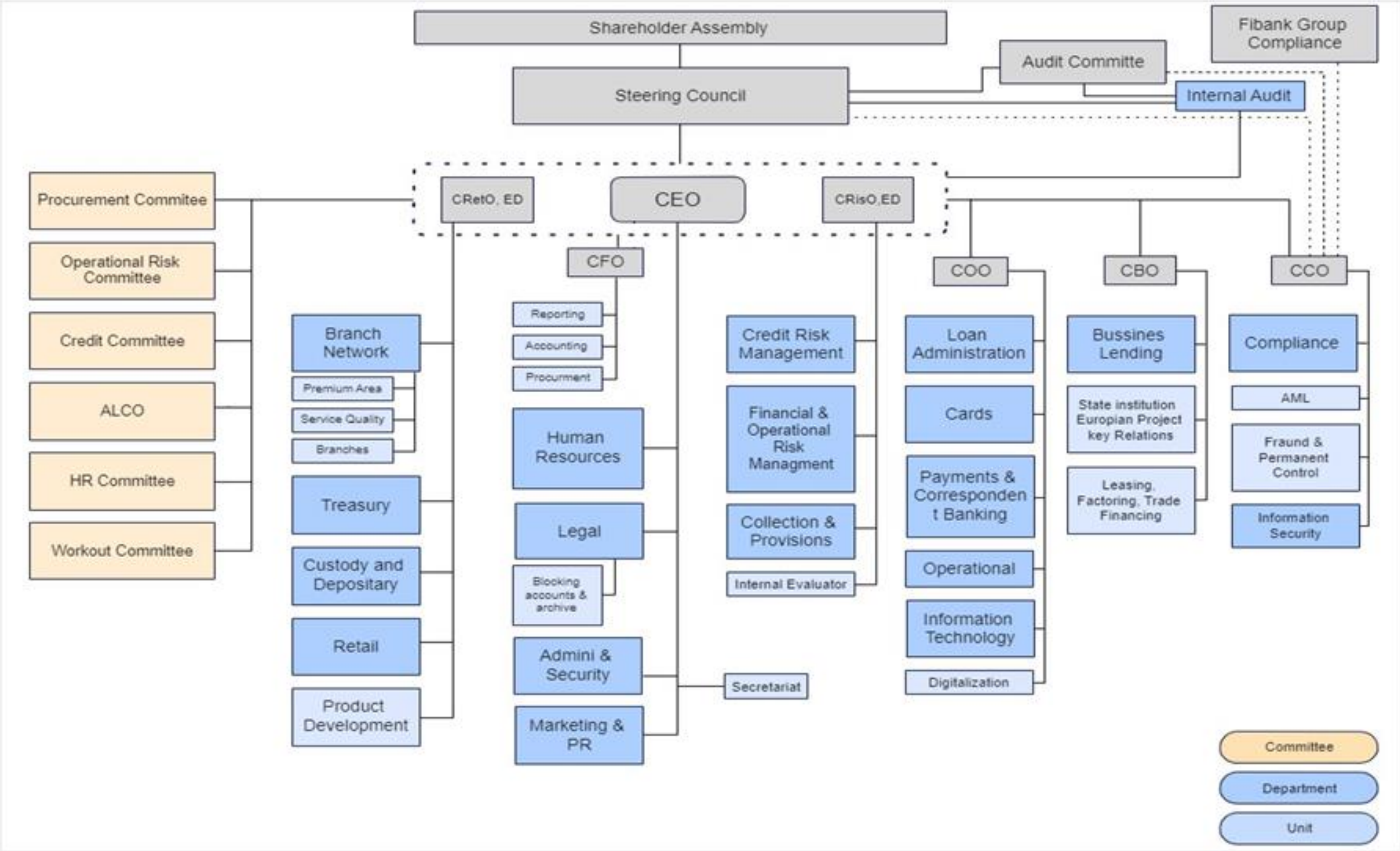
The interest rate of 2% is applied to all the three currencies in which this account can be opened LEK, EUR & USD. There is no minimum amount required for this account, allowing all depositors to profit from this opportunity and increase their savings without any restriction.

This product is one of the best offered by Fibank among many other advantageous and innovative products that are part of its business development aiming to combine the best features for an excellent customer experience.

#Emigrants

Mortgage loan for emigrants & foreigner citizens - another new advantageous product by Fibank.
Another new advantageous loan product was launched by Fibank - Mortgage loan to emigrants and foreigners. This loan is granted to Albanian citizens that are living and working abroad and want to own a property in Albania as well as foreigners that want to invest in real estate in Albania.
Fibank is offering a mortgage loan up to 500.000 EUR with the lowest interest rates of mortgage loans in the market starting from 3.75%, combined with a fast and easy procedure for every applicant. This loan tenure goes up to 25 years and covers up to 70% of the property’s total value. This product is a great opportunity for this customer base category.

Organization business structure, Fibank Albania Sha



Steering Council

Chavdar Zlatev

Mr. Zlatev brings more than two decades of experience in the banking sector, specializing in lending to individuals and companies.

He joined First Investment Bank, Sofia, Bulgaria in 2004 and has since played a pivotal role in the bank's accomplishments. His exceptional performance and unwavering professionalism have consistently propelled him to higher managerial positions across various departments, notably the Medium and Small Enterprises (SME) Department, the Branch Network Division and Corporate Banking.

Since 2018 ongoing Mr.Zlatev holds the position of Executive Director of First Investment Bank, AD, Sofia, Bulgaria.

Alongside of his responsibilities within the bank, he is a Member, since 2011, and the Chairman of the Steering Council of First Investment Bank, Albania Sha as of 2014. Furthermore, he is a Member of the Steering Council of First Investment Bank AD, Sofia, Bulgaria as well, contributing to the strategic direction and growth of the Bank.

Nikolai Dragomiretzki

Mr. Nikolai Dragomiretzki became a valued Member of Fibank's team in 1995 when he joined as a team Member of Monetary Market Department at First Investment Bank, Sofia, Bulgaria.

Throughout his tenure with the bank, he demonstrated his capabilities and was appointed to various managerial positions within the Monetary Market.

In recognition of his extensive experience and professionalism Mr. Dragomiretzki was appointed as Executive Director at "Ecobultech AD" in 2011. Building on his banking expertise, in 2014 he was appointed as a Member of the Supervisory Board of Unibank, Macedonia, further extending his responsibilities and contributions.

In 2015 he was appointed as a Member of Steering council of First Investment Bank, Albania Sha leveraging his knowledge and insights to contribute to the bank's strategic direction. Furthermore, in 2018, he was appointed as a Member of Audit Committee of First Investment Bank, Albania Sha., demonstrating his dedication to ensuring strong financial oversight and compliance within the bank.

Stanimir Mutafchiev

Mr. Stanimir Mutafchiev joined the team at Fibank in 1999, assuming the role of Legal Advisor within the Legal Department. With his exceptional expertise and dedication, he advanced within the organization and was promoted to the position of Senior Legal Advisor and subsequently, in 2003, became the Head of the Legal Department and Chief Compliance Officer.

From 2007 to 2012, Mr. Mutafchiev served as a Member of the Supervisory Board of Union Bank in Macedonia, contributing his wide-ranging industry knowledge and commitment to the banking sector.

In addition to his role at Fibank in Sofia, Bulgaria, he has held other significant positions, including Deputy Director of the National Union of Legal Advisers in Sofia and Director of First Investment Finance BV in the Hollande. Moreover, Mr. Mutafchiev has served as a Member of the Supervisory Council of Unibank Bank in Macedonia.

Since June 2013, he has assumed the important role of the Member of the Steering Council at First Investment Bank, Albania Sha, further contributing to the strategic direction and growth of the organization. Mr. Stanimir Mutafchiev's extensive experience and diverse leadership roles underscore his invaluable contributions to the banking industry.

Ianko Karakolev

Mr. Ianko Karakolev joined the Fibank Bank in 1999 as an accountant in the Financial and Accounting Department and soon became Director of the Internet Branch. He progressed through various roles, including Head of Finance, Budget, and Analysis Department, Deputy Chief Accountant, Deputy Director of the Finance and Accounting Department, Chief Financial Officer, Director of the Finance and Accounting Department, and ultimately Chief Financial Officer and Member of the Managing Board since 2020. Throughout his career, Mr. Karakolev has actively contributed to the implementation of international standards and the development of banking, managing numerous innovative projects and overseeing corporate actions such as the acquisition of MKB Unionbank and its subsequent merger with First Investment Bank AD.

In addition to his position at the Bank, he holds roles as Member of Steering Council and Chairman of Audit Committee of First Investment Bank - Albania Sh.a., Member of the Board of Directors of Balkan Financial Services EAD and Member of the Supervisory Board of UNIBanka AD, North Macedonia.

Ina Paskaleva

Ms. Ina Paskaleva is a highly accomplished professional who has dedicated over 20 years to the Banking system and financial markets, working with prestigious international banks across Albania, Bulgaria and South-eastern Europe. Her association in Fibank Albania began in 2006 and lasted until February 2023, during which she served as Head of Risk Management. With her extensive technical expertise in credit and risk management, capital markets and financial instruments, compliance and corporate governance. She possesses a postgraduate-level education in banking and finance from Wisconsin University, US and Exeter University, UK., further strengthening her knowledge in the field. Throughout her career, Ms. Paskaleva has held various leadership positions in the international banking sector, including Country Manager, Credit and Risk Management Division, in Raiffeisen Bank, Albania; Head of Risk Management, at Bank of Austria (Hebros Bank AD), Sofia, Bulgaria; Country Director for Bulgaria, Demir Bank, Istanbul, Turkey; and Senior Corporate Banking Manager at ING Bank, Sofia.

Starting from March 2023, Ms. Paskaleva has taken on the role of the Member of Steering council of First Investment Bank, Albania Sha., further demonstrating her expertise and commitment to the banking sector.

Audit Committee

Ardiola Huta

Ms. Ardiola Huta, is Member of the Audit Committee of First Investment Bank, Albania Sha since February 2023.

With an extensive background in international institutions and state institutions, as well as the banking system, Ms. Huta's banking career began in 2000 in customer service. Through her outstanding performance, she quickly advanced to higher positions in lending and management at the American Bank of Albania and Bank Intesa Sanpaolo until 2014. Her professionalism and experience in international institutions and the banking system led to her appointment as a leader in the Regional Hospital of Durres, where she excelled in successful management. In 2017, Ms. Huta ventured into auditing and currently works at the audit company HatFinance, specializing in legal audit of financial statements, internal audit services, and financial consulting. Since 2021, Ms. Huta serves as Member of the Audit Committee, under the Ministry of Agriculture and Rural Development.

Ianko Karakolev

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Tsvetan Stoychev

Mr. Tsvetan Stoychev joined First Investment Bank, Albania Sha as a Member of the Audit Committee in February 2023, bringing over 20 years of experience in the Bulgarian banking sector. He embarked on his banking career in 1995 at DSK Sha Bank, starting at the Treasury Department and later transitioning to roles such as Loan Specialist for Individuals and Specialist in the Projects Department at Societe Generale ExpressBank. Mr. Stoychev delved into auditing in 2007 as an internal auditor at Societe Generale Expressbank, eventually being promoted to Chief Internal Auditor. In 2015, he was appointed as the Head of the representative office of Societe Generale Expressbank, and from 2018 onwards, he focused on auditing at Fibank, Sofia, Bulgaria, serving as the Leader of the group of auditors since 2018.

Directorate of Fibank Albania

Bozhidar Todorov - Chief Executive Officer
Mr. Bozhidar Todorov assumed the role of CEO at Fibank Albania in October 2007, bringing with him extensive experience in the banking industry. His primary focus lies in spearheading a customer-oriented and strategic business development approach for Fibank Albania, which has resulted in significant progress for the bank over the years.
As CEO, Mr. Todorov bears overall responsibility for the direction and administration of the bank, its products, and services. This entails overseeing various aspects such as financial performance, credit quality, business development, operations, and regulatory compliance.
Mr. Todorov obtained a master's degree in finance from the University of National and World Economy in Sofia, further bolstering his expertise in the field.
Beyond his role at the bank, Mr. Todorov serves as the Chairman of Bulgarian - Albanian Chamber of Commerce and Industry since 2011. Additionally, he has served as a Member of Executive Committee of Albanian Association of Banks until May 2023.

Elma Lloja - Chief Retail Officer & Executive Director

Ms. Elma Lloja joined Fibank Albania in 2007 as the Head of the Treasury and Custody Department. Her exceptional performance and expertise led to her appointment as the Executive Director of Fibank Albania in December 2013. With over 20 years of experience in the banking sector, Ms. Lloja has established herself as a seasoned professional in the industry.

Before joining Fibank, Ms. Lloja held notable positions at the Savings Bank of Albania and Raiffeisen Bank Albania, where she served as the Chief Dealer for the Treasury Department. Her roles at Fibank Albania encompassed a wide range of responsibilities. As the Head of the Treasury and Custody Department, she oversaw treasury activities and played a pivotal role in the retail banking division, particularly in deposit product management and pricing. Additionally, Ms. Lloja served as a Member of the Assets-Liability Committee, contributing her expertise to important decision-making processes.

Under Ms. Lloja's leadership, Fibank Albania established a new structure for the Custody and Depository Unit, further enhancing the Bank's capabilities in these areas. She successfully managed the process of obtaining licenses on behalf of the bank to act as a custodian for the Pension Fund and Collective Investment Undertakings.

Ms. Lloja's responsibilities extend beyond treasury and custody activities. She also oversees the Branch Network and Retail Banking, demonstrating her wide-ranging knowledge and expertise across various areas of the Bank's operations. With her extensive experience and leadership skills, Ms. Lloja plays a crucial role in shaping the success and growth of Fibank Albania.

Tsvetan Ivanov - Chief Risk Officer & Executive Director Head of Risk Management

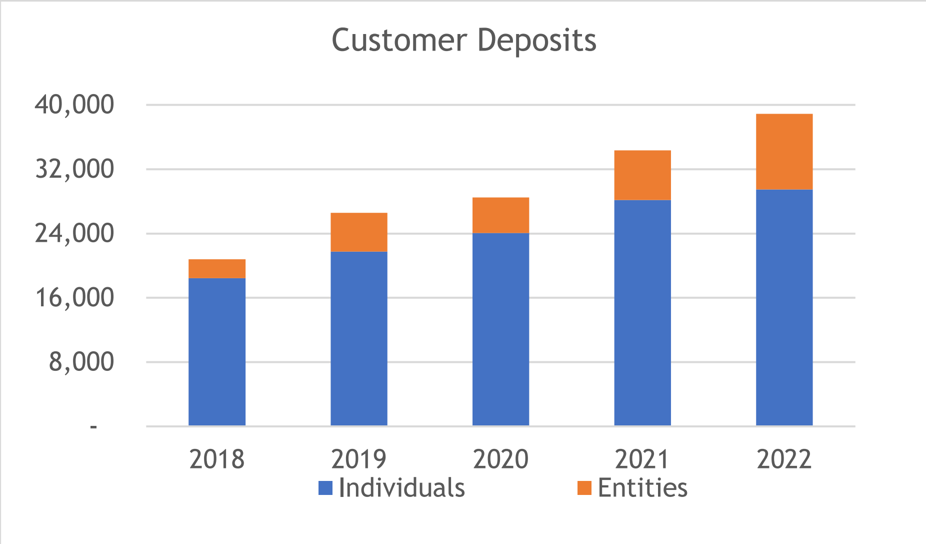
Mr. Tsvetan Ivanov joined Fibank Albania in February 2023 as Chief Risk Officer and Executive Director. He has considerable experience in the banking system starting from 2006, in retail and business lending.

Mr. Ivanov joined First Investment Bank, AD Sofia, Bulgaria in 2009, where he was appointed as Loan Specialist for small and medium enterprises at First Investment Bank AD, Veliko Tarnovo Branch. His comprehensive understanding of retail lending, in-depth knowledge of lending products and meticulous analysis of applications, Mr. Ivanov excelled in the lending process for Small and Medium Enterprises businesses.

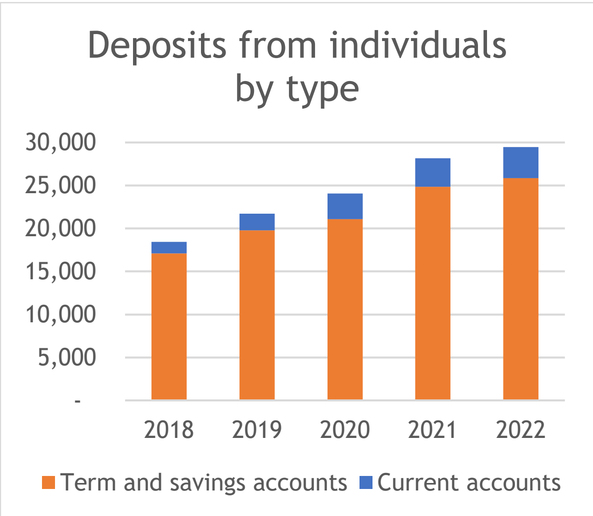
Due to his exemplary professionalism, exceptional negotiation skills, strong analytical aptitude, and remarkable achievements, he was promoted to the Head Office of First Investment Bank, AD Sofie in 2010. His role encompassed overseeing the team of loan specialists responsible for managing the loan portfolio, analyzing loan practices for Small and Medium Enterprises, evaluating and approving loan requests based on established criteria, implementing credit risk policies, managing the team of SME specialists, and providing comprehensive training on financial and credit analysis, along with the implementation of credit risk policies.

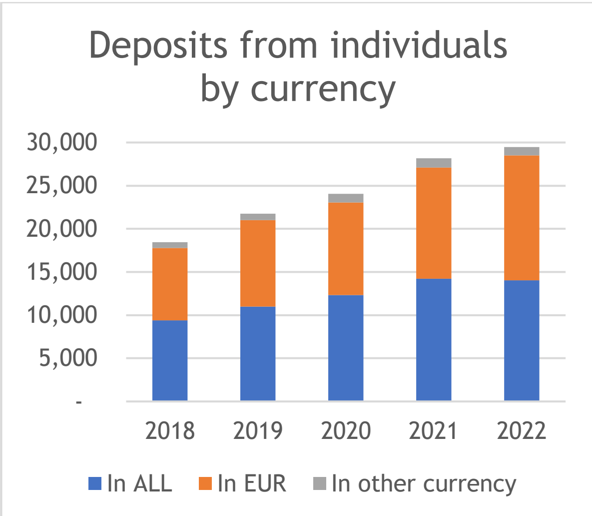
Deposits

Year 2022 was a good year for deposits in the banking system because it reached a good level of stability and during 2022 the deposits in banking system are increased by ALL 91.4 billion. Fibank Albania attracted funds during 2022 were increased by 13.21% (2021: 20.45%; 2020: 7.20%) and reached ALL 38,869,160 thousand (2021: ALL 34,332,798 thousand; 2020: ALL 28,503,007 thousand).

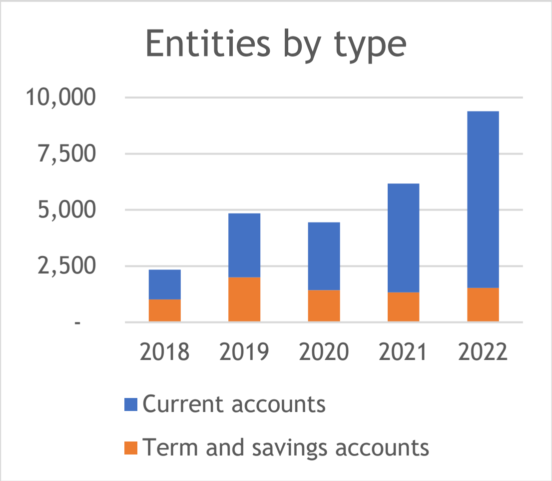


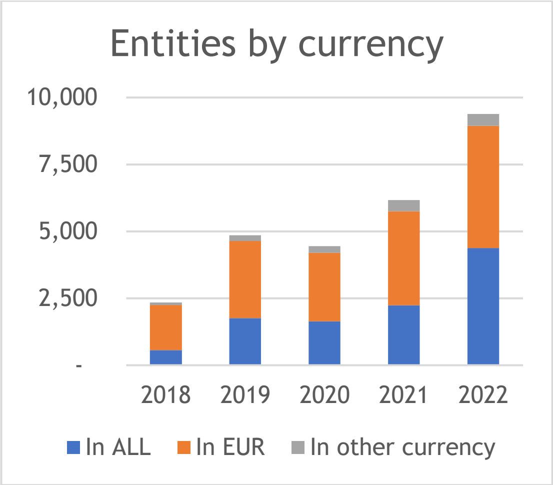
Deposits from individuals increased by 4.71% and amounted ALL 29,483,006 thousand (2021: ALL 28,157,983 thousand; 2020: ALL 24,058,835 thousand). Term deposits were increased by 14.54% (or ALL 2,284,927 thousand) reaching ALL 17,999,829 thousand (2021: ALL 15,714,902 thousand; 2020: ALL 14,788,468 thousand) retaining a share of the attracted funds from individuals at 61.05% (2021: 45.23%; 2020: 61.47%) and savings accounts decreased by 13.88% reaching ALL 7,866,907 thousand (2021: ALL 9,134,290 thousand; 2020: ALL 6,289,707 thousand).





Attracted funds from entities recorded an increase of 52.01% compared to prior year and reached ALL 9,386,155 thousand (2021: ALL 6,174,816 thousand; 2020: ALL 4,444,172 thousand). Current accounts increased with 62.19% amounted ALL 7,858,536 thousand (2021: ALL 4,845,155 thousand; 2020: ALL 3,016,170 thousand).





Fibank Albania's policy was to offer to its clients a variety of flexible deposit products aiming to meet customers demand for low-risk savings instruments, by focusing on maintaining high standards of customer service. Deposit products are tailored to different segments of clients which could choose products that offer a good combination of high return and flexibility in depositing and withdrawing. In addition, Fibank Albania offered products with a variety of maturities and interest payments or full access to their funds at any time without any limitations or cost.

Retail Lending

The portfolio of loans to individuals to total lending portfolio is 45.5% as at the end of December 2022. The portfolio of loans to individuals increased by ALL 2,560,651 thousand reaching a total value of ALL 11,914,362 (2021: ALL 9,353,711 thousand; 2020: ALL 7,445,883 thousand). The growth results from ALL 754,676 thousand increase in consumer loans and ALL 1,806,872 thousand in mortgage loans. The number of consumer loans as at the end of December 2022 increased due to preferential terms and conditions offered.

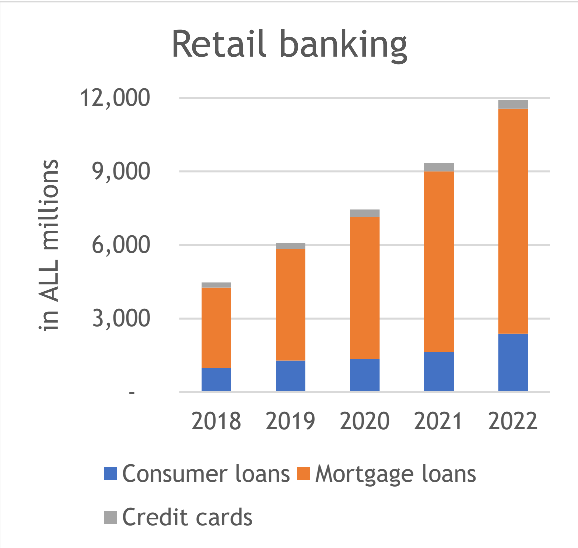
The consumer loan product that we have offered throughout 2022 has been the premium loan, which has targeted existing customers who are loyal and have made regular loan payments. This loan could satisfy their consumer needs in the fastest possible way and with preferential conditions. The maximum limit has been increased to 3 million, expanding the possibility of financing to the category of customers with considerable income and good reputation. Consumer loans covered with Treasury Bills or Treasury Bonds continued to be at a good level of request. Different consumer loan conditions were tailored for different company's clients and promotions.

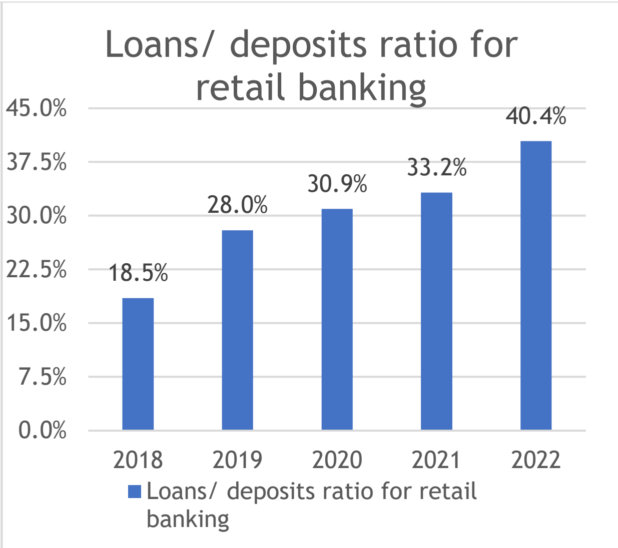
In general, the credit standards eased on consumer loans.

Mortgage loans reached ALL 9,188,999 thousand (2021: ALL 7,382,127 thousand, 2020: ALL 5,805,158 thousand) as at the end of December 2022, constituting an increase of 24.5%, compared to the end of the previous year. The share of the mortgage loans in the portfolio of the loans to individuals decreased at 77.1% (2021: 78.9%; 2020: 78.0%) Mortgage loans have an increase in nominal value almost twenty times higher than consumer loans.

The achievements in mortgage loans were influenced by the market changes that the banking sector faced last year. Housing price increase, the households' approach of buying new houses for investment purpose, coupled with favorable financing offers from banks, backed the high growth rates of house purchase loans. This positive trend was reflected in higher share of mortgage loans to the total loan portfolio

The fast and flexible procedure and decision-making process as well as the terms and conditions offered for the mortgage loans continued to be preferential. The mortgage product "5 stars", which was reviewed different times, continued to be very competitive. The product offers a one- or two-years period with a fixed interest rate and floating interest rate after, the longest loan term in the market, the life insurance is not mandatory, preferential fees and commissions, a credit card as a bonus. The consumer loan with collateral "Any purpose" offers the possibility to finance every need, with preferential terms and conditions compare to the market. 'Any purpose" product offers to the client flexibility of presenting documents of the investment plan, maturity, and the interest rate.



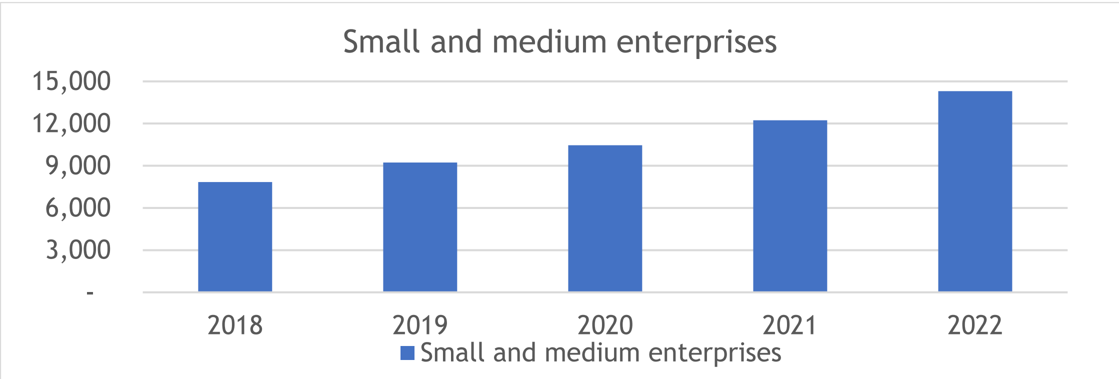


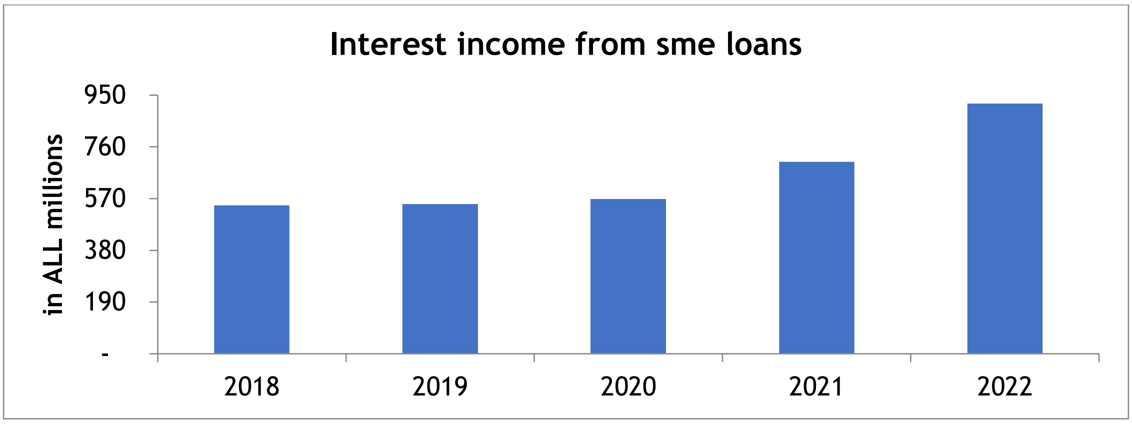
Consumer loans increased by 46.5% and reached ALL 2,376,802 thousand compared to ALL 1,622,125 thousand for the previous year (2020: ALL 1,343,484 thousand). The share of the consumer loans in the portfolio of the loans to individuals increased to 19.9% as at the end of December 2022 (2021: 17.3%; 2020: 18.0%).
During the year, we continued to advertise Consumer loan "Limited Offer" with a maximum amount of ALL 2,000 thousand and a maximum maturity of 84 months. The offer featured some preferential terms and conditions like no fees including renegotiation, and early repayment. The conditions are reviewed during the year, resulting in more flexibility, and facilitating the lending requirements. The "VIP" consumer loan is offered for a twelve-month period or 2 years with fixed interest rate and floating interest rate after, preferential and flexible terms and conditions. Also offering "Fast loan" product with no interest rate and only up-front commission applied. This product is offered as a facility to the business clients of Fibank for increasing their liquidity and being near to every need in the most easy and fast way.
"One pay" loans were given to ONE telecommunications customer with the purpose of buying products which are mostly mobile devices. It is a fast product, interest, and commission free and the facility of paying the installment in every branch of Fibank and "One" shop too.

Credit cards remain at the same share as prior year being ALL 348,562 thousand at the end of December 2022 (2021: 346,459 thousand, 2020: 297,241 thousand). The portfolio of credit cards is at 2.9% share in the portfolio of loans to individuals (2021: 3.7%; 2020: 4.0%).
The increase in loan/deposits ratio is due to a higher growth rate of loans compared to the growth rate of attracted funds. The growth of the portfolio of the loans to individuals was supported by the professional teams of every branch and office of the Bank. The constant training and the improvements in the internal procedures facilitated the smooth and successful process of lending. In addition, the product definitions were reviewed on a regular basis to ensure the competitive position of the bank in the retail lending sector.

SME Lending

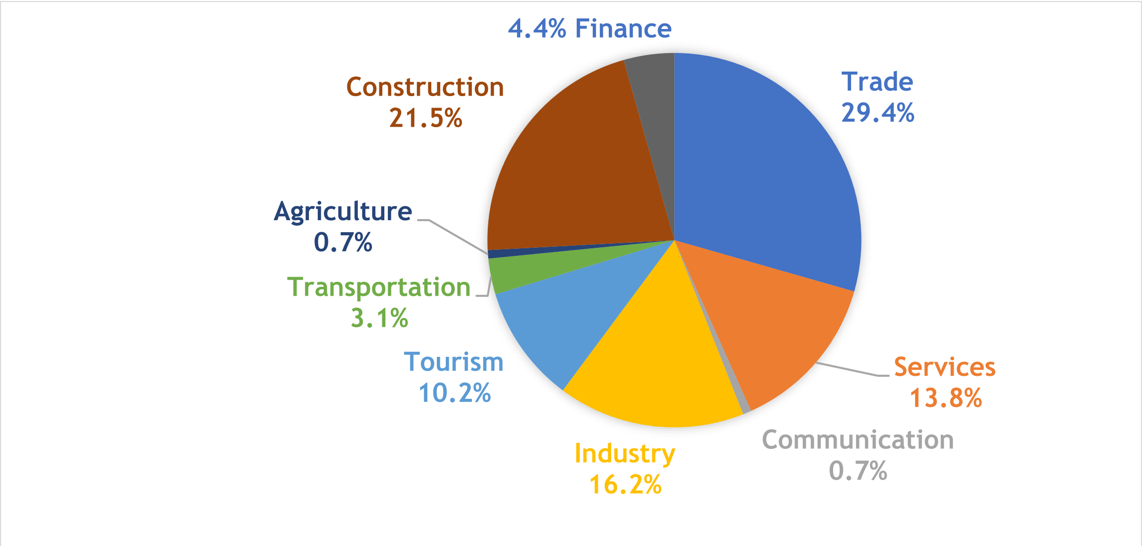
SME client's portfolio increased at the same pace as prior year, at the level of 16.8% during 2022 and reached 14,299,369 thousand (2021: ALL 12,237,486 thousand; 2020: ALL 10,462,335 thousand). This increase comes mainly for loans granted in Tirana, but even from branches which over performed like Fieri, Vlora and Lushnja.
The good performance comes due to the continues efforts of the sales force (branches and HO) but even due to the image that Fibank created in the market. As confirmed from clients, Fibank from years is recognized as a stable bank, supporting all type of businesses based on their respective needs, fast and flexible. A considerable number of the new clients is referred from the existing performing ones, due to the very positive collaboration with our Bank
The strategy of the Bank is still to increase the market share and all the sale forces were active in this direction.
In order to support SME clients and increase their capacity to access financing in the current economic environment, Fibank Albania extended its lending product portfolio, offering to the customers with good turnover in their accounts special products with very good interest rates in Euro and in ALL. Meantime the preferential operational offer (half of the standard prices) is still offered to new clients and to the good existing portfolio.





During 2022 SME interest income reached ALL 919,412 thousand (2021: ALL 705,677 thousand; 2020: ALL 569,233 thousand).

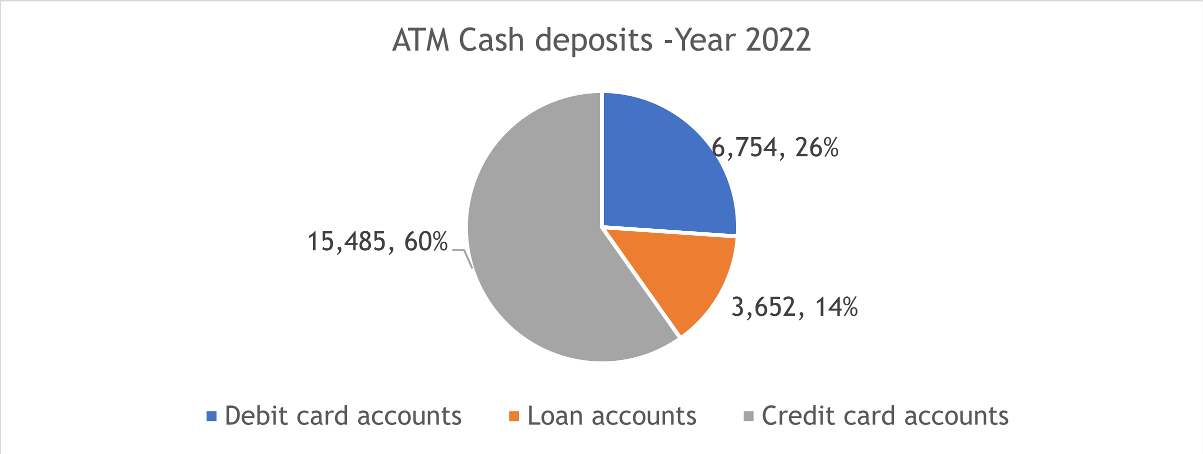
Sector of Industry



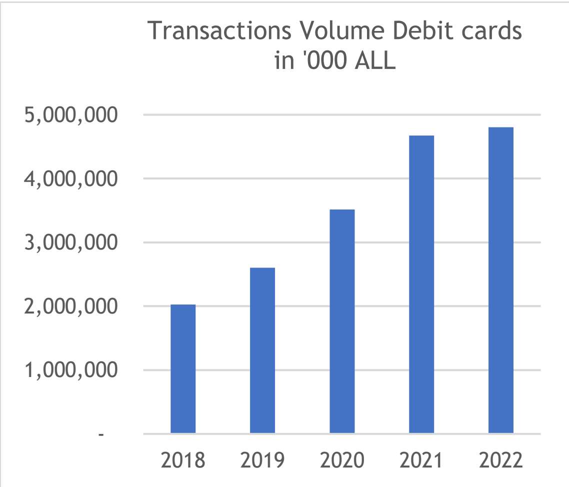
The predominant share of loan portfolio is still formed by trade sector at 29.4% followed by Construction at 21.5%, Industry at 16.2% and Services sector at 13.8%.
Construction was the sector with the biggest increase in 2022. This is reflected in the market with many big projects, mainly in Tirana and seacoast.
Tourism was focus for the Bank since this sector is seen as the biggest potential. Many projects, Retail and SME investments are financed from Fibank in cities like Saranda, Ksamili, Vlora, Durres and south coast.

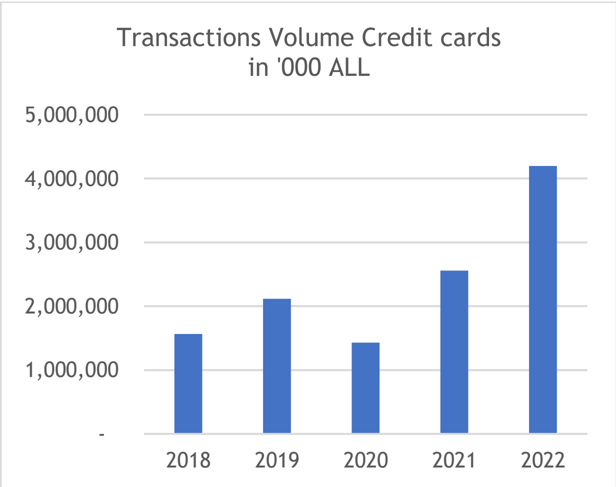
Card Payments

The focus of Card Department through the previous year has been the improvement of ATM service. This was achieved by replacing the fleet of old ATMs with new ATMs.
During the year 2022, the card department has also implemented the DCC service in ATMs, which has been very successful according to expectations.
The number of transactions with non Fibank cards has increased significantly compared to the previous year with 5,876 or 52% with foreign card transaction and 767 or 12% with domestic card transactions.
By the year 2022, the number of ATMs with deposit module is increased from 11 to 20 ATMs, which also increased the number of cash deposit thought the ATMs. All the branches are equipped with ATMs with deposit module.
The increased number of ATMs with deposit module has facilitated payments to credit cards obligations or loan installments which in total is 40% of the cash deposits on card accounts.



The number of active cards has been in a stable growth, meanwhile the number and volume of card transactions has been increased compared to the previous years as following:
Transaction volume of the Credit cards has increased with 73% compared with previous year, around 3.37 mio EUR. Transaction volume of Debit cards has increased with 9% compared with the previous year, around 15.56 mio EUR.





Gold and Commemorative Coins

Fibank Albania offers a wide range of gold products as per the business development of precious metals from Fibank AD. Fibank Albania imports these products directly from Fibank AD which has already established a successful cooperation with many leading well-known institutions worldwide like Swiss mint PAMP (Produits Artistiques de Métaux Précieux), UBS and Credit Suisse, the New Zealand Mint, the National Bank of Mexico, the Austrian Mint, the British auction house SPINK, and others.

Fibank Albania offers products of the precious metals as coins, bars, medals and medallions. The distribution of a new gold investment coin from the New Zeland Mint started at the beginning of 2011.

Payment Services

Fibank Albania carries out its activity related to money transfers and other payment services in compliance with Albanian legislation, including the Decision No.35 date 03.06.2020 “On the functioning of the system of clearing small value payments Albanian Electronic Clearing House – AECH”, the Decision No.36 date 03.06.2020 “On the function of Albanian Interbank Payments System - AIPS”, the Law No.55/2020 dated 30.04.2020 “On payment services. Regulation no 71/2021 "On the functioning of the AIPS EURO system for the settlement of domestic customer transactions in Euro".

Currently, Fibank Albania is a member and participant in the payment systems, central securities depository, and agent of other payment service providers, as follows:

- Real-Time Gross Settlement System (AIPS)
- Automated Clearing House System (AECH)
- Society Worldwide Interbank Financial Telecommunication (SWIFT)
- Albanian Financial Instrument Settlement and Registration System (AFISAR)
- MoneyGram Agent

Starting from 24 January 2022 all outgoing and incoming transfers in EUR within the country are routed through Bank of Albania instead of foreign correspondent banks.

Due to this fact the number of international outgoing and incoming transfers in foreign currency done in 2022 through our correspondent banks, decreased compared to 2021.

Regarding money transfers in local currency in 2022 the number increased around 44% for outgoing transfer, and 2.21% for incoming transfers in favor of our clients, compared to 2021.

The increase in the number of transfers was due to the increased customer base, the competitive conditions offered by the Bank, digital channels and the high quality of customer service.

Compliance function

First Investment Bank Albania has developed a compliance function, whose main objective is to identify, assess, monitor and report the compliance risk within the Bank. The function ensures the compliance of activities with regulatory requirements and recognized standards and supports the Senior Management in the management and control of this risk. The function is organized under the Chief Compliance Officer, with direct reporting to the Audit Committee, Steering Council and Fibank Group Compliance.

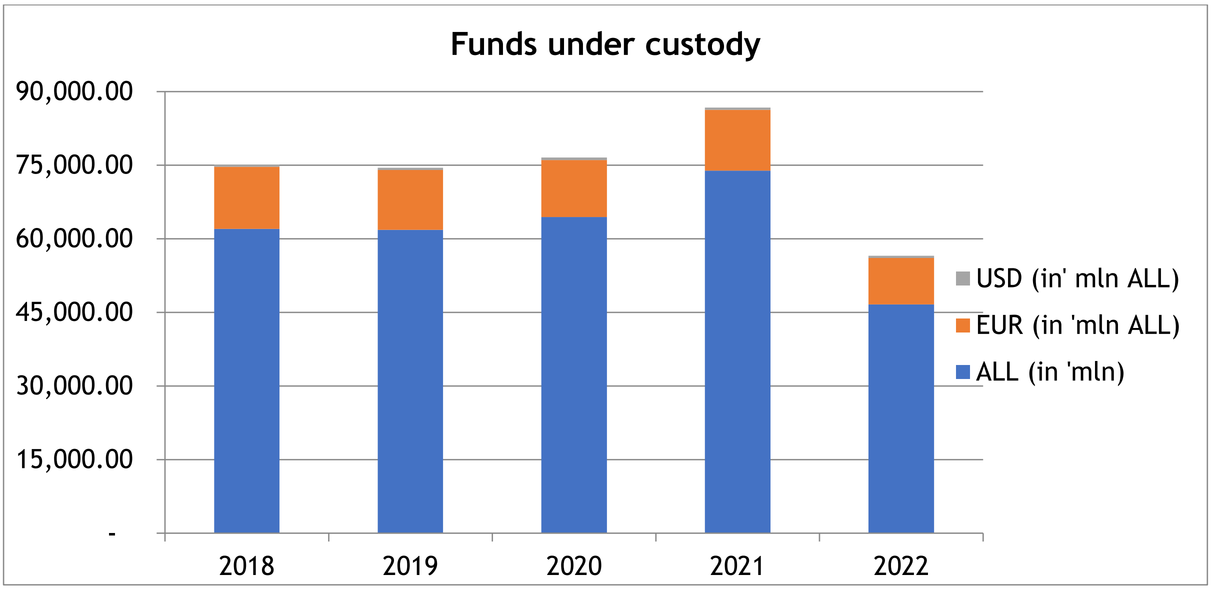
First Investment Bank Albania sh.a. compliance function is established according to the requirements of the Bank of Albania Regulation “On the basic principles of the management of banks and branches of the foreign banks and the criteria for approval of their administrators” and includes: Compliance Department, Information Technology Department, Anti-Money Laundering Unit and Fraud and Permanent Supervision Unit.
The Compliance Department carries out the activities of identifying, assessing, and managing the compliance risk, ensures adequate and legitimate internal regulatory framework in the structure of the Bank, and monitors for compliance of the Bank’s products and services with existing regulations. It also manages and analyses the customer complaints submitted to the Bank and performs ongoing control over the execution of the regulatory requirements with respect to the Bank’s activity as an investment intermediary and on the market abuse with financial instruments.
Anti-Money Laundering Unit carries out activities of identifying, assessing, and managing the risk of non-compliance, ensures adequate and legitimate internal regulatory framework on money laundering and terrorist financing prevention, and other financial crimes and ensures that the Bank is in full compliance with the relevant laws and regulations in force.
The Bank has implemented the Annual AML Plan, which aims to identify, assess, and mitigate risk of money laundering and terrorism financing. The Bank performs annual risk assessment of AML/CFT activities, by means of proper customer data verification, due-diligence and enhanced due-diligence policies and procedures, by developing systems to detect, monitor and report the riskier customers, suspicious transactions and economic sanctions screening, which along with the culture of the corporate are decisive in risk mitigation towards financial crime and unethical behaviors.
The scope of Fraud & Permanent Control Unit is to outline the responsibilities of all the involved parties with respect to fraud and permanent controls reporting and investigation, the actions to be taken if fraud is suspected and the mechanism of verifying suspicions even from permanent controls, the reporting process and the recovery action plan.
The Fraud and Permanent Control unit of First Investment Bank Albania Sha performs permanent controls in bank agencies and departments in order to monitor frequently the accuracy of operations handled and their compliance with the procedures/ regulations in place.
The unit will monitor the alerts settled for identifying fraud cases and analyses the details case by case and will provide an independent and objective opinion on the issues being the subject of controls; it will perform advisory activities directed at the improvement of the existing internal control system and the Bank’s operations.

AML trainings

The employees of the Branch are constantly trained for topics related to prevention of money laundering and financing of terrorism. The staff trainings are conducted on regular basis and whenever there are changes in Law, regulations, or instruction regarding prevention of money laundering and financing of terrorism in order to be updated with the afore mentioned laws and practices.
On regular basis AML Unit has informed branches for new typologies or tendencies of money laundering and terrorism financing noticed lately. Such information was sourced from the Albanian Financial Intelligence Unit and open sources and is reflected in several Internal Memos published during 2022.
Staff of AML Unit participated On March and September 2022 in two trainings organized by AAB (Albanian Association of Banks) and by House of Training - ATTF Luxemburg with program and related AML/CFT activities in the banking sector.

Depositary and Custodian Services

In its capacity as an investment intermediary of government securities, Fibank carries out transactions with financial instruments in the country including transactions with government securities, corporate securities, shares, as well as money market instruments. The Bank also offers custodian services to private individuals and corporates, including maintaining registers of accounts of securities, and settlement service for transactions in financial instruments.
Fibank Albania custodian activities are in compliance with Bank of Albania and Financial Supervision Authority regulations, which ensure a higher level of protection for non-professional customers. Custody & Depositary Unit is the unit which controls the custodian services and ensures the observing of the requirements regarding Fibank's activity as an investment intermediary and custodian.
At the end of 2022 funds under Custody amounted in ALL were: ALL 56,509,538 thousand (ALL 46,640,329 thousand in ALL; ALL 9,417,458 thousand in EUR and ALL 451,751 thousand in USD) compared to ALL 86,739,909 thousand (ALL 73,903,181 thousand in ALL; ALL 12,382,867 thousand in EUR and ALL 453,860 thousand in USD) at the end of 2021, (2020: ALL 64,441,543 thousand in ALL, ALL 11,619,713 thousand in EUR and ALL 477,982 thousand in USD).



Fibank Albania has given continuous support and contribution to update information on the performance of the Government Securities yield in its branches, intending to provide accurate and explicit information to its customers and encourage their participation in the primary and secondary market.
Fibank Albania was the first bank in Albania licensed by Financial Supervision Authority as Depositary of Voluntary Pension Fund (August 2010) and as Depository (Custodian) of Collective Investment Undertakings (end of 2011). This service and other services to be provided in the near future are part of our efforts and goals to become part of the domestic market developments.
In 2022 Fibank Albania offered depositary service to nine collective investment undertakings and voluntary pension funds that are managed by three asset management companies.

The agreement with Raiffeisen Invest Albania, the biggest management company in Albania, was signed on October 2010 for Raiffeisen Pension Fund and in February 2012 for the investment funds. Actually, Fibank is depositary of 5 investment and pension funds of Raiffeisen Invest Albania.
From 2018, Fibank is depositary of WVP Top Invest Fund, investment fund of WVP Top Management Tirana. In 2021 another investment fund of this asset management, WVP Global was launched and takes the depositary service from Fibank Albania.
On 2021 another agreement for depositary services was signed with ABI Invest asset management for two investment funds ABI Flex EUR and ABI Flex USD.
During 2022 Fibank Albania has offered this service for the corporate bonds of Credins Bank, Union Bank and Tirana Bank sh.a.
Fibank Albania is in compliance with two new laws “On Capital Markets” and “On Collective Investment Undertakings”. In addition to this, with the approval from AFSA, the broker and custodian license was upgraded for transferable financial instruments, money market instruments and quotas of collective investment undertakings.

Financial statements
for the year ended 31 December 2022

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RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Management of First Investment Bank – Albania sh.a. ("the Bank") is responsible for ensuring that the annual financial statements for the year 2022, prepared in accordance with the International Financial Reporting Standards, give a true and fair view of the financial position, the financial performance, the changes in equity and the cash flows of the Bank for that period.

Management reasonably expects the Bank to have adequate resources to continue to operate in the foreseeable future. Accordingly, Management prepared the annual financial statements using the going concern basis of accounting.

In preparing the annual financial statements, Management is responsible for:

(i) selection and consistent application of suitable accounting policies in accordance with the applicable financial reporting standards.

(ii) giving reasonable and prudent judgments and estimates.

a) using the going concern basis of accounting, unless it is inappropriate to presume so.

Management is responsible for keeping the proper accounting records, which at any time with reasonable certainty present the financial position and the financial performance of the Bank and comply with the International Financial Reporting Standards. Management is also responsible for safe keeping the assets of the Bank and for taking reasonable steps for prevention and detection of fraud and other irregularities.

For and on behalf of the Management:

Bozhidar Todorov
Chief Executive Officer

Elma Lloja
Chief Retail Officer, Executive Director

Edvin Liko
Chief Financial Officer

First Investment Bank – Albania sh.a.
Blvd. "Dëshmorët e Kombit"
Twin Towers, Tower no. 2, Fl. 14
Tiranë, Albania

7 February 2023

Fibank
First Investment Bank

Statement of profit or loss and comprehensive income for the year ended 31 December 2022
in thousands ALL

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Interest and similar income		1,938,415	1,580,647
Interest expense and similar charges		(406,051)	(420,252))
Net interest income	**6**	**1,532,364**	**1,160,395**
Fee and commission income		518,930	415,814
Fee and commission expense		(89,574)	(69,581)
Net fee and commission income	**7**	**429,356**	**346,233**
Net foreign exchange gain	8	10,701	19,947
Other operating income	9	6,731	118,255
TOTAL INCOME FROM BANKING OPERATIONS		**1,979,152**	**1,644,830**
Net impairment losses	18.1	(271,840)	(191,924)
Net impairment loss on off-balance sheet		(509)	(460)
Personnel expenses	10	(427,963)	(375,099)
Depreciation and amortization	19,20	(125,015)	(120,155)
General administrative expenses	11	(188,165)	(162,299)
Other expenses, net	12	58,847	(72,961)
		(954,645)	**(922,898)**
PROFIT BEFORE TAX		**1,024,507**	**721,932**
Income tax expense	13	**(145,358)**	**(106,625)**
NET PROFIT FOR THE YEAR		**879,149**	**615,307**
Other comprehensive income / (loss), net of income tax		**(306,656)**	**(37,712)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTED TO THE OWNERS		**572,493**	**577,595**

The notes on pages 7 to 69 are an integral part of these financial statements.

Statement of Financial Position as at 31 December 2022

in thousands ALL

	Note	As at 31 December 2022	As at 31 December 2021
ASSETS			
Cash and balances with Central Bank	14	3,170,472	898,338
Restricted balances	15	3,268,442	2,713,545
Investment in securities at FVOCI	16	3,616,033	11,592,311
Investment in securities at amortized cost	16	9,093,158	-
Loans and advances to banks and financial institutions	17	3,730,441	4,234,180
Loans and advances to customers	18	25,231,137	20,645,991
Property and equipment	19	375,978	190,156
Intangible assets	20	72,400	64,963
Repossessed assets	21	618,407	547,372
Right of use assets	19	826,518	891,809
Other assets	22	91,067	104,629
Deferred tax assets	13	28,235	-
TOTAL ASSETS		**50,122,288**	**41,883,294**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	23	3,182,229	424,467
Due to customers	24	38,869,160	34,332,798
Liabilities evidenced by paper	25	453,452	886,539
Subordinated term debt	26	1,133,621	594,092
Lease liability	27	801,739	902,690
Other liabilities	28	885,349	487,193
Deferred tax liability	14	-	19,665
Total liabilities		**45,325,550**	**37,647,444**
Issued share capital	29	1,516,517	1,516,517
Legal reserve	29	133,639	102,874
Other reserve	29	249,080	201,084
Revaluation reserve in investment in securities at FVOCI		(159,570)	158,691
Retained earnings		3,057,072	2,256,684
Shareholders ‘equity		**4,796,738**	**4,235,850**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**50,122,288**	**41,883,294**

The notes on pages 7 to 69 are an integral part of these financial statements.

Statement of Cash Flow for the year ended 31 December 2022

in thousands ALL

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Cash flow from operating activities:			
Net profit for the period		**879,149**	**615,307**
Adjustment for non-cash items:			
Net impairment credit losses		272,349	192,384
Depreciation and amortization	19,20	125,015	120,155
Net interest income	6	(1,532,364)	(1,160,395)
Tax expense	13	145,358	106,625
(Gain) / loss from sale of tangible assets		179	(95)
Loss from sale of other assets		(5,550)	(358)
Gain on recovery of		(142,081)	-
		(257,945)	**(126,377)**
Changes in working capital:			
(Increase) in loans to customers	18	(4,740,708)	(3,775,509)
Decrease in other assets		(15,334)	11,102
(Increase) in obligatory reserve		(554,897)	(623,869)
Increase in deposits from banks		2,753,606	310,468
Increase in amounts owed to other depositors		4,544,608	5,820,013
Increase in other liabilities		435,039	20,525
Interest paid		(410,063)	(457,613)
Interest received		1,826,695	1,557,820
Income tax paid	13	(148,299)	(61,470)
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES		**3,432,702**	**2,675,090**
Cash flow from / (used in) investing activities:			
Net proceeds from purchase and redemption of		(2,475,880)	-
Purchase of securities at FVOIC		(8,051,200)	(14,797,400)
Sale of securities at FVOIC		9,027,432	13,149,784
Purchase of intangible assets	20	(25,209)	(16,208)
Purchase of property and equipment	19	(222,122)	(41,139)
Sale of tangible and intangible fixed assets		608	170
Sale of other assets		83,090	22,371
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(1,663,281)**	**(1,682,422)**

Statement of Cash Flow for the year ended 31 December 2022

in thousands ALL

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Cash flow (used in) / from financing activities:			
Issue / (repayment) of subordinated debt		539,153	(14,406)
(Decrease) / Increase in borrowings		(432,789)	885,918
Payment of lease liabilities		(107,390)	(85,976)
NET CASH FLOWS		**(1,026)**	**785,536**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,768,395**	**1,778,204**
CASH AND CASH EQUIVALENTS	**32**	**5,132,518**	**3,354,314**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**32**	**6,900,913**	**5,132,518**

The notes on pages 7 to 69 are an integral part of these financial statements.

In thousands of ALL, unless otherwise stated

Fibank First Investment Bank

	Share Capital	*Reserve*	*Retained earnings*	*Fair value reserve on investments at FVOCI*	*Total*
Balance on 1 January 2021	**1,516,517**	**266,894**	**1,678,441**	**184,738**	**3,646,590**
Total comprehensive income for the period					
Profit of the year	-	-	615,307	-	**615,307**
Other comprehensive income, net of income tax	-	-		(26,047)	**(26,047)**
Total comprehensive income for the year	**-**	**-**	**615,307**	**(26,047)**	**589,260**
Transaction with owners, recorded directly in equity					
Contributions and distributions					
Issued share capital	-	-	-	-	**-**
Dividend paid	-	-	-	-	**-**
Changes in reserve					
Legal reserve	-	18,760	(18,760)	-	**-**
Other reserve	-	18,304	(18,304)	-	**-**
Total contributions and distributions	**-**	**37,064**	**(37,064)**	**-**	**-**
Balance on 31 December 2021	**1,516,517**	**303,958**	**2,256,684**	**158,691**	**4,235,850**

The notes on pages 7 to 69 are an integral part of these financial statements.

Fibank
First Investment Bank

Statement of Changes in Equity for the year ended 31 December 2022

In thousands of ALL, unless otherwise stated

	Share Capital	*Reserve*	*Retained earnings*	*Fair value reserve on investments at FVOCI*	*Total*
Balance on 1 January 2022	**1,516,517**	**303,958**	**2,256,684**	**158,691**	**4,235,850**
Total comprehensive income for the period					
Profit of the year	-	-	879,149	-	**879,149**
Other comprehensive income, net of income tax	-	-		(318,261)	**(318,261)**
Total comprehensive income for the year	**-**	**-**	**879,149**	**(318,261)**	**560,888**
Transaction with owners, recorded directly in equity					
Contributions and distributions					
Issued share capital	-	-	-	-	**-**
Dividend paid	-	-	-	-	**-**
Changes in reserve					
Legal reserve	-	30,765	(30,765)	-	**-**
Other reserve	-	47,996	(47,996)	-	**-**
Total contributions and distributions	**-**	**78,761**	**(78,761)**	**-**	**-**
Balance on 31 December 2022	**1,516,517**	**382,719**	**3,057,072**	**(159,570)**	**4,796,738**

The notes on pages 7 to 69 are an integral part of these financial statements.

The financial statements have been approved by the Management on 7 February 2023 and signed on its behalf by:

its behalf by:

Bozhidar Todorov

Chief Executive Director

Elma Lloja

Chief Retail Officer, Executive Director

FIRST INVESTMENT BANK ALBANIA sh.a. 2

Edvin Liko

Chief Financial Officer

In thousands of ALL, unless otherwise stated

1. General

First Investment Bank Albania (the Bank) incorporated in the Republic of Albania is a joint stock company established on 1 August 2005 and has its registered office in Tirana, "Dëshmorët e Kombit" Blvd., Twin Towers, Tower 2 Floor 14-15.

The Bank has a general banking license issued by the Bank of Albania (hereinafter “BoA"), on 6 July 2007, according to which it is allowed to conduct all banking transactions permitted by the Albanian legislation. The Bank is primarily involved in corporate and retail banking.
The Bank has also been licensed by Albanian Financial Supervisory Authority for carrying out depositary, custodian and brokerage services.

The Bank is a subsidiary of First Investment Bank A.D. (hereinafter the “Parent”), an entity incorporated in Bulgaria as a financial institution which owns 100% of the Bank shares. Previously it operated as a foreign branch of the Parent in Albania since February 1999.

The shareholders structure of the parent as of 31 December 2022 and 31 December 2021 was as follows:

Shareholders	**% of issued share capital 31 December 2022**	**% of issued share capital 31 December 2021**
Mr. Ivailo Dimitrov Mutafchiev	31.36	31.36
Mr. Tzeko Todorov Minev	31.36	31.36
Bulgarian Development Bank	18.35	18.35
Valea Foundation	7.87	7.87
Other shareholders (shareholders holding shares subject to free trade on Bulgarian Stock Exchange -	11.06	11.06
Total	**100.00**	**100.00**

The headquarters of First Investment Bank – ALBANIA sh.a. is in Tirana. The network of branches includes 14 branches. Four branches are in Tirana (Tirana 1, Tirana 2, Tirana 3 and Twin Towers) and other branches are located in Berat, Durrës, Elbasan, Fier, Korçë, Lezhë, Lushnjë, Sarandë, Shkodër and Vlorë.

The Bank had 425 employees as of 31 December 2022 (31 December 2021: 367). The average number of employees of the bank for the year ended 31 December 2022 is 392 (31 December 2021: 350).

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are prepared on a going concern basis, as management is satisfied that the Bank has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital, and liquidity of the Group.

Details of the Bank’s accounting policies are included in Note 3.

2. Basis of preparation (continued)

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets at FVOCI which have been measured at fair value.

c) Functional and presentation currency

The financial statements are presented in Albanian Lekë (ALL) rounded to the nearest thousand, which is the Bank's functional currency.

Management chose ALL as the functional currency due to the fact that the Bank operates in an environment whose prices, in the judgment of Management, are driven by the domestic currency ALL. Costs and contracts are driven by ALL, even if their formal denomination is in different currencies.

d) Use of estimated and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

A. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

- Note 3 (f) (ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

- Note 5 (c): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is included in the following notes.

- Note 4 (c): impairment of financial instruments: determining inputs into the ECL impairment model, including incorporation of forward-looking information
- Note 3 (f) (vii): determination of the fair value of financial instruments with significant unobservable inputs
- Note 3 (e) (ii): recognition of deferred tax assets
- Note 3(o): recognition and measurement of contingencies: key assumption about the likelihood and magnitude of an outflow of resources
- Note 3 (l): net realizable value of inventory: fair value measurement with significant unobservable inputs
- Note 3 (f) (viii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

3. Significant accounting policies

a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized costs in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognized in profit or loss.

b) Interest

Effective Interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The ‘gross carrying amount of a financial asset’ is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

3. Significant accounting policies (continued)

b) Interest (continued)

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(g)(viii).

c) Fees and commission

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liabilities are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognized as the related services are performed. If a loan commitment is not expected to result in a draw-down of a loan, then the related loan commitment fees are recognized on a straight-line basis over the commitment period.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fees and commission income and expenses arise on financial services operated by the Bank and are recognized when the corresponding service is provided or received.

d) Net trading income

Net trading income comprises gains less losses related to realized and unrealized foreign exchange differences.

3. Significant accounting policies (continued)

e) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities

(iii) Recognition

The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(iv) Classification

On initial recognition, the Bank classified a financial asset as measured at amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows;

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

-the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

– contingent events that would change the amount and timing of cash flows;- leverage features; - prepayment and extension terms;

- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans);

- and features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or fair value through profit or loss. See accounting policy 3.o.

(v) Derecognition

Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers in whom control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized in its entirety if it meets the derecognizing criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. The Bank writes off certain loans when they are determined to be uncollectible (see note 3.f.viii).

Financial Liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(vi) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see iii) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

– other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see 3.g.(viii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see 3 (b)).

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(iv) Modification of financial assets and financial liabilities (continued)

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss. Consideration paid includes nonfinancial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

(vi) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vii) Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(vii) Fair Value Measurement (continued)

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data, or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(viii) Impairment

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;

- financial guarantee contracts issued; and

- loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(viii) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

or

- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In assessing whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.

- The rating agencies' assessments of creditworthiness.

- The country's ability to access the capital markets for new debt issuance.

- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. Significant accounting policies (continued)

f) Financial assets and financial liabilities (continued)

(viii) Impairment (continued)

Credit-impaired financial assets (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortized cost*: as a deduction from the gross carrying amount of the assets;

- *loan commitments and financial guarantee contracts*: generally, as a provision;

- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; *and*

- *debt instruments measured at FVOCI*: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid investments with original maturity of three months or less.

h) Loans and advances to customers

Loans and advances captions in the statement of financial position include loans and advances measured at amortized cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statements.

3. Significant accounting policies (continued)

i) Investment Securities

The "investment securities" caption in the statement of financial position includes

- debt investment securities measured at amortized cost (see f (ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;

- debt securities measured at FVOCI;

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- Interest revenue using the effective interest method

- ECL and reversals, and

- Foreign exchange gains and losses

When debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

j) Property and equipment

Items of property and equipment are measured at their acquisition cost less accumulated depreciation and accumulated impairment losses. Useful life is estimated based on Management expectations on the serviceability of assets.

Depreciation is calculated on a straight-line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over the expected useful lives of each part of an item of property and equipment. The following are the useful lives:

Buildings and leasehold improvements	5-50 years
Fittings, fixtures and installations	10 years
Motor vehicles	10 years
Machinery and electronic equipment	10 years
Computer and IT system equipment	5 years
Other office equipment	10 years

Assets are not depreciated until they are brought into use and transferred from assets during construction into the relevant asset category.

k) Intangible assets

Intangible assets are stated at cost less accumulated amortization and any impairment losses. Amortization is calculated on a straight-line basis over the expected useful life of the asset. The following are the useful lives:

Patents, copyrights and trademarks	5 years
Software & other intangible assets	5 years

3. Significant accounting policies (continued)

l) Repossessed assets

Repossessed assets acquired through enforcement of security over non-performing loan and advances to customer that are not held for sale, do not earn rental, not own used and are intended for disposal in a reasonably short period of time, without significant restructuring, are classified as inventory. Repossessed assets are measured at the lower of cost and net realizable value and any write down is recognized in the profit or loss. Any gain or loss on disposal is recognized in profit or loss.

m) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

n) Deposits

Deposits are the Bank's main sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo" or "stock lending"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Deposits and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

o) Provisions

A provision is recognized if the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. Significant accounting policies (continued)

p) Climate related matters

Risk induced by climate changes may have future averse effects on the Bank's business activity. These risks include transition risk (eg regulatory changes and reputational risk) and physical risk (even if the risk of physical damage is low due to the Bank activities and geographical locations). How the Bank operate its business may be affected by new regulatory and amendments.

Consistent with prior year, as at 31 December 2022, Bank has not identified significant risks induced by the climate changes that could negatively and materially affect the Bank's financial statements. Management continuously assess the impact of climate related matters.

Assumptions could change in the future in response to forthcoming environmental and regulatory regulations and new commitments taken. These changes, if not anticipated, could have an impact on the Bank's future cash flows, financial performance and financial position.

q) New standards, interpretations and amendments not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Disclosures of accounting policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8).

4. Risk Management Disclosures

Below is a discussion of the various risks the Bank is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

a) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank makes its best efforts to maintain a balance between continuity of funding and flexibility using liabilities with a range of maturity. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy. As of 31 December 2022, the thirty largest non-financial institution depositors represent 18.54% (2021: 13.01%) of total deposits from other customers.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

a) Liquidity risk (continued)

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

Maturity table as of 31 December 2022

	Payable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year	Maturity not defined	Total
Financial Assets							
Cash and balances with Central Bank	3,170,472	-	-	-	-	-	**3,170,472**
Restricted balances	-	-	-	-	-	3,268,442	**3,268,442**
Investment in securities at FVOCI	-	669,474	306,857	286,963	2,352,739	-	**3,616,033**
Investment in securities at amortized		161,225	719,847	2,121,317	6,090,769	-	**9,093,158**
Loans and advances to banks and financial institutions	2,606,156	1,124,285	-	-	-	-	**3,730,441**
Loans and advances to customers	-	418,761	372,230	1,982,058	22,458,088	-	**25,231,137**
Total	**5,776,628**	**2,373,745**	**1,398,934**	**4,390,338**	**30,901,596**	**3,268,442**	**48,109,683**
Financial Liabilities							
Due to banks	665,188	-	-	2,517,041	-	-	**3,182,229**
Due to customers	19,446,853	2,121,027	1,182,217	9,058,465	7,060,598	-	**38,869,160**
Liabilities evidenced by paper	-	453,452	-	-	-	-	**453,452**
Subordinated term debt	-	-	-	-	1,133,621	-	**1,133,621**
Lease liabilities	-	5,074	10,182	44,515	741,968	-	**801,739**
Other liabilities	-	-	-	-	-	418,160	**418,160**
Total	**20,112,041**	**2,579,553**	**1,192,399**	**11,620,021**	**8,936,187**	**418,160**	44,858,361
Net liquidity gap	**(14,335,413)**	**(205,808)**	**206,535**	**(7,229,683)**	**21,965,409**	**2,850,282**	**3,251,322**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

a) Liquidity risk (continued)

Maturity table as of 31 December 2021

	Payable on demand	Less than 1 month	Between 1 and 3 months	Between 3 and 1 year	More than 1 year	Maturity not defined	Total
Financial Assets							
Cash and balances	898,338	-	-	-	-	-	**898,338**
Restricted balances	-	-	-	-	-	2,713,545	**2,713,545**
Investment in securities at FVOCI	-	252,818	1,992,558	1,577,080	7,769,854	-	**11,592,310**
Loans and advances to banks and financial institutions	1,893,261	2,340,919	-	-	-	-	**4,234,180**
Loans and advances to customers	-	545,549	225,840	1,185,320	18,689,282	-	**20,645,991**
Total	**2,791,599**	**3,139,286**	**2,218,398**	**2,762,400**	**26,459,136**	**2,713,545**	**40,084,365**
Financial Liabilities							
Due to banks	424,467	-	-	-	-	-	**424,467**
Due to customers	17,401,070	2,112,623	1,198,381	7,202,840	6,417,884	-	**34,332,798**
Liabilities evidenced by paper	-	356,650	529,889	-	-	-	**886,539**
Subordinated term debt	-	-	-	2,368	591,724	-	**594,092**
Lease liabilities	-	5,386	10,746	47,956	838,602	-	**902,690**
Other liabilities	-	-	-	-	-	134,659	**134,659**
Total	**17,825,537**	**2,474,659**	**1,739,016**	**7,253,164**	**7,848,210**	**134,659**	**37,275,245**
Net liquidity gap	**(15,033,938)**	**664,627**	**479,382**	**(4,490,764)**	**18,610,926**	**2,578,886**	**2,809,119**

The Bank expects cash flows on certain financial assets and financial liabilities to vary significantly from the remaining contractual cash flows presented above. The principal differences are as follows:

- 70% of the restricted balances with central bank for deposits in ALL is available for the Bank's day-to-day operations and otherwise used for any Bank liquidity needs.
- Investment in securities at FVOCI have a remaining contractual maturity from 1 month to 14 years but management may not keep those until final maturity.
- A large portion of saving and current accounts due from customers are reinvested or rolled over despite being in the category "less than 1 month".

4. Risk Management Disclosures (continued)

b) Market risk

Interest rate risk

The Bank evaluates the Interest rate risk as the risk that its interest rate gap from interest bearing assets and liabilities might vary due to unexpected changes of core interest rates in the market. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as the Bank of Albania repo rate, the LIBOR and EURIBOR. In addition, the actual effect will depend on several other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within reprising periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Bank measures the impact of a change in the market rates on net interest income.

The interest rate risk on the Bank's net interest income one year forward following a change of +100bp/-100bp as of 31 December 2022 is ALL +47/-47 million (2021: ALL +11/-11 million). An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is shown in the following table where the effective interest rates as indicated on 31 December 2022 and the periods in which financial liabilities and assets reprise.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Interest rate risk (continued)

On 31 December 2022 the effective interest rates were:

				Fixed Rate Instruments			
	Total	Weighted avg. effective IR	Floating rate instruments	<=1 month	1-3 months	3 months 1 year	More than 1 year
Financial Assets							
Cash and balances with Central Bank	3,170,472	-	-	3,170,472	-	-	-
Restricted balances	3,268,442	0.86%	-	3,268,442	-	-	-
Investment in securities at FVOCI	3,616,033	2.76%	-	669,474	306,857	286,963	2,352,739
Investment in securities at amortized cost	9,093,158	4.01%	-	161,225	719,847	2,121,317	6,090,769
Loans and advances to banks and financial institutions	3,730,441	2.80%	2,156,677	1,573,764	-	-	-
Loans and advances to customers	25,231,137	7.57%	21,332,590	279,642	40,159	396,619	3,182,127
Total	**48,109,683**	**4.45%**	**23,489,267**	**9,123,019**	**1,066,863**	**2,804,899**	**11,625,635**
Financial Liabilities							
Due to banks	3,182,229	1.27%	-	665,188	-	2,517,041	-
Due to customers	38,869,160	0.82%	-	21,567,880	1,182,217	9,058,465	7,060,598
Liabilities evidenced by paper	453,452	2.60%	-	453,452	-	-	-
Subordinated term debt	1,133,621	3.96%	-	-	-	-	1,133,621
Lease liabilities	801,739	2.55%	-	5,074	10,182	44,515	741,968
Other liabilities	418,160	0.00%	-	418,160	-	-	-
Total	**44,858,361**	**0.97%**	**-**	**23,109,754**	**1,192,399**	**11,620,021**	**8,936,187**
REPRICING / DURATION GAP	**3,251,322**	**3.48%**	**23,489,267**	**(13,986,735)**	**(125,536)**	**(8,815,122)**	**2,689,448**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Interest rate risk (continued)

On 31 December 2021 the effective interest rates were:

	Total	Weighted avg. effective IR	Floating rate instruments	Fixed Rate Instruments			
				<=1 Month	1-3 months	3 months 1 year	More than 1 year
Financial Assets							
Cash and balances with Central Bank	898,338	-	-	898,338	-	-	-
Restricted balances	2,713,545	-0.19%	2,713,545	-	-	-	-
Investment in securities at FVOCI	11,592,311	3.48%	-	252,818	1,992,558	1,577,080	7,769,855
Loans and advances to banks and financial institutions	4,234,180	0.05%	955,782	3,278,398	-	-	-
Loans and advances to customers	20,645,991	4.96%	17,349,264	259,087	12,865	304,872	2,719,903
Total	**40,084,365**	**3.56%**	**21,018,591**	**4,688,641**	**2,005,423**	**1,881,952**	**10,489,758**
Financial Liabilities							
Due to banks	424,467	0.00%	-	424,467	-	-	-
Due to customers	34,332,798	0.86%	-	19,513,693	1,198,381	7,202,840	6,417,884
Liabilities	886,539	0.50%	-	356,650	529,889	-	-
Subordinated	594,092	3.91%	-	-	-	2,368	591,724
Lease liabilities	902,690	2.55%	-	5,386	10,746	47,956	838,602
Other liabilities	134,659	0.00%	-	134,659	-	-	-
Total	**37,275,245**	**0.92%**	**-**	**20,434,855**	**1,739,016**	**7,253,164**	**7,848,210**
REPRICING / DURATION GAP	**2,809,120**	**2.63%**	**21,018,591**	**(15,746,214)**	**266,407**	**(5,371,212)**	**2,641,548**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank is exposed to currency risk through transactions in foreign currencies and on financial instruments that are denominated in a foreign currency.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognized in the profit or loss. These exposures relate to those monetary assets and monetary liabilities of the Bank that are not denominated in the presentation currency of the Bank.

As of 31 December 2022, the exposures were as follows (with all amounts denominated in foreign currency being translated to ALL):

	ALL	USD	EUR	OTHER	TOTAL
Financial Assets					
Cash and balances with Central Bank	1,570,630	138,425	1,405,052	56,365	**3,170,472**
Restricted balances	1,025,236	159,409	2,083,797	-	**3,268,442**
Investment in securities at FVOCI	2,070,458	403,130	1,142,445	-	**3,616,033**
Investment in securities at amortized cost	8,135,422	-	957,736	-	**9,093,158**
Loans and advances to banks and financial institutions	910,136	400,689	2,366,139	53,477	**3,730,441**
Loans and advances to customers	9,269,874	249,916	15,711,295	52	**25,231,137**
Assets held for sale	618,407	-	-	-	**618,407**
Total	**23,600,163**	**1,351,569**	**23,666,464**	**109,894**	**48,728,090**
Financial Liabilities					
Due to banks	665,177	8	2,517,044	-	**3,182,229**
Due to other customers	18,397,009	1,316,195	19,046,705	109,251	**38,869,160**
Liabilities evidenced by paper	453,452	-	-	-	**453,452**
Subordinated term debt			1,133,621	-	**1,133,621**
Lease liabilities	22,990	-	778,749	-	**801,739**
Other liabilities	295,503	63,864	58,741	51	**418,159**
Total	**19,834,131**	**1,380,067**	**23,534,860**	**109,302**	**44,858,360**
Net Currency position	**3,766,032**	**(28,498)**	**131,604**	**592**	**3,869,730**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Currency risk (continued)

As of 31 December 2021, the exposures were as follows (with all amounts denominated in foreign currency being translated to ALL):

	ALL	USD	EUR	OTHER	TOTAL
Financial Assets					
Cash and balances with Central Bank	335,708	122,101	407,561	32,968	**898,338**
Restricted balances	766,505	160,594	1,786,446	-	**2,713,545**
Investment in securities at FVOCI	9,311,903	-	2,280,408	-	**11,592,311**
Loans and advances to banks and financial institutions	2,220,158	787,087	1,177,041	49,894	**4,234,180**
Loans and advances to customers	8,005,834	336,964	12,303,143	50	**20,645,991**
Assets held for sale	547,372	-	-	-	**547,372**
Total	**21,187,480**	**1,406,746**	**17,954,599**	**82,912**	**40,631,737**
Financial Liabilities					
Due to banks	424,459	7	1	-	**424,467**
Due to other customers	16,461,776	1,395,635	16,395,622	79,765	**34,332,798**
Liabilities evidenced by paper	886,539	-	-	-	**886,539**
Subordinated term debt			594,092		**594,092**
Lease liabilities	23,445	-	879,245	-	**902,690**
Other liabilities	117,434	5,136	12,089	-	**134,659**
Total	**17,913,653**	**1,400,778**	**17,881,049**	**79,765**	**37,275,245**
Net Currency position	**3,273,827**	**5,968**	**73,550**	**3,147**	**3,356,492**

In respect of monetary assets and liabilities denominated in foreign currencies that are not economically hedged, the Bank manages foreign currency risk in line with a policy that sets limits on currency positions and dealer limits.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk

The Bank is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. In this respect, the credit risk for the Bank stems from the possibility that different counterparties might default on their contractual obligations. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

According to the Bank's methodology, all exposures are classified between Performing (including Stage 1 and Stage 2) and Non- Performing exposures (Stage 3).

The following table summarizes the criteria that Fibank has approved for Staging of Loans:

Stage 1	Stage 2	Stage 3
▫ Performing exposures up to 30 days past due.	▫ Performing exposures more than 30 days past due. ▫ Forborne performing exposures up to 30 days	▫ Exposures classified as non-performing under the Bank of Albania regulation ▫ Forborne performing exposures more than 30 days past due.

The application of each criterion is described below:

- Stage 1 is assigned to performing exposures if none of Stage 2 & 3 criteria is met.
- The indicators of significant increase of credit risk that classify a loan into Stage 2 are the following:
    - Counterparties in a situation of more than 30 days past due.
    - Forborne status in the last 12 months for performing exposures (FPE). Forborne / restructured is identified as another criterion of credit deterioration since it represents a risk of concession towards a client facing or about to face difficulties in meeting its financial commitments.
- The indicators of significant increase of credit risk that classify a loan into Stage 3 are the following:
    - Counterparties classified as substandard (more than 90 days in delay) or worse under the Bank of Albania Regulation "On Credit Risk Management"
    - Restructured /Forborne performing exposures (FPE) restructured /forborne in the last 12 months that are more than 30 days in delay at the reporting date.
    - Debtor is considered unlikely to pay because Bank has information of (i) significant financial difficulties, (ii) legal actions started for the borrower from state authorities etc. (iii) disappearance of an active market where the borrower had a market share because of financial difficulties.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Credit quality by class of financial assets

The following table sets out information about the credit quality of loans and advances measured at amortized cost and FVOCI debt investments for the year ended in December 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
-Performing	23,646,786	844,883	-	**24,491,669**
-Past due	-	-	821,917	**821,917**
-Unlikely to pay	-	-	311,066	**311,066**
-Doubtful	-	-	589,078	**589,078**
Total	**23,646,786**	**844,883**	**1,722,061**	**26,213,730**
Loss allowance	**(388,086)**	**(131,577)**	**(462,930)**	**(982,593)**
Carrying amount	**23,258,700**	**713,306**	**1,259,131**	**25,231,137**
Investment securities at FVOCI				
-Performing	3,616,033	-	-	3,616,033
Total	**3,616,033**	**-**	**-**	**3,616,033**
Carrying amount	**3,616,033**	**-**	**-**	**3,616,033**
Loss allowance	**(10,248)**			**(10,248)**
Investment securities at amortised cost				
-Performing	9,104,223	**-**	**-**	9,104,223
Total	**9,104,223**			**9,104,223**
Loss allowance	**(11,065)**			**(11,065)**
Carrying amount	**9,093,158**			**9,093,158**

Loss allowance for investment securities at FVOCI is recognized in comprehensive income and not as a contra account to the carrying amount of the financial asset in the statement of financial position (see Note 3 (f) (viii) Presentation of allowance for ECL in the statement of financial position).

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Credit quality by class of financial assets (continued)

The following table sets out information about the credit quality of loans and advances measured at amortized cost, FVOCI debt investments for the year ended in December 2021.

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
-Performing	18,454,849	1,329,485	-	**19,784,334**
-Past due	-	-	967,040	**967,040**
-Unlikely to pay	-	-	197,034	**197,034**
-Doubtful	-	-	642,789	**642,789**
Total	**18,454,849**	**1,329,485**	**1,806,863**	**21,591,197**
Loss allowance	**(217,468)**	**(208,829)**	**(518,909)**	**(945,206)**
Carrying amount	**18,237,381**	**1,120,656**	**1,287,954**	**20,645,991**
Investment securities at FVOCI				
-Performing	11,592,311	-	-	**11,592,311**
Total	**11,592,311**	**-**	**-**	**11,592,311**
Carrying amount	**11,592,311**	**-**	**-**	**11,592,311**
Loss allowance	**(21,853)**	**-**	**-**	**(21,853)**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Credit quality by class of financial assets (continued)

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

As per days past due as of 31 December 2022:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
-Current	20,190,631	75,163	-	20,265,794
-Overdue < 30 days	3,456,155	28,587	375,146	3,859,888
-Overdue > 30 days	-	741,133	1,346,915	2,088,048
Total	**23,646,786**	**844,883**	**1,722,061**	**26,213,730**

As of 31 December 2021:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
-Current	16,245,616	145,741	-	16,391,357
-Overdue < 30 days	2,162,525	308,148	245,579	2,716,252
-Overdue > 30 days	46,708	875,596	1,561,284	2,483,588
Total	**18,454,849**	**1,329,485**	**1,806,863**	**21,591,197**

Amount arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3 (f)(viii).

The Bank complied with the “Rules on the measurement of expected credit loss pursuant to standard IFRS 9 (Impairment Policy)” approved by Steering Council which defines the methodological rules adopted on Stage Assignment and on calculation of Expected Credit Loss for the financial assets included in the following accounting categories: Amortized Cost (“AC”) and Fair Value Through Other Comprehensive Income (“FVOCI”) pursuant to IFRS 9 standard. Performing Portfolio is divided into two distinct Stages (Stage 1 for which 12- month expected loss is calculated and Stage 2 for which lifetime expected loss is calculated) and the inclusion of forward-looking elements when assessing expected loss. For the Non –Performing category (Stage 3 according to IFRS 9 standard) an Add-On calculation is used when calculating expected loss in order to include forward looking elements. Assessments for impairment are made in accordance with the Impairment Methodology of expected credit loss pursuant to standard IFRS 9 (Impairment Policy)” according to which the performing category is subject to collective assessment for impairment, while the other three categories (non-performing) can be subject to either individual or collective assessment for impairment.

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure.

Generally, there is a significant increase in credit risk before a financial asset becomes credit-impaired or an actual default occurs: this simple fact is crucial to the purpose of IFRS9, which aims at recognizing expected losses in a timely manner.

Together with "quantitative" indicators for increase in credit risk, a number of "qualitative" ones can support the assessment. The IFRS9 Principle itself specifies a non-exhaustive list of such indicators, among those figures:

- an actual or expected significant change in the operating results of the borrower;
- decisions by the Bank that credit risk on that instrument is significantly higher or that additional collateral and/or covenant should be required with respect to when that specific instrument was originated;
- significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- changes in the Bank's credit management approach in relation to the financial instrument.

In practice, qualitative and quantitative indicators can be employed together.

Definition of default

In terms of Stage 3, IFRS 9 specifies that when defining default for the purposes of determining the risk of a default occurring, the Bank shall apply a default definition that is in compliance with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. In any case, guidelines from competent authorities specify that institutions should be guided by the definition used for regulatory purposes provided in Article 178 of Regulation (EU) 575/2013 (Capital Requirement Regulation CRR).

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Amount arising from ECL (continued)

Expected credit losses

The framework, IFRS 9 (International Financial Reporting Standard) – Financial Instruments, is based on the estimation of expected losses. When significant deterioration of the credit quality is recognized, the new concept of Lifetime expected loss is introduced. Lifetime expected loss covers expected loss for the whole IFRS 9 specifies that if the credit risk on a financial instrument has increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to Lifetime expected credit losses and if the credit risk on such instrument has not increased significantly, 12-months expected losses should be calculated instead.

For performing exposures without a significant increase in credit risk that are classified in Stage 1, at the origination of each non-impaired financial instrument, 12-months expected credit losses are recognized. The formulas used for impairment calculation for IFRS9 purposes for 12-months Expected Loss (Stage 1) is by multiplying the 12-month PD by LGD and EAD.

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of loss rates from defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD is an estimate of the total exposure at the reporting date, taking into account expected changes in the exposure after reporting date, including expected drawdowns on committed facilities. The credit conversion factor is used to convert the amount of a credit line (the unused part) and other off-balance sheet amounts to an EAD amount. It is a modelled assumption, which represents a proportion of any undrawn exposure that is expected to be drawn prior to default event occurring. For each type of product, the CCF factor the Bank is applying is as below:

Unused part of Term Loans= 0%

Unused part of Overdrafts= 100%

Unused part of Credit Cards = 100%

Unused part of Credit Cards classified as “blocked”, “closed” or “Grey List” = 0%

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Amount arising from ECL (continued)

The following tables show reconciliations from the opening to the closing balance for loans and advances to customers.

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Balance on 1 January	18,454,849	1,329,485	1,806,863	**21,591,197**
-Transfer to stage 1	338,326	(267,629)	(70,697)	**-**
-Transfer to stage 2	(620,604)	650,687	(30,083)	**-**
-Transfer to stage 3	(132,153)	(209,658)	341,811	**-**
-Net remeasurement	(2,302,154)	(131,170)	(94,592)	**(2,527,916)**
-New loans originated	9,548,476	169,762	28,516	**9,746,754**
-Write-offs	-	-	(233,058)	**(233,058)**
-Other movements	(1,639,954)	(696,594)	(26,699)	**(2,363,247)**
Balance on 31 December	**23,646,786**	**844,883**	**1,722,061**	**26,213,730**
Loss allowances				
Balance on 1 January	217,468	208,829	518,909	**945,206**
-Transfer to stage 1	50,968	(46,251)	(4,717)	**-**
-Transfer to stage 2	(6,994)	27,160	(20,166)	**-**
-Transfer to stage 3	(1,660)	(25,320)	26,980	**-**
-Net remeasurement	(13,845)	64,282	53,449	**103,886**
-New loans originated	163,538	21,159	13,995	**198,692**
-Write-offs	-	-	(111,010)	**(111,010)**
-Other movements	(21,389)	(118,282)	(14,510)	**(154,181)**
Balance on 31 December	**388,086**	**131,577**	**462,930**	**982,593**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Amount arising from ECL (continued)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
Balance on 1 January	15,488,064	1,108,944	1,311,210	**17,908,218**
-Transfer to stage 1	225,402	(168,324)	(57,078)	**-**
-Transfer to stage 2	(828,013)	832,885	(4,872)	**-**
-Transfer to stage 3	(427,732)	(251,077)	678,809	**-**
-Net remeasurement of loss allowances	(1,875,627)	(86,853)	(25,540)	**(1,988,020)**
-New loans originated	7,973,075	158,562	34,130	**8,165,767**
-Write-offs	-	-	(44,481)	**(44,481)**
-Other movements	(2,100,320)	(264,652)	(85,315)	**(2,450,287)**
Balance on 31 December	**18,454,849**	**1,329,485**	**1,806,863**	**21,591,197**
Loans and advances to customers				
Balance on 1 January	177,611	202,335	430,131	**810,077**
-Transfer to stage 1	32,496	(25,508)	(6,988)	**-**
-Transfer to stage 2	(7,672)	9,148	(1,476)	**-**
-Transfer to stage 3	(4,469)	(39,339)	43,808	**-**
-Net remeasurement of loss allowances	(48,765)	64,578	76,471	**92,284**
- New loans originated	92,940	43,949	28,244	**165,133**
-Write-offs	-	-	(19,495)	**(19,495)**
-Other movements	(24,673)	(46,334)	(31,786)	**(102,793)**
Balance on 31 December	**217,468**	**208,829**	**518,909**	**945,206**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Amount arising from ECL (continued)

Loss allowances (continued)

The exposures as per risk category on 31 December 2022 were as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
-Standard	23,587,537	508,161	10	**24,095,708**
-Watch	59,249	336,722	109,181	**505,152**
-Substandard	-	-	712,726	**712,726**
-Doubtful	-	-	311,066	**311,066**
-Lost	-	-	589,078	**589,078**
Total	**23,646,786**	**844,883**	**1,722,061**	**26,213,730**
Loss allowances				
-Standard	(387,083)	(87,196)	(10)	**(474,289)**
-Watch	(1,003)	(44,381)	(28,344)	**(73,728)**
-Substandard	-	-	(65,973)	**(65,973)**
-Doubtful	-	-	(19,291)	**(19,291)**
-Lost	-	-	(349,312)	**(349,312)**
-Total	**(388,086)**	**(131,577)**	**(462,930)**	**(982,593)**
Net exposure				
-Standard	23,200,454	420,965	-	**23,621,419**
-Watch	58,246	292,341	80,837	**431,424**
-Substandard	-	-	646,753	**646,753**
-Doubtful	-	-	291,775	**291,775**
-Lost	-	-	239,766	**239,766**
Total	**23,258,700**	**713,306**	**1,259,131**	**25,231,137**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

The exposures as of 31 December 2021 were as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
-Standard	18,393,013	556,099	115	**18,949,227**
-Watch	61,836	773,386	159,789	**995,011**
-Substandard	-	-	807,136	**807,136**
-Doubtful	-	-	197,034	**197,034**
-Lost	-	-	642,789	**642,789**
Total	**18,454,849**	**1,329,485**	**1,806,863**	**21,591,197**
Loss allowances				
-Standard	(216,736)	(78,176)	(95)	**(295,007)**
-Watch	(732)	(130,653)	(5,621)	**(137,006)**
-Substandard	-	-	(69,678)	**(69,678)**
-Doubtful	-	-	(48,887)	**(48,887)**
-Lost	-	-	(394,628)	**(394,628)**
-Total	**(217,468)**	**(208,829)**	**(518,909)**	**(945,206)**
Net exposure				
-Standard	18,176,277	477,923	20	**18,654,220**
-Watch	61,104	642,733	154,168	**858,005**
-Substandard	-	-	737,458	**737,458**
-Doubtful	-	-	148,147	**148,147**
-Lost	-	-	248,161	**248,161**
Total	**18,237,381**	**1,120,656**	**1,287,954**	**20,645,991**

In addition, the Bank is exposed to off-balance sheet credit risk through commitments to extend credit and guarantees issued (see note 31).

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by location and type of customer in relation to the Bank's investments, loans and advances, commitments to extend credit and guarantees issued.

Write-off policy

The Bank writes off a loan (and any related allowances for impairment losses) when the Bank's Steering Council determines that the loans are uncollectible. This is generally the case when the Steering Council determines that significant changes in the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The loan is classified as lost for regulatory reporting purpose for a period of at least 3 years. The Bank's policy is also in compliance with the amended Regulation no.62 dated 14.09.2011 "On Administration of Credit Risk for Banks and Foreign Banks Subsidiaries".

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

An analysis of concentration of credit risk by economic sector and their respective impairment allowances for loans and advances to customers are presented in the table below:

	As at 31 December 2022	As at 31 December 2021
Trade	4,231,113	4,027,570
Private individuals	11,831,744	9,259,805
Communication	106,451	156,065
Construction	3,086,361	1,891,929
Tourism	1,460,286	1,686,174
Agriculture	105,385	311,064
Transportation	445,107	568,047
Industry	2,326,037	1,748,902
Services	1,991,589	1,473,664
Finance	629,657	467,977
Gross credit risk	**26,213,730**	**21,591,197**
Trade	(182,764)	(160,515)
Private individuals	(435,923)	(397,775)
Communication	(4,834)	(2,268)
Construction	(122,787)	(84,932)
Tourism	(59,808)	(128,684)
Agriculture	(3,533)	(47,511)
Transportation	(9,111)	(6,480)
Industry	(81,783)	(61,265)
Services	(66,278)	(50,159)
Finance	(15,772)	(5,617)
Less allowance for impairment	**(982,593)**	**(945,206)**
Net Credit Risk	**25,231,137**	**20,645,991**

The amounts reflected in the tables represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits for the Bank's obligations. The extent of collateral held for guarantees and letters of credit is at least 100 percent of the amount extended.

Collateral for loans, guarantees, and letters of credit is usually in the form of cash, mortgage, inventory, listed investments, or other property.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Collaterals held and other credit enhancements

The estimated cash flows derived from the collateral, including guarantees securing the exposures, are usually the main source of future cash flows from non-performing loans. Some of the valuation parameters used for the calculation are:

- Realizable value of collaterals, which is estimated by reducing the appraised market value of the collateral with a discount factor. This takes into account the characteristics of similar groups of collaterals. It presumes an average recoverable value of specific collateral, based on the Bank's experience.
- Timing of the expected cash flow, which represents the expected recovery time (in years) for a specific type of collateral.

Collateral, generally, is not held over loans and advances to financial institutions, except when securities are held as part of reverse repurchase and securities borrowing activity. Usually, collateral is not held against investment securities, and no such collateral was held on 31 December 2022 and 2021. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated every one to three years.

The table below shows a breakdown of total credit extended to customers by the Bank and their respective impairment allowances, other than financial institutions, by type of collateral, up to a maximum of the outstanding liability:

	As at 31 December 2022	As at 31 December 2021
Money deposits	2,039,253	1,071,677
Mortgage	18,883,245	16,729,387
Guarantee	102,109	179,412
Pledge of machines	973,346	807,452
Pledge of receivables	288,110	226,811
Other collateral	3,927,667	2,576,458
Gross credit risk	**26,213,730**	**21,591,197**
Money deposits	(46,923)	(34,189)
Mortgage	(400,272)	(481,068)
Guarantee	(2,417)	(3,387)
Pledge of machines	(63,754)	(69,992)
Pledge of receivables	(40,999)	(31,365)
Other collateral	(428,228)	(325,205)
Less allowance for impairment	**(982,593)**	**(945,206)**
Net Credit Risk	**25,231,137**	**20,645,991**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

Maximum credit exposure

The table below shows maximum credit exposure for balance and off-balance sheet items as of 31 December 2022.

	As at 31 December 2022	As at 31 December 2021
Cash and balances with central bank	3,170,472	898,338
Restricted balances	3,268,442	2,713,545
Investment in securities at FVOCI	3,616,033	11,592,311
Investment in securities at amortised cost	9,093,158	-
Loans and advances to banks and financial institutions	3,730,441	4,234,180
Loans and advances to customers	25,231,137	20,645,991
Balance sheet credit risk	**48,109,683**	**40,084,365**
Commitments given to customers	1,228,474	818,779
Bank guarantees	272,803	174,270
Off-Balance sheet credit risk	**1,501,277**	**993,049**
Total exposure for credit risk	**49,610,960**	**41,077,414**

Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure, but not the maximum risk exposure that could arise in the future as a result of changes in values. The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Such commitments expose the Bank to similar credit risks, which are mitigated by the same control processes and policies. Every month, the Bank assesses the credit related commitments for impairment. Amounts subject to individual impairment assessment are non-cancellable commitments granted to non-performing customers or customers with restructured credit facilities.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

The following tables provide a summary of the Bank's forborne exposures as of 31 December 2022 and 2021.

31 December 2022									
		Performing Portfolio			Non-Performing Portfolio				
Loans & advances to customers	**Gross carrying amount**	**Modification to T&Cs**	**Refinancing**	**Total performing forborne loans**	**Modification to T&Cs**	**Refinancing**	**Total non-performing forborne loans**	**Total Forborne loans**	**Forbearance ratio**
Small and medium enterprises	14,299,369	2,425,769	173,574	2,599,342	35,649	722,066	757,715	3,357,058	23.48%
Consumer loans	2,725,363	56,648	32,109	88,758	10,127	18,994	29,121	117,878	4.33%
Mortgage loans	9,188,999	1,200,836	158,906	1,359,742	27,933	158,421	186,354	1,546,096	16.83%
Total	**26,213,731**	**3,683,253**	**364,589**	**4,047,842**	**73,709**	**899,481**	**973,190**	**5,021,032**	**19.15%**

31 December 2021									
		Performing Portfolio			Non-Performing Portfolio				
Loans & advances to customers	**Gross carrying amount**	**Modification to T&Cs**	**Refinancing**	**Total performing forborne loans**	**Modification to T&Cs**	**Refinancing**	**Total non-performing forborne loans**	**Total Forborne loans**	**Forbearance ratio**
Small and medium enterprises	12,237,486	3,080,380	366,116	3,446,496	15,965	837,228	853,193	4,299,689	35.1%
Consumer loans	1,971,585	115,920	37,288	153,208	9,330	36,112	45,442	198,650	10.1%
Mortgage loans	7,382,127	1,440,873	197,038	1,637,911	68,915	159,745	228,660	1,866,570	25.3%
Total	**21,591,198**	**4,637,173**	**600,442**	**5,237,615**	**94,210**	**1,033,085**	**1,127,295**	**6,364,909**	**29.5%**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

	31 December 2022							
	Gross amount of forborne loans				ECL allowance			
Loans & advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Small and medium enterprises	2,442,520	156,823	757,715	3,357,058	(50,143)	(21,433)	(99,505)	(171,081)
Consumer loans	60,725	28,032	29,121	117,878	(1,021)	(1,557)	(18,555)	(21,133)
Mortgage loans	1,231,736	128,006	186,354	1,546,096	(9,670)	(13,125)	(19,524)	(42,319)
Total	**3,734,981**	**312,861**	**973,190**	**5,021,032**	**(60,834)**	**(36,115)**	**(137,585)**	**(234,534)**

	31 December 2021							
	Gross amount of forborne loans				ECL allowance			
Loans & advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Small and medium enterprises	2,616,725	829,771	853,193	4,299,689	(29,160)	(159,406)	(140,928)	(329,494)
Consumer loans	118,654	34,554	45,442	198,650	(2,055)	(3,255)	(27,767)	(33,077)
Mortgage loans	1,496,146	141,764	228,660	1,866,570	(14,989)	(7,798)	(14,604)	(37,391)
Total	**4,231,525**	**1,006,089**	**1,127,295**	**6,364,909**	**(46,204)**	**(170,459)**	**(183,299)**	**(399,962)**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

The Bank during 2021 (up to 30 June 2021) has been encouraged, recommended and required by government and regulators to offer new loans to customers under 2- types of government Sovereign Loan.
1-Payment of salaries eligible within the Covid-19 program
2-Sovereign Loan within Covid-19 program, for business development ("Working Capital")

The following tables present the number of customer accounts and associated loan values of customers under government supported programs as of 31 December 2022 and 2021.

31 December 2022	Small and medium enterprises	Consumer loans	Mortgage loans	Total
Number of accounts with pending applications	-	-	-	-
Number of approved accounts	30	-	-	30
Loan value of customers under the scheme	570,210	-	-	570,210
% of portfolio	4.1%	0.0%	0.0%	2.3%

31 December 2021	Small and medium enterprises	Consumer loans	Mortgage loans	Total
Number of accounts with pending applications	-	-	-	-
Number of approved accounts	48	-	-	48
Loan value of customers under the scheme	868,570	-	-	868,570
% of portfolio	7.4%	0.0%	0.0%	7.4%

The following table present the gross carrying amount and corresponding ECL by stage for loans and advances to customers subject to payment reliefs provided under government supported programs as of 31 December 2022 and 2021.

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	471,222	59,595	49,014	579,831
% of portfolio	1.99%	7.05%	2.85%	2.21%
ECL	(9,621)	-	-	(9,621)
% of total ECL	2.5%	0.0%	0.0%	1.0%

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	731,670	144,987	-	876,657
% of portfolio	4.0%	10.9%	0.0%	4.1%
ECL	(8,087)	-	-	(8,087)
% of total ECL	3.7%	0.0%	0.0%	0.9%

4. Risk Management Disclosures (continued)

d) Capital management

Regulatory capital

The Bank's lead regulator, BoA sets and monitors capital requirements. In implementing current capital requirements, the Bank is required to maintain a minimum prescribed ratio of 12% of total capital to total risk-weighted assets. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank calculates requirements for credit risk for its exposures based on capital adequacy regulations established by the BoA. Exposures are taken into account using their statement of financial position amount. Off-balance-sheet credit related commitments are taken into account by applying different categories of conversion factors, designed to convert these items into statement of financial position equivalents. The resulting equivalent amounts are then weighted for risk using different percentages (0%, 20%, 50%, 100%, and 150%) depending on the class of exposure. Various credit risk mitigation techniques are used, for example collateralized transactions and guarantees. The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital (core capital), which includes ordinary share capital, share premium, statutory reserve, other general reserves, retained earnings from prior years and minority interests after deductions for goodwill, intangible assets and unrealized loss from available for sale investments.
- Tier 2 capital (supplementary capital), which includes qualifying subordinated liabilities, namely perpetual debt and subordinated term debt.

The following limits are applied to elements of the capital base: Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 33.3% of tier 1 capital. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The management of the Bank performs daily monitoring over all positions of assets and liabilities, income and expenses. The management analyzes profitability, liquidity and the cost of funds and implements measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting possible negative effects from the global financial and economic crisis. In this way the Bank responds to the challenges of the market environment, seeking to maintain a stable capital and liquidity position.

The Bank has complied with all externally imposed capital requirements throughout the period. According to the requirements of BoA the capital adequacy ratio as of 31 December 2022 was 15.08% (31 December 2021: 16.20%) compared to a minimum of 12% stipulated by the Bank of Albania.

5. Financial assets and liabilities

Accounting classification and fair values

The Bank's accounting policy on fair value measurement is discussed in accounting policy 3.f.(vii).

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:'

-Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

-Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

-Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and based on a current yield curve appropriate for the remaining term to maturity. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The Bank uses widely recognized valuation models for determining the fair value and use only observable market data and require little management judgments and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

As of 31 December 2022, and 2021 all financial instruments are measured at amortized cost, except available for sale assets which have been measured at fair value and the respective fair values have been disclosed in note 6. All financial assets and liabilities fair values disclosed have been measured based on Level 2 hierarchy.

In thousands of ALL, unless otherwise stated

5. Financial assets and liabilities (continued)

Accounting classification and fair values (continued)

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

As of 31 December 2022

	Note	Investment in securities at FVOCI	Investment in securities at amortized costs	Loans and Receivables	Other amortized cost	Total carrying amount	Fair Value
Cash and balances with Central Bank	14	-	-	3,170,472	-	3,170,472	3,170,472
Restricted balances	15	-	-	3,268,442	-	3,268,442	3,268,442
Investment in securities at FVOCI	16	3,616,033	-	-	-	3,616,033	3,616,033
Investment in securities at amortized costs	16	-	9,093,158	-	-	9,093,158	8,601,817
Loans and advances to banks and financial institutions	17	-	-	3,730,441	-	3,730,441	3,730,441
Loans and advances to customers	18	-	-	25,231,137	-	25,231,137	25,231,137
Due to credit institutions	23	-	-	3,182,229	-	3,182,229	3,182,229
Due to customers	24	-	-	38,869,160	-	38,869,160	38,869,160
Liabilities evidenced by paper	25	-	-	453,452	-	453,452	453,452
Subordinated debt	26	-	-	-	1,133,621	1,133,621	1,133,621
Lease liabilities	27	-	-	-	801,739	801,739	801,739
Other liabilities	28	-	-	-	418,160	418,160	418,160

In thousands of ALL, unless otherwise stated

5. Financial assets and liabilities (continued)

Accounting classification and fair values (continued)

As of 31 December 2021

	Note	Investment in securities at FVOCI	Loans and Receivables	Other amortized cost	Total carrying amount	Fair Value
Cash and balances with Central Bank	14	-	898,338	-	**898,338**	**898,338**
Restricted balances	15	-	2,713,545	-	**2,713,545**	**2,713,545**
Investment in securities at FVOCI	16	11,592,311	-	-	**11,592,311**	**11,592,311**
Loans and advances to banks and financial institutions	17	-	4,234,180	-	**4,234,180**	**4,234,180**
Loans and advances to customers	18	-	20,645,991	-	**20,645,991**	**20,645,991**
Due to credit institutions	23	-	424,467	-	**424,467**	**424,467**
Due to customers	24	-	34,332,798	-	**34,332,798**	**34,332,798**
Liabilities evidenced by paper	25	-	886,539	-	**886,539**	**886,539**
Subordinated debt	26	-	-	594,092	**594,092**	**594,092**
Lease liabilities	27	-	-	902,690	**902,690**	**902,690**
Other liabilities	28	-	-	134,659	**134,659**	**134,659**

The fair value of cash and cash equivalents, loan and advances to banks is approximately equal to the carrying value, because of their short-term maturity. The fair value of loans and advances to customers is approximately equal to their carrying value due to fact that the main part of the loan portfolio carries floating interest rates which reflect the changes in the market conditions.

In thousands of ALL, unless otherwise stated

6. Net interest income

	Year ended 31 December 2022	Year ended 31 December 2021
Interest and similar income		
Interest and similar income arise from:		
Placements with banks	20,170	6,270
Loans to individuals and households	563,403	419,069
Loans to small and medium enterprises	919,412	705,677
Income from securities transactions	435,430	449,631
	1,938,415	**1,580,647**
Interest expense and similar charges		
Interest expense and similar charges arise from:		
Deposits from banks	(22,647)	(7,560)
Deposits from customers	(284,606)	(308,234)
Repurchase agreements	(6,152)	(3,529)
Placements with banks	(13,130)	(21,521)
Interest on subordinated debt	(23,232)	(23,757)
Lease agreement and other	(21,818)	(23,673)
Amortization of premium on FVOCI securities	(20,067)	(31,978)
Amortization of premium on AC securities	(14,399)	-
	(406,051)	**(420,252)**
Net interest income	**1,532,364**	**1,160,395**

Included within various line items under interest income for the year ended 31 December 2022 is a total of ALL 195,719 thousand (2021: ALL 217,778 thousand) accrued on individually impaired loans.

In thousands of ALL, unless otherwise stated

7. Net fee and commission income

	Year ended 31 December 2022	Year ended 31 December 2021
Fee and commission income		
Customer accounts	242,975	185,046
Payments and transactions	64,351	63,172
Card business	114,449	71,157
Letters of credit and guarantees	6,815	4,938
Other	90,340	91,501
	518,930	**415,814**
Fee and commission expense		
Letters of credit and guarantees	(1,245)	(784)
Card business	(68,171)	(51,145)
Correspondent accounts	(7,557)	(5,793)
Payment transactions	(2,632)	(2,449)
Subordinated debt	(1,324)	(1,372)
Other	(8,645)	(8,038)
	(89,574)	**(69,581)**
Net fee and commission income	**429,356**	**346,233**

In other fees and commission income are included fees from depositary, custodian and brokerage services in the amount of ALL 64,379 thousand (2021: ALL 61,903 thousand). The first one derives from safekeeping of assets of investment and pension funds for which Fibank Albania serves as depositary. Custody fees are generated from the service of safekeeping corporate securities on behalf of the clients. Meanwhile brokerage services consist in intermediary for transaction with financial instruments, including participation in primary markets of Government of Albania securities on behalf of clients and execution of transactions on behalf of investment and pension funds for which Fibank Albania serves as depositary.

8. Net Foreign exchange gain

Foreign exchange revaluation gain/(loss) represents the net revaluation of the Bank’s foreign currency monetary assets and liabilities.

9. Other operating income

Other operating income mainly consists in net income from sale of investment securities at FVOCI in the amount of ALL 6,154 thousand (2021: ALL 117,794).

In thousands of ALL, unless otherwise stated

10. Personnel expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Wages and salaries	(363,743)	(321,338)
Compulsory social security obligations	(50,584)	(43,481)
Voluntary social security obligations	(5,878)	(3,693)
Training expenses	(4,951)	(3,694)
Other allowances to staff	(2,807)	(2,893)
Total	**(427,963)**	**(375,099)**

For the year ended on 31 December 2022, the Bank employed an average of 392 (2021: 350) staff and senior management.

11. General administrative expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Advertising and PR	(33,377)	(23,447)
Maintenance and repair	(40,335)	(36,068)
Administration, consultancy, and other costs	(111,757)	(100,757)
Audit fee	(2,696)	(2,027)
Total	**(188,165)**	**(162,299)**

Administration, consultancy, and other costs are detailed as per below:

	Year ended 31 December 2022	Year ended 31 December 2021
Data communication	(7,018)	(6,669)
Utilities	(14,619)	(14,688)
Office supplies	(11,037)	(9,046)
Security expenses	(22,384)	(20,275)
Subscriptions	(14,470)	(15,384)
Resolution fund	(14,727)	(12,890)
Other expenses	(27,502)	(21,805)
Administration, consultancy and other costs	**(111,757)**	**(100,757)**

In thousands of ALL, unless otherwise stated

12. Other income/(expenses), net

	Year ended 31 December 2022	Year ended 31 December 2021
Premium contribution to deposit insurance schemes	(103,975)	(94,346)
Penalties and fines	(237)	(389)
Other income/(expenses), net	163,059	21,774
Total	**58,847**	**(72,961)**

13. Income tax expense

The amount recognized in profit or loss:

	Year ended 31 December 2022	Year ended 31 December 2021
Current tax	(139,141)	(102,951)
Deferred tax	(6,217)	(3,674)
Income tax expense	**(145,358)**	**(106,625)**

The amount recognized in other comprehensive income:

	Year ended 31 December 2022	Year ended 31 December 2021
Investment in securities at FVOCI	54,116	6,655
Total	**54,116**	**6,655**

The following is a reconciliation of effective tax rate:

	2022	Effective Tax rate	2021	Effective Tax rate
Profit for the period	**879,149**		**615,306**	
Total income tax	145,358		106,625	
Profit excluding income tax expense	**1,024,507**		**721,931**	
Income tax using the Bank's domestic tax rate	153,676	15.0%	108,290	15.0%
Non-deductible expenses	1,134	0.1%	1,269	0.2%
Non-taxable income	(9,479)	-0.9%	(3,644)	-0.5%
Change in unrecognized temporary differences	27	0.0%	710	0.1%
Total tax expense	**145,358**	**14.2%**	**106,625**	**14.8%**

In thousands of ALL, unless otherwise stated

13. Income tax expense (continued)

	Year ended 31 December 2022	Year ended 31 December 2021
Profit for the period excluding tax expense	**1,024,507**	**721,931**
Non-deductible expenses	7,556	8,462
Personnel expenses	*2,807*	*2,893*
Other expenses	*4,749*	*5,569*
Amortization and depreciation expense	(5,600)	(7,257)
Non-taxable income	(63,196)	(24,293)
Effect of IFRS 16	(35,661)	(12,506)
Taxable profit	**927,606**	**686,337**
Current year tax @ 15% (2021: 15%)	**(139,141)**	**(102,951)**

Deferred taxes are calculated on all temporary differences by using tax rate of 15%. Movements in deferred tax are shown in the following table.

	2022	2021
Balance on 1 January	**(19,665)**	**(22,646)**
Accelerated depreciation of fixed assets	(867)	(1,798)
Revaluation of Investment in securities at FVOCI	54,116	6,655
As per IFRS 16	(5,349)	(1,876)
Deferred tax asset / (liability) on 31 December	**28,235**	**(19,665)**

Recognized deferred tax assets and liabilities as of 31 December 2022 and 2021 are attributable to the following:

	2022			2021		
	Assets	Liabilities	**Net**	Assets	Liabilities	**Net**
Accumulated depreciation	1,984	-	**1,984**	2,851	-	**2,851**
Lease liabilities	120,261	-	**120,261**	135,404	-	**135,404**
Investment in securities at FVOCI	29,968	-	**29,968**	-	(24,148)	**(24,148)**
Right of use assets	-	(123,978)	**(123,978)**	-	(133,772)	**(133,772)**
Net tax assets / (liabilities)	**152,213**	**(123,978)**	**28,235**	**138,255**	**(157,920)**	**(19,665)**

In thousands of ALL, unless otherwise stated

14. Cash and balances with Central Bank

	As at 31 December 2022	As at 31 December 2021
Cash on hand		
in Albanian Lek	259,368	335,708
in foreign currencies	662,719	562,357
Balances with central bank	2,248,385	273
Total	**3,170,472**	**898,338**

15. Restricted balances

	As at 31 December 2022	As at 31 December 2021
Statutory reserve	3,268,442	2,713,545
Total	**3,268,442**	**2,713,545**

Supervisory Council of Bank of Albania upon decision no.13, dated 7 February 2018, has set the minimum obligatory reserve for client deposits in Albanian Lek at 7.5% and 5.0%, respectively, of outstanding deposits with maturity less than 12 months and with maturity between 1 and 2 years.

Meanwhile, the required reserve ratio is 12.5% and 20% of foreign currency deposits, respectively, when they are below 50% and over 50% of total customer deposits.

Supervisory Council of Bank of Albania upon decision no.12, dated 7 February 2018, defined that up to 70% of the statutory reserve in ALL can be available for the Bank's day-to-day operations.

16. Investments in securities

a) Investment in securities measured at FVOCI

Investment in securities at FVOCI comprise treasury bills and bonds of the Albanian and EU countries Governments.

	As at 31 December 2022	As at 31 December 2021
Treasury Bills	977,783	1,547,968
Government Bonds	2,638,250	10,044,343
Total	**3,616,033**	**11,592,311**

Treasury Bills discount as of 31 December 2022 was ALL 945 thousand (2021: ALL 9,350 thousand). As of 31 December 2022, Government Bonds discounts amounted to ALL 1,980 thousand (2021: (101,483 thousand) and accrued interest amounted to ALL 31,830 thousand (2021: 127,121 thousand).

Treasury bills with a face value of ALL 478,000 thousand (2021: Tbonds ALL 700,000 thousand and Tbills ALL 300,000 thousands) was pledged as security for repurchase agreements. (Refer to note 25

In thousands of ALL, unless otherwise stated

16.Investment in securities (continued)

a)Investment in securities measured at FVOCI (continued)

During 2022, following the approval from the Steering Council, the Bank changed on 1st of May 2022 its business model. Albanian government bonds with a carrying amount of ALL 6,612,562 thousand were reclassified to investment in securities measured at amortized cost.

The change of business model was consistent with the parent bank strategy that any acquisition of governmental securities is intended as investment activities as the management believes suits better the business model whose objective is to collect.

The Bank did not engage in activities consistent with its former business model regarding reclassified portfolio after reclassification on 1 May 2022 as well there were no sales from reclassified portfolio.

The Bank management asses that it is more appropriate to have more than one business model for managing its financial instruments, an approach consistent with its parent bank Fibank AD.

b) Investment in securities measured at amortized cost

Investment in securities measured at amortized cost comprise treasury bills and bonds of the Albanian Government.

	As at 31 December 2022	**As at 31 December 2021**
Treasury Bills	1,406,329	-
Government Bonds	7,686,829	-
Total	**9,093,158**	**-**

Investment in securities measured at amortized cost include an amount of ALL 6,227,736 thousand reclassified out of FVOCI category as discussed above whose fair value at the reporting date amounted ALL 5,803,927 thousand and the related fair value gain or loss that would have been recognized in OCI during the reporting period if the investment securities had not been reclassified amounted ALL 682 thousand.

In thousands of ALL, unless otherwise stated

17. Loans and advances to banks and financial institutions

(a) Analysis by type

	As at 31 December 2022	As at 31 December 2021
Current accounts with banks	2,606,156	1,893,261
Placements due from banks	1,124,100	2,340,760
Accrued interest	185	159
Total	**3,730,441**	**4,234,180**

(b) Geographical analysis

	As at 31 December 2022	As at 31 December 2021
Domestic banks and financial institutions	910,136	2,340,919
Foreign banks and financial institutions	2,820,305	1,893,261
Total	**3,730,441**	**4,234,180**

The Bank's main correspondent banks outside Albania are Fibank AD in Bulgaria and Raiffeisen Bank International AG in Austria.

As of 31 December 2022, according to Fitch, Fibank AD rating was B and according to Moddy's Raiffeisen Bank International AG was rated A2.

(c) Analysis by currency

	As at 31 December 2022	As at 31 December 2021
In Albanian Lek	910,136	2,220,158
In Euro	2,366,139	1,177,041
In USD	400,689	787,087
In other currencies	53,477	49,894
Total	**3,730,441**	**4,234,180**

In thousands of ALL, unless otherwise stated

18. Loans and advances to customers

	As at 31 December 2022	As at 31 December 2021
Loans and advances to customers	26,213,730	21,591,197
Less impairment loss allowance	(982,593)	(945,206)
Net loans and advances to customers	**25,231,137**	**20,645,991**

Loans by sector as of 31 December 2022 and 2021

	As at 31 December 2022	As at 31 December 2021
Retail customers	11,914,361	9,353,711
Consumer loans	2,376,801	*1,622,125*
Mortgage loans	9,188,999	*7,382,127*
Credit cards	348,561	*349,459*
Small and medium enterprises	14,299,369	12,237,486
Less allowances	(982,593)	(945,206)
Net loans and advances to customers	**25,231,137**	**20,645,991**

Loans and advances to customers composed by sector as of 31 December 2022 were as follows:

	Gross Amount	Expected credit losses	Carrying Amount
Retail customer	11,914,361	(485,229)	11,429,133
Consumer loans	2,376,801	(184,063)	2,192,738
Mortgage loans	9,188,999	(118,527)	9,070,472
Credit cards	348,561	(182,639)	165,923
Small and medium enterprises	14,299,369	(497,364)	13,802,004
Total	**26,213,730**	**(982,593)**	**25,231,137**

Loans and advances to customers composed by sector as of 31 December 2021 were as follows:

	Gross Amount	Expected credit losses	Carrying Amount
Retail customer	9,353,711	(461,068)	8,892,642
Consumer loans	*1,622,125*	*(147,387)*	*1,474,738*
Mortgage loans	*7,382,127*	*(119,237)*	*7,262,889*
Credit cards	*349,459*	*(194,444)*	*155,015*
Small and medium enterprises	12,237,486	(484,138)	11,753,349
Total	**21,591,197**	**(945,206)**	**20,645,991**

In thousands of ALL, unless otherwise stated

18. Loans and advances to customers (continued)

Changes in expected credit losses for year ended 31 December 2022 and 2021 were as follows:

	2022	**2021**
Stage 1		
Balance on January 1	(217,468)	(177,611)
Net (loss) / recoveries for the year	(170,619)	(39,857)
Charge for the year	(226,406)	(100,568)
Recoveries	55,787	60,711
Write-offs	-	-
Balance at December 31	**(388,087)**	**(217,468)**
Stage 2		
Balance on January 1	(208,829)	(202,335)
Net (loss)/recoveries for the year	77,252	(6,494)
Charge for the year	(116,793)	(157,361)
Recoveries	194,045	150,867
Write-offs	-	-
Balance at December 31	**(131,577)**	**(208,829)**
Stage 3		
Balance on January 1	(518,909)	(430,130)
Net (loss)/recoveries for the year	(179,013)	(133,909)
Charge for the year	(242,249)	(214,299)
Recoveries	63,236	80,390
Write-offs	234,993	45,130
Balance at December 31	**(462,929)**	**(518,909)**
Total ECL allowance	**(982,593)**	**(945,206)**

In thousands of ALL, unless otherwise stated

19. Property and equipment

	Building and Leasehold improvements	Fittings, fixtures & installations	Motor Vehicles	Machinery and electronic Equipment	Computer and IT system	Office equipment and other	Fixed assets in progress	Total
Cost								
Balance on 1 January 2021	**1,191,411**	**92,815**	**21,465**	**123,614**	**142,776**	**72,707**	**8,577**	**1,653,365**
Additions	72,552	6,738	-	17,335	1,183	1,474	7,185	106,467
Disposals	(31,040)	(90)	(1,465)	(235)	-	-	-	(32,830)
Transfers	-	-	-	595	-	-	(595)	-
Balance on 31 December 2021	**1,232,923**	**99,463**	**20,000**	**141,309**	**143,959**	**74,181**	**15,167**	**1,727,002**
Additions	191,119	2,746	15,529	10,973	4,545	1,734	7,025	233,671
Disposals	(12,528)	-	(6,010)	(845)	(13,522)	(23)	-	(32,928)
Transfers	1,746	338	-	1,382	2,498	909	(6,873)	-
Balance on 31 December 2022	**1,413,260**	**102,547**	**29,519**	**152,819**	**137,480**	**76,801**	**15,319**	**1,927,745**
Accumulated Depreciation								
Balance on 1 January 2021	**(256,228)**	**(54,151)**	**(13,947)**	**(91,777)**	**(104,332)**	**(52,249)**	**-**	**(572,684)**
Charge for the period	(77,563)	(5,577)	(1,324)	(4,342)	(12,616)	(2,786)	-	(104,208)
Disposals	30,140	60	1,465	190	-	-	-	31,855
Balance on 31 December 2021	**(303,651)**	**(59,668)**	**(13,806)**	**(95,929)**	**(116,948)**	**(55,035)**	**-**	**(645,037)**
Charge for the period	(78,406)	(5,450)	(1,309)	(6,061)	(13,177)	(2,842)	-	(107,243)
Disposals	7,419	-	5,315	845	13,430	23	-	27,032
Balance on 31 December 2022	**(374,638)**	**(65,118)**	**(9,800)**	**(101,145)**	**(116,695)**	**(57,854)**	**-**	**(725,248)**
Net book value								
As of 1 January, 2021	**935,183**	**38,664**	**7,518**	**31,837**	**38,444**	**20,458**	**8,577**	**1,080,681**
As of 31 December, 2021	**929,272**	**39,795**	**6,194**	**45,380**	**27,011**	**19,146**	**15,167**	**1,081,965**
As of 31 December, 2022	**1,038,622**	**37,429**	**19,719**	**51,674**	**20,785**	**18,947**	**15,319**	**1,202,496**

In thousands of ALL, unless otherwise stated

19. Property and equipment (continued)

Other

Fixed assets in progress include all assets purchased and not yet put in use. Leasehold improvements consist in investments done for rented premises.

Included in the net carrying amount of property, plant and equipment, as of 31 December 2022 are right-of-use assets as follows:

	Balance	Accumulated depreciation	31 December 2022
Office buildings	1,050,532	(248,190)	**802,343**
Warehouse & related facilities	34,896	(10,720)	**24,175**
Total right of use asset	**1,085,428**	**(258,910)**	**826,518**

Included in the net carrying amount of property, plant and equipment, as of 31 December 2021 are right-of-use assets as follows:

	Balance	Accumulated depreciation	31 December 2021
Office buildings	1,058,306	(186,376)	**871,930**
Warehouse & related facilities	28,102	(8,223)	**(19,879)**
Total right of use asset	**1,086,408**	**(194,599)**	**891,809**

In thousands of ALL, unless otherwise stated

20. Intangible assets

	Patents, copyrights and trademarks	Software and other intangible assets	Intangible assets in progress	Total
Cost				
Balance on 1 January 2021	**18,098**	**126,472**	**4,015**	**148,585**
Additions	567	9,359	6,282	**16,208**
Transfers	-	603	(603)	**-**
Balance on 31 December 2021	**18,665**	**136,434**	**9,694**	**164,793**
Additions	5,587	14,618	5,004	**25,209**
Transfers	1,550	4,456	(6,006)	**-**
Disposals	(3,662)	(30,781)	-	**(34,443)**
Balance on 31 December 2022	**22,140**	**124,727**	**8,692**	**155,559**
Accumulated amortization				
Balance on 1 January 2021	**(12,775)**	**(71,108)**	**-**	**(83,883)**
Charge for the period	(1,941)	(14,006)	-	(15,947)
Balance on 31 December 2021	**(14,716)**	**(85,114)**	**-**	**(99,830)**
Charge for the period	(2,016)	(15,756)	-	(17,772)
Disposals	3,662	30,781	-	34,443
Balance on 31 December 2022	**(13,070)**	**(70,088)**	**-**	**(83,159)**
Net book value				
As of 1 January, 2021	**5,323**	**55,364**	**4,015**	**64,702**
As of 31 December, 2021	**3,949**	**51,320**	**9,694**	**64,963**
As of 31 December, 2022	**9,070**	**54,639**	**8,692**	**72,400**

In thousands of ALL, unless otherwise stated

21. Repossessed assets

Repossessed assets are acquired collaterals through enforcement of security over non-performing loans and advances to customers. Repossessed assets comprise several properties including land and buildings not earning income rentals or own used. During 2022, the Bank tested the related properties for impairment and concluded that no impairment allowance was necessary (2021: nil).

The movement of repossessed assets item during the reporting period is presented as follows:

	As at 31 December 2022	As at 31 December 2021
At the beginning of the period	**547,372**	**479,221**
Additions during the period	148,575	89,962
Disposals during the period	(77,540)	(21,811)
Total	**618,407**	**547,372**

Disposals represent properties sold by the Bank during 2022.

22. Other assets

	As at 31 December 2022	As at 31 December 2021
Prepaid taxes	48,721	48,721
Deferred expenses	23,341	19,161
Gold bullion	2,399	3,269
Other, net	16,606	33,478
Total	**91,067**	**104,629**

Prepaid taxes are composed of the following:

	As at 31 December 2022	As at 31 December 2021
Withholding tax	48,721	48,721
Prepaid income tax	-	-
Total	**48,721**	**48,721**

Prepaid withholding tax is related to interest income the Bank has generated in countries with which the Republic of Albania has signed agreements for Avoidance of Double Taxation.

In thousands of ALL, unless otherwise stated

23. Due to banks and other financial institutions

	As at 31 December 2022	As at 31 December 2021
Payable on demand	13	424,467
Term deposits	3,182,216	-
Total	**3,182,229**	**424,467**

	As at 31 December 2022	As at 31 December 2021
In Albanian Lek	665,178	424,458
In foreign currency	2,517,051	9
Total	**3,182,229**	**424,467**

Term deposits in Albanian Leke are of local banks which are not rated, and term deposits in foreign currency are of Fibank AD, which as of 31 December 2022 is rated B according to Fitch.

24. Due to customers

	As at 31 December 2022	As at 31 December 2021
Retail customers	**29,483,005**	**28,157,983**
payable on demand	*11,483,176*	*12,443,081*
term deposits	*17,999,829*	*15,714,902*
Corporate customers	**9,386,155**	**6,174,815**
payable on demand	*7,442,476*	*4,220,685*
term deposits	*1,527,614*	*1,329,660*
other client accounts	*416,065*	*624,470*
Total	**38,869,160**	**34,332,798**

25. Liabilities evidenced by paper

Bank had liabilities evidenced by paper agreement on 31 December 2022 with a carrying amount of ALL 453,452 thousand (31 December 2021: ALL 886,539 thousand). They yielded interest 2.60% per annum. Treasury bills with a face value of ALL 478,000 thousand (2020: TBonds ALL 700,000 thousand and TBills ALL 300,000) was pledged as security for these agreements. (Refer to note 16).

In thousands of ALL, unless otherwise stated

26. Subordinated debts

On 11 January 2019, the general assembly of shareholders approved the issuance of subordinated instruments in EUR to private individuals. As of 31 December 2021, and 2020 the instruments are detailed as follows.

Currency	Units of instruments	31 December 2022	31 December 2021
EUR	990	1,133,621	594,092
Total	**990**	**1,133,621**	**594,092**

Tranches	Issue date	Maturity date	Interest rate	Units of Instruments	As at 31 December 2022	As at 31 December 2021
1	25-Apr-2019	25-Apr-2026	4.5%	200	230,310	243,483
2	18-Jun-2020	18-Jun-2027	3.5%	290	331,653	350,609
3	22-Dec-2022	22-Dec-2029	4.0%	500	571,658	-
Total				**990**	**1,133,621**	**594,092**

27. Lease liabilities

The Bank has leases for the office buildings and main warehouse and related facilities. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The Bank classifies its right-of-use assets as a right of use asset on its balance sheet.

The table below describes the nature of the Bank's leasing activities by type of right-of-use asset recognized on balance sheet:

Right of use asset	Number of right of use assets leased	Range of remaining Lease Terms	Average remaining Lease Terms	Number of leases with extension options	Number of leases with option to purchase	Number of leases with variable payment linked to an index	Number of leases with termination options
Office buildings	16	1-17 years	10 years	16	0	0	0
Warehouse & related facilities	25	1-9 years	3 years	25	0	0	0

In thousands of ALL, unless otherwise stated

27. Lease liabilities (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments on 31 December 2022 were as follows:

31 December 2022	Within 1 year	1-5 years	After 5 years	Total
Lease payments	79,313	295,361	575,339	**950,013**
Finance charges	(19,542)	(62,148)	(66,584)	**(148,274)**
Net present value	**59,771**	**233,213**	**508,755**	**801,739**

31 December 2021	Within 1 year	1-5 years	After 5 years	Total
Lease payments	86,129	315,965	678,372	**1,080,466**
Finance charges	(22,041)	(71,665)	(84,070)	**(177,776)**
Net present value	**64,088**	**244,300**	**594,302**	**902,690**

The changes in the Bank's liabilities arising from financing activities can be classified as follows:

	2022	2021
31 December 2021	**902,690**	**924,238**
Cash flows		
Repayments	(62,170)	(65,497)
Proceeds	6,397	64,427
Noncash flows	(45,178)	(20,478)
As of 31 December 2022	**801,739**	**902,690**

28. Other liabilities

	As at 31 December 2022	As at 31 December 2021
Temporary accounts	402,459	124,400
Other creditors	400,675	267,298
Fiscal administration	51,809	61,651
Income tax payable	14,427	23,585
Liabilities to personnel	7,926	6,216
Accrued expenses	278	-
Suppliers	7,775	4,043
Total	**885,349**	**487,193**

In thousands of ALL, unless otherwise stated

29. Capital and reserves

Number and face value of registered shares

As of 31 December 2022, and 2021 the registered share capital of the Bank is Euro 11,974,576.26 or ALL equivalent 1,516,517 thousand divided into 1,413,000 ordinary shares with par value each of Euro 8.47457626 or ALL 1,073.26.

Other reserve

Based-on decision no. 69 dated December 18th, 2014, on Bank's Regulatory Capital approved by Bank of Albania Supervisory Board, banks and branches of foreign banks create reserves of 1.25% up to 2% of risk weighted assets, by appropriating one fifth of profit after taxes and before payment of dividends.

The regulatory reserve of ALL 249,080 thousand (2021: ALL 201,084 thousand) was established by the end of December 2022.

Legal reserve

Based on Law no.9901 dated April 14th, 2008 "For commercial entities", companies have to create Legal reserve up to 10% of registered Capital, by deducting at least 5% from net profit of previous period, before distributing any dividend.

The legal reserve of ALL 133,639 thousand (2021: ALL 102,874 thousand) was established by the end of December 2022.

30. Commitments and contingent liabilities

a) Memorandum items

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years. The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if each counterpart failed completely to perform as contracted.

	As at 31 December 2022	As at 31 December 2021
Bank guarantees	272,803	174,270
Commitments given on behalf of customers	1,228,474	818,779
Letter of credit	-	-
Total	**1,501,277**	**993,049**

These commitments and contingent liabilities have off balance-sheet credit risk because only organization fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows. As at the reporting date there are no significant commitments and contingencies which require additional disclosure. On 31 December 2022 guarantees, and letters of credit are fully collateralized

In thousands of ALL, unless otherwise stated

31. Related Parties

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control. A number of banking transactions are entered into with the related party First Investment Bank A.D. (Bulgaria) in the normal course of business. Such transactions include loans, deposits and other transactions. The outstanding balances at the end of respective periods are as follows:

	As at and for the year ended	
	31 December 2022	**31 December 2021**
Loans and advances	2,787,101	1,834,441
Accounts receivables	8,118	8,460
Due to banks	2,513,060	-
Interest income	7,151	-
Interest expense	(13,015)	(7,357)
Commission income	399	482
Commission expense	(250)	(113)

The key management personnel of the Bank received remuneration of ALL 25,624 thousand (2021: ALL 26,228 thousand) for the year ending 31 December 2022. Key management received other benefits amounting ALL 5,010 thousand (2021: 7,494 thousand) for the year ending 31 December 2022.

32. Cash and cash equivalents

	As at 31 December 2022	**As at 31 December 2021**
Cash on hand (note 14)	922,088	898,066
Current accounts		
central bank (note 14)	2,248,384	273
correspondent banks (note 17)	2,606,156	1,893,261
Loans and advances to banks	1,124,285	2,340,918
Total	**6,900,913**	**5,132,518**

33. Subsequent events

The Bank has assessed the affect or expectation to be impacted, by developments and measures taken after the end of their reporting period and based on their critical judgement and evaluation, no conditions exist as of 31 December 2022 for the Bank's activities or their assets and liabilities and therefore no adjusting events needed to be disclosed.

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