2020

ANNUAL REPORT

abi AMERICAN BANK OF INVESTMENTS

Annual Report 2020

Foreword from the Chief Executive Officer

Andi Ballta
Chief Executive Officer

2020 was a particularly tough year both financially and emotionally for the employees and customers of ABI Bank. The beginning of the year started with enthusiasm for the significant tourism growth in Albania, only to turn it a few months later in the most financially endangered industry. The negative impact of November 2019 earthquake exacerbated by the news of a pandemic fueled fear for the future of Albanian economy.

ABI Bank was among the first organizations to be prudent and visionary in coping with such challenging situation, based on pandemic data.

Our long work experience and financial successes combined, in particular, with our doing business culture, paid off in such unprecedented situation. Thanks to the trust and commitment of ABI's employees, we were able to convey tranquility and trust in our customers. The message we transmitted to our customer depositors and borrowers, during the first stage of pandemic, was that the pandemic is transitory, but our commitment to support them is permanent. This message helped us strengthen our existing relationships as well as create new ones. As you may have witnessed, no long queues were created in front of any ABI branch and clients had the possibility to restructure the existing or obtain new loans. For this, we value and appreciate the concerted effort of all our staff in each and every branch, our retail and corporate managers

ABI Bank was among the first organizations to be prudent and visionary in coping with such challenging situation, based on pandemic data.

for dealing with any restructuring application, and the transit managers for coping with the newly created situation with high professionalism. In addition, I would like to thank everyone in the central offices that worked hard to make possible and schedule remote working, daily disinfection and keeping-up with the work performance throughout all the pandemic.

Besides private sector, ABI took a leading role in supporting the Albanian government bond, displaying an exemplary behavior throughout this process at extremely tough times for all of us.
In conclusion, ABI supported directly medical emergency staff by donating ventilators to the health system and also distributed direct aid to families in need during the pandemic.

I want to share with your such important moments, so that all of us can reflect upon the underlying reasons for successfully overcoming the pandemic. The splendid culture developed at ABI Bank has, for sure, played a fundamental role. This culture is based on the long serious work experience and on a very sound liquidity position, capital and professionalism both in the branches and headquarters.

Throughout this year, the corporate lending acted in harmony with the legal, risk and compliance departments. Likewise, the treasury and finance department acted wisely and professionally in using reserve liquidity in treasury bills. The retail department was even more dedicated to grow deposits from April to June, while all operational support continued to ensure an update of operational coherence and improvement of work premises.

Thanks to this concerted action, ABI marked a record year in net profit and total assets amounted to EUR 8.6 million and EUR 704 million, respectively.

Furthermore, the expansion of ABI's activity in two additional areas- ABI INVEST and license for underwriting - is worth mentioning.

We have a lot of plans for ABI INVEST and we believe that, in the medium-term, it will be a benchmark for banking business in Albania. ABI's boutique position and leadership experience in international markets is hard to compete with and it will provide excellent opportunities for ABI's existing as well as new customers to diversify their portfolio and increase the proceeds from free funds. We consider such stage of financial chain as a unique opportunity for ABI Bank to lead the investment market towards a long-term and profitable investment strategy.

Corporate Governance

Board of Directors

Kathryn Swintek
Chairwoman of the Board of Directors
(Independent Member)

Roberto Munoz
Member of the Board of Directors
(Independent Member)

Ernst Schlauch
Member of the Board of Directors
(Independent Member)

Kristin Giantris
Member of the Board of Directors
(Independent Member)

Armand Muharremi
Member of the Board of Directors
(Chief Financial Officer)

Brunilda Papa
Member of the Board of Directors
(Chief Operating Officer)

Andi Ballta
Member of the Board of Directors
(Chief Executive Director)

The American Bank of Investments SHA has approved a Corporate Governance Code that is in line with the Bank's Articles of Association and the legislation into force.
This Code outlines the Bank's internal rules, principles and control mechanisms under which the Bank is organized and managed, establishing thus a structure that is transparent to investors, recognizes and respects the customer's rights and safeguards legitimate interests of the Bank's sole shareholder. The basic principles of the Bank's Corporate Governance Code are described below:

1.1. Rights of shareholder

The Bank has adopted rules which guarantee the shareholder to receive full information on the Bank's financial situation, as well as on the management decisions that have a significant impact on Bank's activity. The sole shareholder is a decision-making body that exercises its powers in accordance with the Bank's Articles of Association, the Corporate Governance Code and the legal provisions into force.

1.2. Board of Directors

The Board of Directors is composed of seven executive and non-executive (independent) members, in accordance with the requirements of the Albanian Law on Banks. The diversity in education, experience and in the areas of expertise of the members of the Board of Directors is key in running a Boutique Bank.

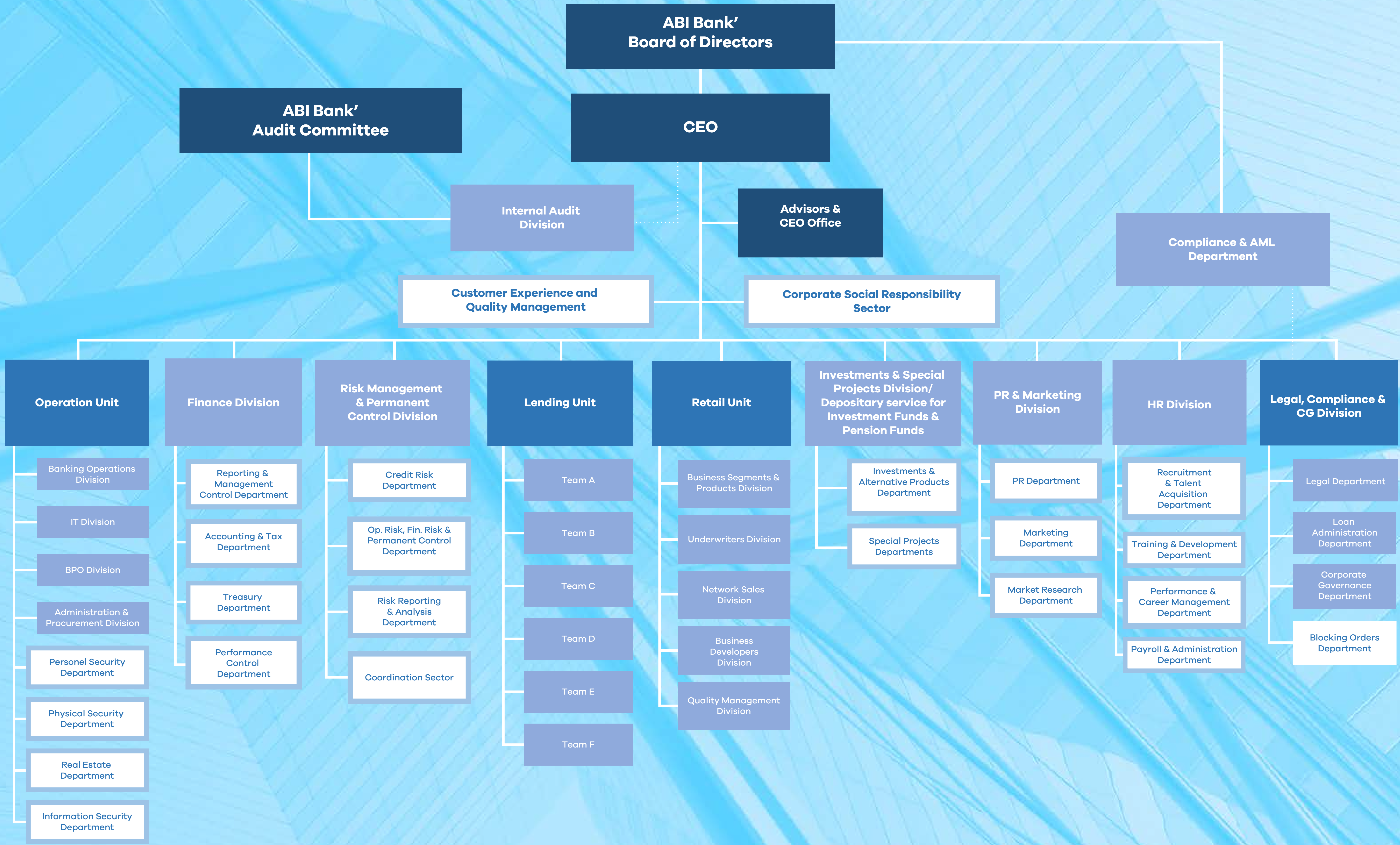
1.3. Tasks and Duties of the Board of Directors

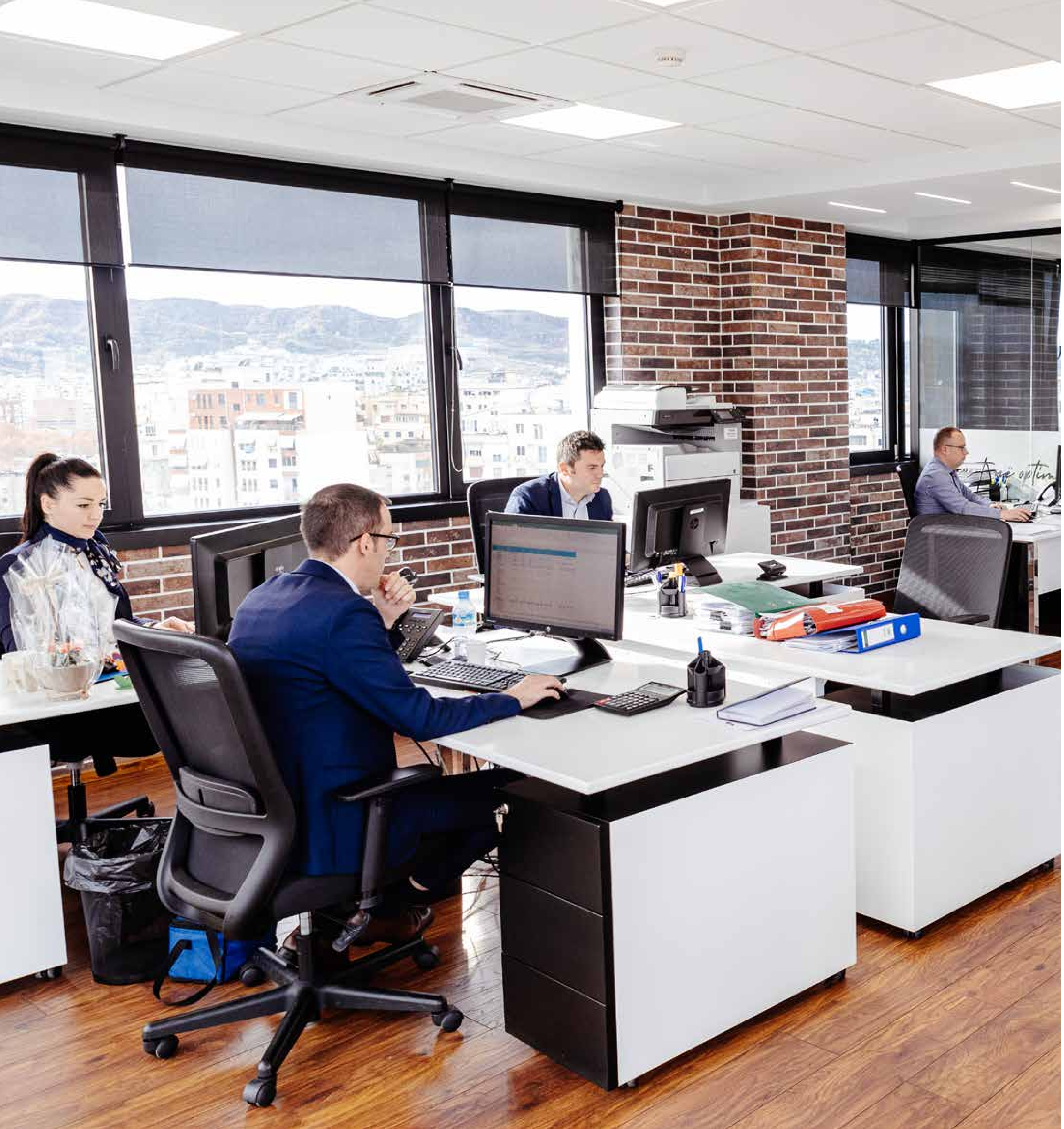
The Board of Directors is a decision-making body responding directly to the sole shareholder. In accordance with the Bank's Articles of Association and the Corporate Governance Code, the Board of Directors sets the Bank's vision, mission and strategy. The ultimate goal of the Board of Directors is to ensure a smooth operation of the company's activities, while keeping up the long-term growth of its economic value, by monitoring, leading and controlling the executive in line with the sole shareholder interests.

1.4. Internal audit

The Bank has in place an organized Internal Audit Division, supervised by the Bank's Audit Committee. According the legal requirements, the Audit Committee is composed of three independent members, whose expertise and monitoring skills are a valuable and ongoing asset of the Bank. The Chairman of the Audit Committee is at the same time a member of the Board of Directors.

Organizational Chart





Human Resources

Employees play a key role

Human resources are key to our success, therefore we, at ABI Bank, give priority to supporting them, their training, development and evaluation.

The very purpose of Human Resources Department's work is to create and maintain an attractive and professionally stimulating work environment.

As always, our staff continues to be our strongest point. In particular, during 2020, where the situation was far from common, our staff demonstrated strong skills and paid a lot of efforts to reach the standards and objectives set and to achieve the Bank's objectives successfully and on time

Additionally, the bank's policies for employment and equal treatment have enabled 59 employees to find long-or short-term jobs within our institution, while ensuring successful recruitment processes.

Despite the unusual situation created by Covid-19 pandemic, in 2020, 20% more employees started working at ABI Bank and 53% less have left, compared to one year before. Notwithstanding physical distance restrictions, all recruitment processes were conducted normally and managed to select the best potential candidate, having as ultimate goal the qualitative growth of HR capacities.

2 Management of pandemic situation

Throughout 2020, the Human Resources Department played a key role in managing the situation created by the pandemic, as an emergency human resources situation. It was the main actor of the crisis management group focusing on the proposal, follow-up and monitoring of Detailed Work Plans related to management of situation; drafting and publication of Internal Protocol for Reporting COVID-19 cases; the Protocol of measures to be taken by the organization in case of infections; as well as a detailed plan of sanitary and hygiene measures.

All staff has continuously received instructions about personal measures and care to be taken by each employee, based on directives of WHO, Technical Committee, the Ministry of Health, Human Resources Committee of the Banks Association.
We started to implement remote working and working in the office plans, annual leave in pandemic conditions. Each and every situation or problems reported by staff was closely monitored and constantly followed-up, while paying particular care and focusing on vulnerable groups (pregnant or chronically ill colleagues).

The Human Resources Department has been in constant contact and has taken care of the health situation of colleagues affected by Covid19.
The BoA inspection of the management of pandemic situation concluded with no finding, recommendation or suggestion about the management of the aforementioned elements.

The situation of 2020 has been extremely tough for all of us. However, such difficulty caused by such unknown and unprecedented situation was not reflected in our daily works. The Human Resources Department tried and made the most of it not to add pressure but to facilitate processes and reporting, as well as to provide its support and contribution to staff support, when needed.
Another important, yet demanding and challenging process due to the situation created by the pandemics, was the organization, development and monitoring of staff training.

After identifying the business requirements and the staff training needs, some training was proposed to meet these needs. Although in extremely difficult conditions, external and internal trainings were organized and coordinated (mostly online in compliance with the safety protocols and rules in force), managing to bring a quality final product and in the required standards, legal obligations or recommendations left.

3 Respecting diversity & recent data on gender

American Bank of Investments gives equal opportunities to all candidates and employees regardless their age, gender, marital status, pregnancy, family status, disability, race, nationality or religion.
To the extent of its powers and control, the Human Resources Department guarantees a maximal commitment to the fair and equal treatment of individuals while not allowing discrimination at any time during all phases of employment at ABI Bank.
American Bank of Investments is the only banks in the banking system, whose Board or Directors is run by a woman. Additionally, women colleagues make up for 69% of ABI Bank's staff and 73% in terms of the first line of management.

Performance and key indicators

2020 was a challenging year characterized by uncertainties due to the November 2019 earthquake and Covid-19 pandemic. Thanks to its "boutique" culture, the Bank adapted quickly and successfully to the new reality and was able to cope with the risks created by these events. In 2020, the business dynamics were shaped by the efforts to achieve the Bank's development objectives, as well as the Albanian Government initiatives and Bank of Albania's monetary and regulatory policies undertaken to alleviate the impacts of pandemic. Beyond its initial objectives, the Bank achieved its highest historical growth of the loan portfolio. At the same time, the objectives in increasing customer deposits and financial investments were achieved. On the other hand, the operational optimization achieved in 2019 yielded maximal effects in 2020. The Bank reported significant decrease in administrative expenses, resulting in an increase of over 100% of operating income, in 2020 compared to 2019.
Thus, ABI reported in 2020 the highest historical profit exceeding the level of EUR 10 million net profit before taxes.

The Capital Adequacy Ratio (CAR) and Liquidity Rate as of December 31, 2020 report about 21% and 80% respectively, representing the highest levels of capitalization and the highest liquidity rate in the banking system.

PRIMARY INDICATORS	2020 (EUR MILLION)	VS. 2019
Total assets	704	↑ +10.4%
Total deposits	551	↑ +3.3%
Net credit	237	↑ +16.4%
Investments in treasury bills	284	↑ +8.7%
Capital	83	↑ +5.3%
Net profit after tax	8.6	↑ +41%
Ranking as per total assets	Nr. 6	↑ +1

Operations Unit

In this challenging year, the Operations Unit was the backbone of any task and process that ensured an optimal operation of the Bank providing full service, despite the total lockdown of spring 2020.

The Operations Unit managed to complete successfully the projects launched in 2019. Furthermore, it could also launch and complete projects of particular importance for our clients challenged by the pandemic/state of emergency.

The Operations Unit completed successfully the Project for the upgrading of Customization and Card Processor, with the help of current partners: Euronet and Paylink. This upgrade provides better faster, safer and more efficient services and products to customers. The cards with ABI's logo are contactless and have the state-of-the-art 3D security. The card product management processes were improved by automatization and applying the necessary decision making and segregation for quality and minimizing operational risk.

In 2020, the upgrade of online platform and expansion with the new digital Mobile Banking was launched. These projects ensured an increase in quality of existing services, but also the implementation or creation of a basis for new services for customers, in line with market requirements.

For the Information Technology Department and the Information Security Department, as for all bank units and the entire banking system, adaptation to the new pandemic conditions and social distancing was the primary challenge addressed under the motto "Working from Home". Within a short period of time, the Information Security risks associated with "Working from Home" solution were assessed. A safe and secure infrastructure for

2020 Challenge - the Pandemic

Remote Working, based on CISCO technology, was proposed and implemented with the adequate security measures based on best practices globally. It made sure that the bank's staff would homework with the same facilities as working from their desk at the bank's premises, in a secure and efficient infrastructure.

Considering the risks of this new context, while having in mind the Bank's management permanent focus on information security, besides continuous expansion and improvement of IT infrastructure, the Bank planned and implemented additional investments in information security and monitoring systems.

The Project for the Upgrading of Central Banking System (Oracle – Flexcube) was launched in 2020. All business and operational units were involved in a comprehensive process to prepare the requirements for improvement of processes and functionalities of this new version. The project is still in process in 2021 and the live switch is planned to take place at the beginning of next year.
The Business Continuity Plan was reviewed and adapted to ensure continuity of banking processes during the pandemic setting.

Throughout 2020, the Information Security Department kept a high level of monitoring of cyber incidents focusing on advanced hacking practices. All employees were trained on information security issues including new cyber risks. A successful, correct, safe and trouble-free remote banking operation, comprising all our partners and interface systems, remains our long-term objective.

Bank Lending Unit

At ABI Bank, the private business lending expanded in satisfactory levels in 2020, taking into account the tough pandemic situation. The strategy of ABI Bank aimed at providing long-term support to all its clients, in particular, businesses badly hit by the pandemic. It focused mainly on restructuring both medium- and long-term loans, supporting its customers with new financing, staying close to the bank's business customers and increasing their chances to thrive.

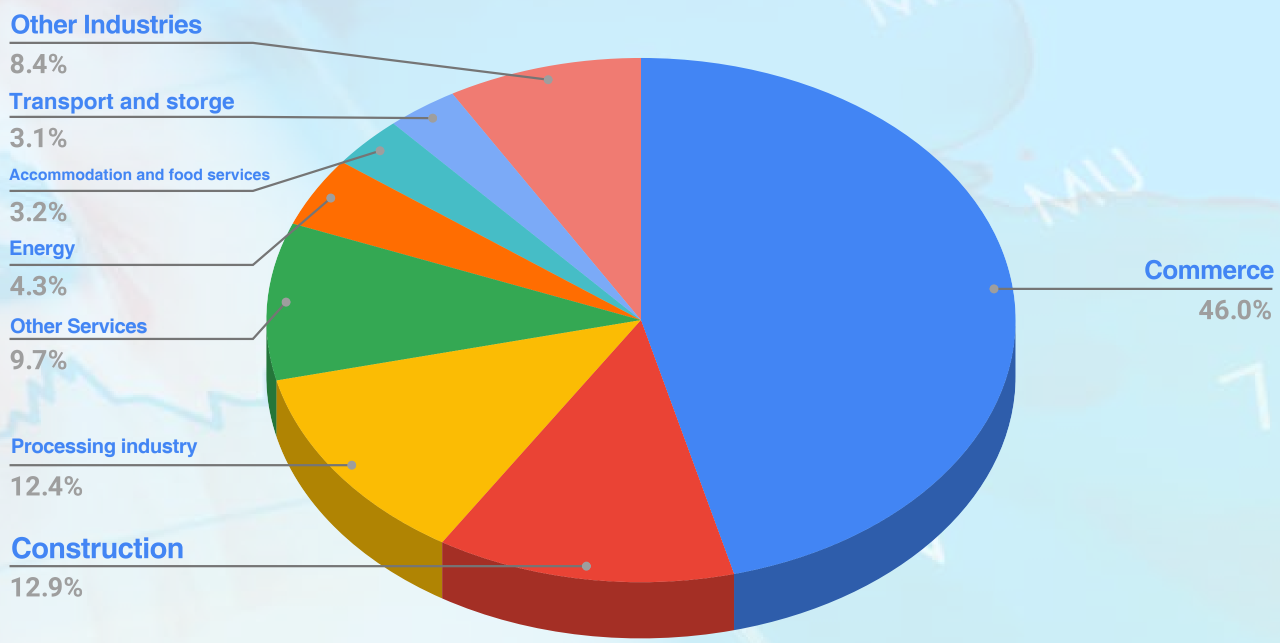
Despite restrictions in different sectors of economy imposed because of the pandemic, which also had an impact on the normal business development standards, at ABI bank, we made sure that business lending was available at each day of the year. The credit growth was supported in part by the Albanian Government sovereign guarantee, and in part by the stability and liquidity of ABI Bank. Bank lending in local currency was a primary factor in the expansion of lending in 2020.

ABI Bank is increasingly becoming a reliable partner and a major and important source of financing for public and private sector big, medium and small businesses offering a range of products and services from short-term working capital to long-term investment loans. Our drive towards market expansion and consolidation, and supporting our customers successes, pushed ABI Bank to have almost 5% of the loan market share in 2020. For the second year in a row, ABI Bank is one of the leading banks with a significant growth in business lending. It holds over 20% of the market share while financing existing clients and increasing the number of new clients every year.

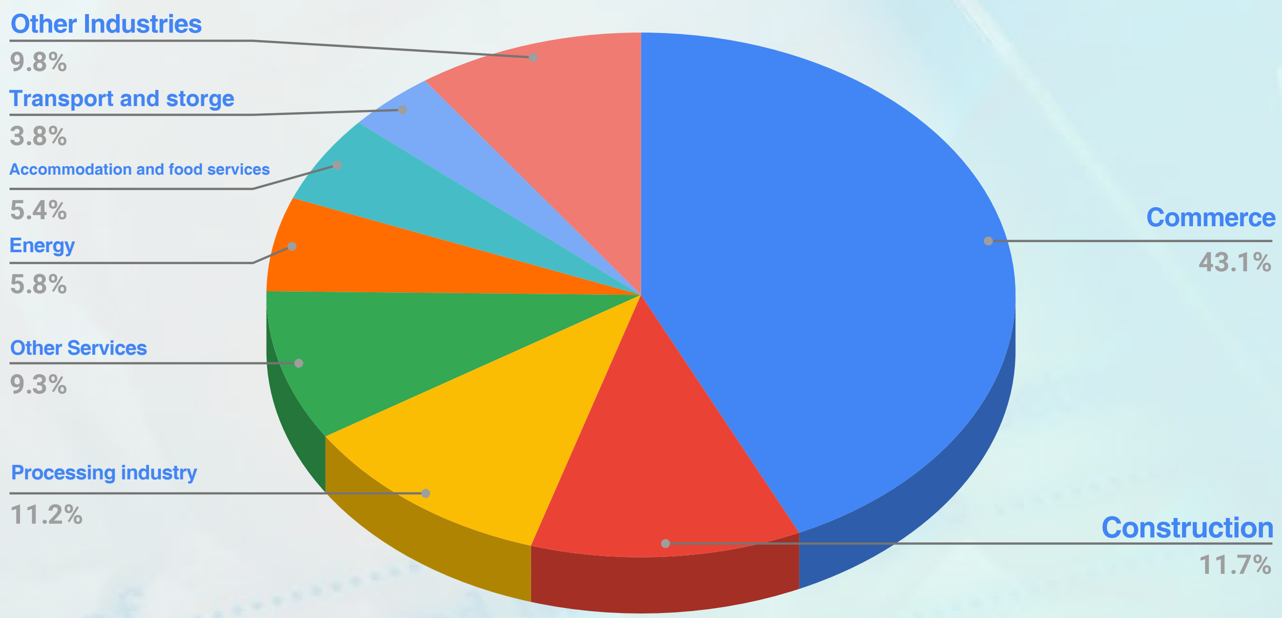
Abi Bank takes pride in building close and long-term relationships with its clients, while its primary focus remains being a Boutique Bank in order to meet the special customer needs.

In 2020, over EUR 70 million were disbursed to 90 companies, corporations and SMEs, in all industries and business areas, which was distributed as financing for working capital and new investments. ABI Bank makes a rigorous selection of just investments in accordance with Bank's risk and capital protection policies. The loan approval process is detailed and very strict and goes through several important banking departments, such as risk, legal, assessment. The detailed analysis of sectors, companies and their funding requirements enables us to invest in high-quality companies and projects that can withstand different economic cycles.

New credits 2019



New credits 2020



Retail Banking Unit

The pandemic posed a unique challenge for retail operations. We opted to support our customers; we adapted immediately to the unprecedented situation and managed not only to meet the current needs, but also to keep the long-term relationship with our customers.

Traditional way of doing business and direct communication was restricted. However, we successfully found and used alternate methods by synchronizing office working with home working, without creating delays or interruptions in supporting our banking activity.

Retail created an ad hoc team whose primary task was to be identify and learn the requests and needs of customers, particularly borrowers who were financially impacted by the "restrictive measures". Based on Bank of Albania's guidelines, the Bank was immediately available and ready to analyze and accept requests for deferral of debt payment up to 6 months. The process at large proved successful. After "fear of the unknown" was overcome, a part of customers returned quickly, at their choice, to normal repayments.

The first outbreak of pandemic was characterized by a high demand for individual loans and small businesses loans. The obstacles of restrictive measures were overcome, while the salesforce managed to collect information to fill in the applications by enabling frequent customer visits, avoiding thus branch traffic. Despite the unusual conditions, we managed to go back to normal lending, in the second half of the year.

In the first outbreak of pandemic, retail introduced a novel product in deposits. The campaign was efficiently communicated by e-mail and personalized phone calls, not only to explain the features of the product but also to provide services in branches during specific schedules, avoiding queues and overcrowding. Thanks to the attractive products and efficient organization of the process, the deposit collection proved to be stable and successful throughout 2020.

Corporate Social Responsibility

American Bank of Investments considers Corporate Social Responsibility as an important part of the corporate culture, providing a constant commitment to social, health, environmental protection initiatives aimed at sustainable development and improving the quality of life of the community, where we are conducting our business.
During 2020, following the onset of COVID-19 pandemic in Albania, we proved to be a responsible business paying special attention to communities and groups in need.
The lockdown put in difficulty a lot of families living in extreme poverty, which were unprepared to cope with the shortages created. ABI Bank responded with high responsibility and sensitivity in their meeting vital needs by offering over 4 tons of food products.
Under an emergency situation, where a respiratory device could save human lives and survival, the American Bank of Investments gave to the Ministry of Health three respiratory devices for intensive therapy, as well as protective materials for the necessary health personnel in those difficult days.

Goal 1

End poverty in all its forms

ABI BANK SUPPORTS FAMILIES AFFECTED BY BLOOD FEUD IN SHKODRA

On the eve of the year-end holiday season, the American Bank of Investments devoted special attention to families suffering from blood feud in the town of Shkodra. In collaboration with the "Say No to Blood Feud and Yes to Life" Foundation, food packages were donated to dozens of families living in difficult economic conditions, and warm winter clothing were distributed to the children of these families.

ABI BANK DONATES FOOD PACKAGES TO ALBANIAN RED CROSS, KAMZA MUNICIPALITY, SELENICA MUNICIPALITY AND ASSOCIATION FOR INTEGRATION OF RETIRED PERSONS IN ALBANIA

During April-July, following its efforts to mitigate the situation created by Covid-19, American Bank of Investments was close to communities and groups in need. The lockdown posed great challenges to a lot of families that were unprepared to cope with the shortages created. We responded to the call of Albanian Red Cross, Kamza Municipality, Selenica Municipality, Kota and Armen Administrative Units, as well as the Association for the Integration of Retired Persons in Albania. Thus, we donated over 700 food packages to Albanian families in need and lonely retired persons living in extreme poverty in Tirana, Vora, Kamza and Paskuqan.

Goal 2

Zero hunger

ABI BANK DONATES 3.2 TONS FOOD PRODUCTS TO ALBANIAN RED CROSS, FOOD BANK AND DOWN SYNDROME ALBANIA

American Bank of Investments donated 3.2 tons food products to Albanian families in need. With the help of Albanian Red Cross, the aid was distributed to families with children with disabilities in the suburbs of Tirana, while with the help of Down Syndrome Albania, aid was given to families in the town of Shkodra and Mat District. In addition, partner organizations of Food Bank Albania, like Social Center of Tirana Municipality, Caritas Albania and the OAZ Center offered help to homeless families and those in difficult economic conditions.

ABI BANK SUPPORTS "TISS" CENTRE IN TIRANA

On October 10, the World Mental Health Day, the American Bank of Investments placed particular importance to mental health care of children, as part of its social responsibility priorities, by supporting "TISS" Center in Tirana: A Center for Psychosocial Services and Treatment of children aged 1-12 years. The project aimed to empower therapeutic services with didactic and electronic devices, as important mechanisms for positive results in the psychological development of children.

ABI DONATES RESPIRATORY DEVICES TO ALBANIAN HEALTH SECTOR

The American Bank of Investments donated three respiratory devices for intensive therapy on April 24, which would help health system to increase its capacity to cope with the situation created by COVID-19. This donation is a continuation of ABI Bank's permanent commitment to support projects and initiatives for the benefit of community. American Bank of Investments considers the assistance provided to the health system during such difficult times as an obligation for an organization that believes and adheres to the values of a business responsible for the society and community.

ABI BANK SUPPORTS DURRËS REGIONAL HOSPITAL AND HEALTH CENTRE NO. 4

In front of the emergency situation created and in respect of the measures to be taken to prevent spearing and protection from by Covid-19, the American Bank of Investments donated protective materials and clothing for health personnel in Durrës Regional Hospital and Health Center No. 4. ABI Bank believes that solidarity, social responsibility and optimism are key to overcoming any challenging situation.

BANK STAFF JOINS VOLUNTARY "BLOOD DONATION" INITIATIVE

On November 13, the American Bank of Investments in cooperation with the Albanian Red Cross, undertook the voluntary initiative of "blood donation" to support children suffering from Thalassemia. Due to the pandemic situation, blood reserves suffered a significant decrease this year. In front of such human need and mission, the highly responsible staff of the bank supported this vital cause making a contribution to improving blood reserves.

ABI BANK SUPPORTS PINK RIBBON INITIATIVE

For the fourth year in a row, ABI Bank supports the YWCA Albania's campaign with the motto "Pink Ribbon as a Reminder" to raise general population's awareness of the early detection of breast cancer. The novelty of this year's campaign was lobbying for the opening of the Centre for Psychosocial Support to diagnosed women and their families. On October 23, ABI Bank, as a platinum sponsor, joined the symbolic walk organized in the town of Elbasan.

ABI AND FACULTY OF ECONOMICS SIGNED A COOPERATION AGREEMENT FOR TEACHING PRACTICUMS

The American Bank of Investments signed a cooperation agreement with the Faculty of Economics on February 27 paving the way to a useful and mutual interaction. ABI offers internship programs/ teaching practicums for students of the Faculty of Economics at the University of Tirana. The signing ceremony was organized at the premises of the Faculty of Economics. The agreement was signed by the Chief Executive Officer of American Bank of Investment, Mr. Andi Ballta, and the Dean of Faculty of Economics, Mr. Dhori Kule.

To promote gender equality and improve living conditions, as part of its social responsibility priorities, American Bank of Investments supported the following initiatives:

"VATRA" CENTER IN VLORA

In the context of International Women's Day, Vatra Centre in the town of Vlora undertook public awareness raising activities to convey this message: "Ending violence and exploitation of women and girls". For this event awareness raising materials were produced and distributed to promote gender equality and give messages against violence and exploitation. Information leaflets and contact numbers were also distributed to report domestic violence and exploitation of women and girls.

WOMEN'S FORUM IN ELBASAN

Women's Forum in Elbasan was support to provide in its primary service- Emergency Shelter for women and girls victims of domestic violence- to provide better living conditions in shelter. We provided support also in five cases of women who had suffered domestic violence together with their children. The supports consisted in covering the costs of apartment rent and food packages for five months, until their reintegration.

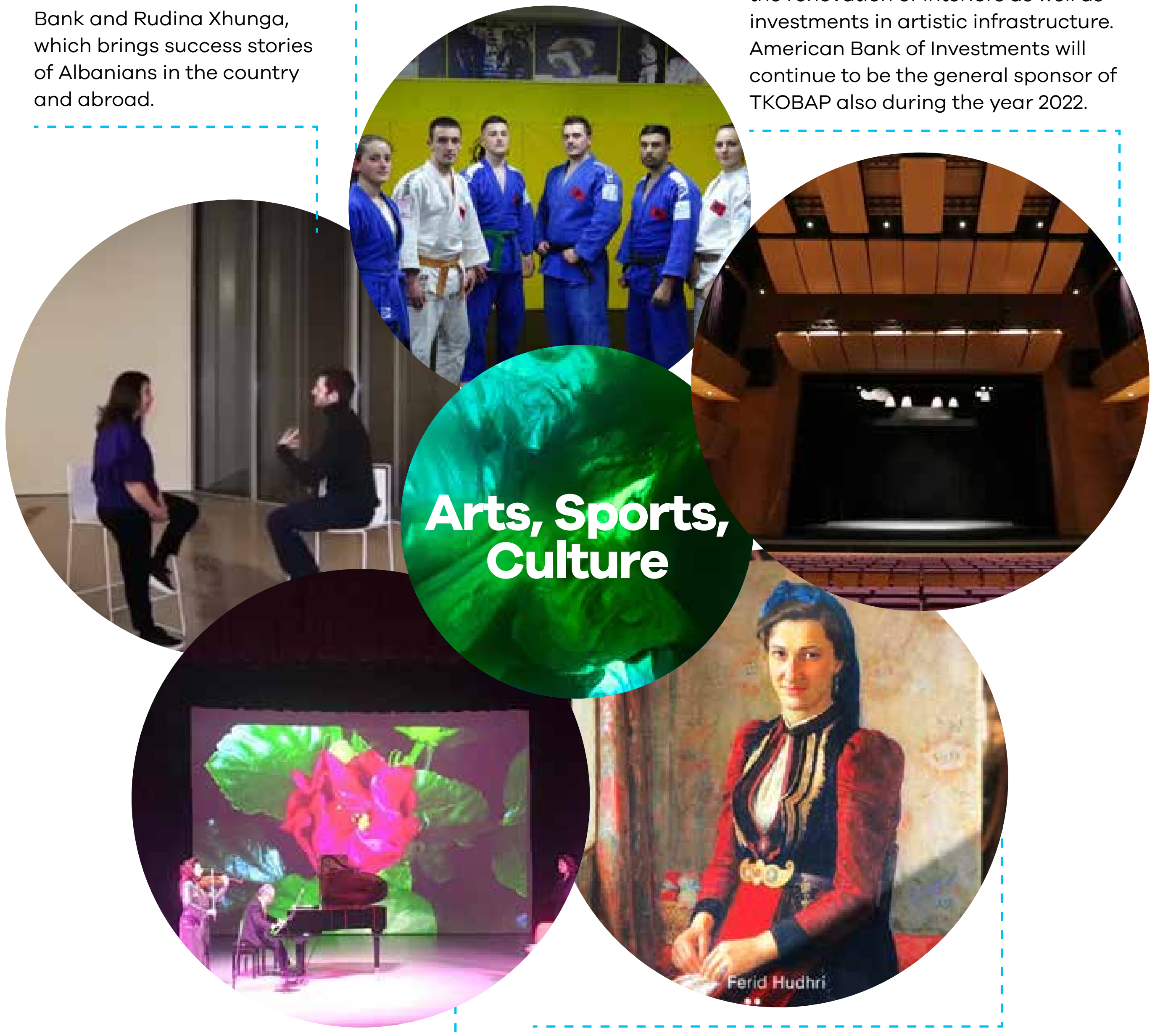
DIFFERENT BUT EQUAL ORGANIZATION- A SHELTER FOR REINTEGRATION OF VICTIMS OF TRAFFICKING AND DAY-CARE CENTERS FOR THEIR CHILDREN IN TIRANA AND SHKODRA.

The project aimed to improve the physical premises. All furniture and equipment that was depreciated over the years was replaced by new ones that are highly functional, comfortable, and guarantee better quality of service and better living conditions.

PODCAST WINDOW
American Bank of Investments supports for the second year in a row the series of Wonderful Albanians Podcasts, a collaboration between ABI Bank and Rudina Xhunga, which brings success stories of Albanians in the country and abroad.

ABI SUPPORTS A STUDENT SPORT CLUB
American Bank of Investments supported the Student Sports Club for the fourth year in a row. It is one of ABI Bank's most successful collaborations. Together for a healthy future!

ABI AS GENERAL SPONSOR OF TKOBAP
American Bank of Investments, a loyal supporter of art and cultural values of Albania, this time, as general sponsor of the Theater of Opera, Ballet and Folk Ensemble. A support that continued throughout the difficult period of the pandemic, by being close to the artists and enabling the continuity of performances. ABI has also supported the renovation of interiors as well as investments in artistic infrastructure. American Bank of Investments will continue to be the general sponsor of TKOBAP also during the year 2022.



"THE TREASURES OF SOUL" CONCERT
"The Treasures of Soul", on February 1, at Andon Zako Çajupi Theatre in Korça. An evening under the sounds of violin, piano, poetry and ballet, intertwined with the music of Bach, Chopin and the talent of Albanian and Italian artists. Supported by ABI Bank!

"ALBANIA IN ARTS" BY FERID HURDHI
Albania in Arts, by Ferid Hudhri, is as an encyclopedia of figurative memory for history, culture and national heritage. The encyclopedia presents a short history of Albanian art, Albania through foreign artists and Albanian artists. The American Bank of Investment, a loyal art supporter, covered the cost of publication of this dignified work which is already in the hands of Albanian public.

Branches

TOWN	BRANCH NAME	ADDRESS
Berat	Branch Berat	Blv. Kryesor, Lagjja 28 Nëntori
Durrës	Branch Durrës	Lagjja Nr.11, Rruga Dëshmorët, pallati i ri në Sheshin Pranvera
Elbasan	Branch Elbasan	Lagjja Luigj Gurakuqi, Rr. "11 nëntori", Godina 38/1
Fier	Branch Fier	Lagjja “Konferenca e Pezës”, Sheshi Fitorja
Gjirokastra	Branch Gjirokaster	Lagjja "18 Shtatori"
Kavaja	Branch Kavaje	Bulevardi Kryesor, Lagjja nr. 3
Korça	Branch Korçë	Rr. "Sotir Gura", Nr.1, Lagjja 2
Lezha	Branch Lezhë	Blv. "Gjergj Fishta", Sheshi Qendror, përballë Hotel Liss
Lushnja	Branch Lushnjë	Shëtitorja Kongresi i Lushnjes (pranë Postës Shqiptare)
Pogradec	Branch Pogradec	Rr. "Rreshit Çollaku", (perballë Hotel Turizmit)
Saranda	Branch Sarandë	L. 1, Rr "Skenderbeu", Nr. 50, (pranë Kishës Ortodokse)
Shkodra	Branch Shkodër	L. “Vasil Shanto”. Rr. 13 Dhjetori, Nr. 270
Tirana	Central Branch	“Rruga e Kavajës”, Nd.27 H.1, Njësia Bashkiake Nr.10, Kodi Postar 1001
Tirana	"Samos Tower" Branch	Rr. “Ismail Qemali”, Nd.20 H.3, Njësia Bashkiake Nr.5, Kodi Postar 1019
Tirana	"Bajram Curri" Branch	Blv. “Bajram Curri”, përballë Nishrakut, Zona Kadastrale 8260
Tirana	Branch "Qendra Pajtoni"	Autostrada Tiranë - Durrës, km 1, Godina "Pajtoni Business Center"
Tirana	"Komuna e Parisit" Branch	Rr. ”Medar Shtylla”, Nd.49,H 13, Njesia Bashkiake Nr. 5, Kodi Postar 1019
Tirana	"Rruga e Dibrës" Branch	Rr. Dibrës, Kompleksi Halili, përballë Vila Gold
Tirana	“Strauss Square” Branch	Rr. Qemal Stafa, Sheshi Straus
Tirana	“21 December” Branch	Rr. "Frosina Plaku", Nr.2
Vlora	Branch Vlora	Blv. “Ismail Qemali”, Parku Rinia

ATM Network

TOWN	ATM	ADDRESS
Berat	Branch Berat	Blv. Kryesor, Lagjja 28 Nëntori
Durrës	Branch Durrës	Lagjja Nr.11, Rruga Dëshmorët, pallati i ri në Sheshin Pranvera
Durrës	ATM "Blv. Dyrrah"	Bulevardi kryesor "Dyrrah"
Durrës	ATM "Regional Hospital"	Spitali Rajonal Durrës, Rr. "Aleksandër Goga"
Durrës	ATM "Shkozet"	Lagjja 14, Rr. "Tirana", Shkozet
Elbasan	Branch Elbasan	Lagjja Luigj Gurakuqi, Rr. "11 nëntori", Godina 38/1
Fier	Branch Fier	Lagjja “Konferenca e Pezës”, Sheshi Fitorja
Gjirokastra	Branch Gjirokastra	Lagjja "18 Shtatori"
Kavaja	Branch Kavaja	Bulevardi Kryesor, Lagjja nr. 3
Kavaja	ATM "Luz i vogël"	Fshati Luz i vogël, pranë Komunës
Korça	Branch Korça	Rr. "Sotir Gura", Nr.1, Lagjja 2
Korça	ATM "Voskopojë"	Fshati Voskopojë, Qendër
Lezhe	Branch Lezha	Blv. "Gjergj Fishta", Sheshi Qendror, përballë Hotel Liss
Lezha	ATM Shëngjin	Kompleksi Rafaelo, Shengjin
Lushnja	Branch Lushnja	Shëtitorja Kongresi i Lushnjes (pranë Postës Shqiptare)
Pogradec	Branch Pogradec	Rr. "Rreshit Çollaku", (perballë Hotel Turizmit)
Sarande	Branch Saranda	L. 1, Rr "Skenderbeu", Nr. 50, (pranë Kishës Ortodokse)
Shkodra	Branch Shkodra	L. “Vasil Shanto”. Rr. 13 Dhjetori, Nr. 270
Tirana	Central Branch	“Rruga e Kavajës”, Nd.27 H.1, Njësia Bashkiake Nr.10, Kodi Postar 1001
Tirana	"Samos Tower" Branch	Rr. “Ismail Qemali”, Nd.20 H.3, Njësia Bashkiake Nr.5, Kodi Postar 1019
Tirana	"Bajram Curri" Branch	Blv. “Bajram Curri”, përballë Nishrakut, Zona Kadastrale 8260
Tirana	"Qendra Pajtoni" Branch	Autostrada Tiranë - Durrës, km 1, Godina "Pajtoni Business Center"
Tirana	"Komuna e Parisit" Branch	Rr. ”Medar Shtylla”, Nd.49,H 13, Njesia Bashkiake Nr. 5,
Tirana	"Rruga e Dibrës" Branch	Rr. Dibrës, Kompleksi Halili, përballë Vila Gold
Tirana	"Strauss Square" Branch	Rr. Qemal Stafa, Sheshi Straus
Tirana	"21 December" Branch	Rr. "Frosina Plaku", Nr.2
Tirana	ATM "Kombinat"	Rr Llazi Miho
Tirana	ATM "Sky Tower"	Rr. “Ibrahim Rugova”, Nr.5, Njësia Bashkiake Nr. 5, Kodi Postar 1019
Vlora	Branch Vlora	Blv. “Ismail Qemali”, Parku Rinia
Vlora	ATM "Riviera"	Blv. "Ismail Qemali", L. Pavarësia (pranë QTU Riviera)

AMERICAN BANK OF INVESTMENT

Separate Financial Statements as at and for the year ended 31 December 2020

(with independent auditor's report thereon)

Content

Grant Thornton Sh.p.k.
Rr: Sami Frasheri, Kompleksi T.I.D, Shk. B,
Floor 1, 1000
Tirana, Albania

T 355 44 525 880
M +355 69 4014 701
www.grantthornton.al
contact@al.gt.com

Independent Auditor's Report

To the Shareholders of American Bank of Investments sh.a.,

Opinion

We have audited the separate financial statements of American Bank of Investments sh.a., (hereafter referred as the "Bank") which comprise the separate statement of financial position as at 31 December 2020 the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The Bank's separate financial statements as at and for the year ended December 31, 2019 have been audited by another auditor who has expressed an unqualified opinion on August 21, 2020

Other information included in Banka Amerikane e Investimeve 2020 Annual Report

Other information consists of the information included in Bank's 2020 Annual Report, prepared in accordance with articles 17 and 19 of the Law no. 25/2018 "On Accounting and Financial Statements" other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2020 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton sh.p.k.

Tirana, Albania
March 30, 2021

BANKA AMERIKANE E INVESTIMEVE SH.A.

SEPARATE STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

(All amounts are expressed in thousand Albanian Lek, unless otherwise stated)

	Notes	31 December 2020 ALL '000	31 December 2019 ALL '000
Assets			
Cash and cash equivalents	9	11,098,410	9,802,033
Loans and advances to banks	10	6,218,239	5,778,764
Financial investments – FVOCI	11	18,242,385	20,874,755
Financial investments at amortised cost	11	16,904,174	10,949,919
Loans and advances to customers	12	29,278,082	24,754,762
Financial leasing	13	52,166	42,279
Property, equipment and right-of-use assets	14	1,480,359	1,578,060
Intangible assets	15	146,223	157,582
Deferred tax assets	22	23,491	22,633
Inventory and other assets	16	3,498,364	3,590,779
Assets held for sale	17	2,336	2,336
Investments in Associates and Subsidiaries	18	120,500	100,500
Total Assets		**87,064,729**	**77,654,402**
Liabilities			
Due to banks	19	7,201,255	1,275,065
Due to customers	20	68,199,118	64,980,154
Other liabilities	24	741,806	1,015,614
Lease liability		435,421	486,288
Other provisions	23	65,834	88,805
Deferred tax liabilities	22	108,881	172,208
Subordinated liabilities	21	-	-
Total Liabilities		**76,752,315**	**68,018,134**
Equity			
Share capital	25	3,450,935	3,450,935
Legal and other reserves	26	4,430,569	4,292,981
Fair value reserve	26	681,398	1,069,332
Retained Earnings		1,749,512	823,020
Total Equity		**10,312,414**	**9,636,268**
Total Liabilities and Equity		**87,064,729**	**77,654,402**

The notes on pages 5 to 83 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(All amounts are expressed in thousand Albanian Lek, unless otherwise stated)

	Notes	Year ended 31 December 2020 ALL'000	Year ended 31 December 2019 ALL'000
Interest income		3,071,992	2,852,963
Interest expense		(571,400)	(606,001)
Net interest income	27	**2,500,592**	**2,246,962**
Fee and commission income		337,461	291,996
Fee and commission expense		(71,857)	(60,769)
Net fee and commission income	28	**265,604**	**231,227**
Net foreign exchange gains/(losses)		28,817	54,877
Other operating (loss)\income, net	29	317,645	(102,167)
Net operating income		**346,462**	**(47,290)**
Net impairment gain on loans and advances	15,16	(167,270)	590,595
Net impairment on other financial assets		(17,764)	(4,618)
Personnel expenses	30	(785,913)	(870,805)
Depreciation and amortization	14,15	(284,998)	(254,181)
Other administration expenses	31	(615,091)	(874,358)
Net provisions for risk and expenses	23	24,667	(57,407)
Total expenses		**(1,846,369)**	**(1,470,774)**
Net profit before taxes		**1,266,289**	**960,125**
Income tax expense	32	(202,209)	(211,585)
Profit for the year		**1,064,080**	**748,540**
Other comprehensive income			
Items that will be reclasiffied to profit or loss			
Change in fair value of financial instruments – FVOCI, net of tax		(387,933)	157,032
Other comprehensive income for the year		**(387,933)**	**157,032**
Total comprehensive income for the year		**676,147**	**905,572**

The notes on pages 5 to 83 are an integral part of these separate financial statements.

These separate financial statements are approved on March 29, 2021 from the excecutives of Banka Amerikane e Investimeve sh.a. and are signed on it's behalf by:

Andi Ballta **Armand Muharremi**

Chief Executive Officer **Chief Financial Officer**

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(All amounts are expressed in thousand Albanian Lek, unless otherwise stated)

	Share capital ALL '000	Legal and other reserves ALL '000	Fair value reserve ALL '000	Retained Earnings ALL '000	Total ALL '000
Balance at 1 January 2019	**3,085,459**	**4,184,123**	**912,300**	**883,338**	**9,065,220**
Profit for the year	-	-	-	748,540	**748,540**
Change in FV of securities	-	-	157,032		**157,032**
Total comprehensive income	**-**	**-**	**157,032**	**748,540**	**905,572**
Transaction with owners, recorded directly in equity					
Contribution of shareholder by conversion of subordinated liabilities (note 24)	365,476	-	-	-	**365,476**
Dividend distribution	-	-	-	(700,000)	**(700,000)**
Increase of legal reserves	-	108,858		(108,858)	**-**
Decrease in capital for accumulated losses	-	-	-	-	**-**
Total contributions by and distribution to owners	**365,476**	**108,858**	**-**	**(808,858)**	**(334,524)**
Balance at 31 December 2019	**3,450,935**	**4,292,981**	**1,069,332**	**823,020**	**9,636,268**
Profit for the year				1,064,080	**1,064,080**
Change in FV of securities	**-**	**-**	**(387,933)**	**-**	**(387,933)**
Total comprehensive income			**(387,933)**	1,064,080	**676,147**
Transaction with owners, recorded directly in equity					
Contribution of shareholder by conversion of subordinated liabilities (note 24)	-	-	-	-	**-**
Dividend distribution					
Increase of legal reserves	-	137,588	-	(137,588)	**-**
Total contributions by and distribution to owners		**137,588**		**(137,588)**	
Balance at 31 December 2020	**3,450,935**	**4,430,569**	**681,398**	**1,749,512**	**10,312,414**

The notes on pages 5 to 83 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(All amounts are expressed in thousand Albanian Lek, unless otherwise stated)

	Notes	Year ended 31 December 2020 ALL'000	Year ended 31 December 2019 ALL'000
Profit before tax		**1,266,289**	**960,125**
Adjustments for:			
Depreciation and amortization	14,15	284,998	254,181
Net impairment gain on loans and advances to customers	12	167,270	(590,595)
Net Impairment on other financial assets and other assets		-	108,325
Net impairment loss on other operational provisions	23	(24,667)	57,407
Net interest income	27	(2,500,592)	(2,246,962)
Unrealised foreign exchange differences		(28,817)	(54,877)
Changes in			
Loans and advances to banks	10	133,866	103,016
Compulsory reserve	10	(380,821)	216,581
Loans and advances to customers	12	(5,124,097)	233,228
Financial Leasing	13	(9,887)	13,556
Due to banks	19	5,926,127	(68,235)
Due to customers	20	2,660,905	(1,186,359)
Inventory and other assets	16	785,979	827,158
Assets Held For Sale	17	-	7,739
Other liabilities and provisions	23,24	(727,068)	(531,717)
Interest received		3,071,992	2,836,737
Interest paid		(460,693)	(495,294)
Income Tax paid		136,972	94,387
Net cash from operating activities		**5,177,756**	**538,401**
Cash flows from investing activities			
Investments in Associates and subsidiaries	18	(20,000)	(59,125)
Acquisition of property and equipment	14	(128,957)	(356,057)
Acquisition of intangible assets	15	(46,261)	(62,797)
Net acquisitions: FVOCI investments	11	2,268,094	(2,546,956)
Net acquisitions of amortised cost investments	11	(5,954,255)	257,854
Net cash used in investing activities		**(3,881,379)**	**(2,767,081)**
Cash flows from financing activities			
Dividend distribution		-	(700,000)
Net cash from financing activities		**-**	**(700,000)**
Net decrease in cash and cash equivalents		**1,296,377**	**(2,928,680)**
Cash and cash equivalents as at 1 January	12,13	9,802,033	12,730,713
Cash and cash equivalents as at 31 December	12,13	**11,098,410**	**9,802,033**

The notes on pages 5 to 83 are an integral part of these separate financial statements.

1. REPORTING ENTITY

Banka Amerikane e Investimeve sh.a. ('the Bank', previously known as Credit Agricole Bank Albania), is a wholy owned subsidiary of Tranzit Sh.p.k (owned by Andi Ballta and investment funds managed by NCH Capital Inc), an Albanian non-banking financial institution focused on providing flexible financing options to companies and individuals.

The Bank was initially established as a subsidiary of the Commercial Bank of Greece (subsequently named Emporiki Bank of Greece S.A.) in October 1998. In October 1999, the Bank, being initially named Intercommercial Bank – Albania Sh.A., was authorized to operate in all fields of banking activity. During 2001, the Bank changed its name to the Commercial Bank of Greece (Albania) Sh.a. On 1 March 2004, the Bank's name was changed to Emporiki Bank Albania Sh.A.

In June 2012, the Emporiki Bank of Greece S.A. sold 100% of its participation in its 100% subsidiary Emporiki Bank Albania Sh.A., to IUB Holding, a French Société Anonyme par actions simplifiée, being a 100 per cent direct subsidiary of Crédit Agricole S.A. On 3rd of September 2012 the Bank's name was changed to Credit Agricole Bank Albania Sh.A. In October 2015, IUB Holding sold 100% of the shares of its subsidiary, Credit Agricole Bank Albania Sh.A, to Tranzit Sh.p.k. The Regulatory approvals, including the change of name to Banka Amerikane e Investimeve sh.a., were finalized with the effective legal date of 12th of October 2015.

On 2th of February 2018, the Bank, signed the agreement of purchasing 100% shares of Banka NBG Albania.The acquisition was finalized on 3th of July 2018 after the pre-approval of Bank of Albania on 6th of June 2018. Following the Bank's shareholder's decision, on 6th of September 2018, the Bank of Albania pre-approved the legal merger of both entities American Bank of Investments Sh.A and Banka NBG Albania sh.a., defining the American Bank of Investments Sh.A as the surviving entity. The legal merger was finalized on 1st of October 2018.

The Bank operates in accordance with the Law No. 9662 "On Banks in the Republic of Albania", dated 18 December 2006. The Bank is licensed to perform credit and deposit activities, payment services in Albania and abroad as well as other banking activities in accordance with Albanian laws.

At 31 December 2020, the registered share capital was ALL 3,450,935 (2019: ALL 3,450,935) thousand, composed by 84,769 shares with a nominal value of Euro 295,59 (equivalent in ALL 40,709.87).

The Bank's registered office is in Tirana, Rruga e Kavajes Building #27, H1, 8th floor. The Bank operates in Albania only, with a network of 21 branches as of 31 December 2020 (2019: 23 branches).

The Bank owns 100% of the registered capital of the company "ABI Invest sh.a." and "ABI Broker sh.a." which operate respectively in the investment and insurance market, registered with the National Registration Center on 22.12.2020 and 10.01.2019.

The Bank had 365 employees as of 31 December 2020 (2019: 372), out of which 216 (2019: 231) are employees of the Head Office.

2. BASIS OF PREPARATION

(a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements for and for the year ended 31 December 2020 are approved by the Bank's Management on March 29, 2021. The Company has applied the exemption for the preparation of consolidated financial statements, since the Company "Tranzit sh.p.k." prepares consolidated statements for the whole group. See note 4 b).

2. BASIS OF PREPARATION (CONTINUED)

(b) Going concern

The Bank's financial statements are prepared on a going concern basis, which assumes that the Bank will continue its activity for a period of at least 12 months from the date of financial reporting. The Bank conducts stress tests under hypothetical scenarios, that aim to determine the needed liquidity and capital to withstand deteriorating market scenarios in order to further assess the need to implement recovery plans or take precautionary liquidity management measures.

On March 12, 2020, the World Health Organization classified the COVID19 epidemic as a pandemic due to the massive and rapid spread, including Albania. In response to the situation, on March 24, 2020, with the Decision of the Council of Ministers for the Preservation of Public Health, measures were taken to travel restriction, suspend activities that enable gatherings, establish anti-COVID protocols for implementation by all subjects that followed operational activity, etc. Additionally, aiming to manage the shortage of liquidity and temporary incapacity resulted by the epidemiology situation, in April 2020, the Bank of Albania approved the first moratorium on postponing payments of finnacial institutions' creditors and granting sovereign guarantees for temporary coverage of circulating capital and staff expenses according to the criteria set out in the Decision of the Council of Ministers No. 277 on 06.04.2020 and No. 387 on 13.05.2020.

While the epidemiological situation was present throughout the year, the Bank has not interrupted its operational activity since the beginning of the pandemic, as well as it has not taken any drastic measures to reduce spending, cover possible losses, reduce personnel, etc. Payments of short-term and long-term obligations have not been affected, as well as operational agreements with suppliers for the activity needs have not been discontinued. The Bank has also established internal anti-COVID protocols applied to each branch and head offices, aiming of prevent infections, to manage "remote" working, staff rotation, continuation of work in case of infections, update of customer's information that have been affected by the COVID19 situation, etc. In accordance with the measures undertaken by the Bank of Albania for the management of the financial impact, the Bank has signed an agreement with the Ministry of Finance, on June 29, 2020, as per VKM No. 277 on 06.04.2020 and No. 387 on 13.05.2020 on the provision of loans under sovereign guarantee at a total value of 650 million ALL, as well as ita has established the Committee on Special Affairs and Provision, for the revision of all requests for deferral of principal's payments, restructuring requirements, repayments and loans under the terms defined by the sovereign guarantee agreement.

Aiming to test the possible impacts of macroeconomic indicators on financial position, performance and regulatory compatibility, the Bank regularly conducts stress tests for budgets, capital sufficiency rate, open currency positions, etc. These "stress tests" have been based on the suggested models by the Bank of Albania as well as internal models established in accordance with the undertaken risk profiles and the concentration of loan portfolios, deposits and investments.

According to the stress tests, the Bank has determined a minimum capital sufficiency rate of 12.83% under the effect of deteriorating market scenarios as a result of increased credit risk, market risk and COVID impact, while the rate reached at 20.98% in December 2020. In the worst case scenario, the Bank forecasts a CAR rate of 16.3% for 2020. The Bank has not forecasted capital increase in the case of the most pessimistic scenarios. Also stress tests scenarios that assume a deposit decrease by 30%, predict a liquidity rate of 74.65%, while the rate in December 2020 was about 79%. In each scenario, the Bank envisions liquidity coverage through financial instruments, repo, within a short-term period of 3 months from the date of implementation of the deteriorating scenario.

During 2020, the Bank reported higher securities investments (+11%), loans (+15%) and customer deposits (+3.3%) compared to the 2019 closing. Moreover, the Bank exceeded the budget on the loans and advances to banks (+277%) and loans to customers (+9%) whilst reflect a minor budget non-realization (-0.4%) on the due to customers. However, since the duration and the impact of the COVID-19 pandemic, as well as the effect of the measures undertaken by the Council of Ministers and the Bank of Albania, is still unclear, it is not possible to assess with credibility the duration and possible effects, as well as their impact on the financial position and results of the Bank for future periods.

BANKA AMERIKANE E INVESTIMEVE SHA
Notes to the separate financial statements for the year ended 31 December 2020
(All amounts are in thousand Albanian Lek, unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

(b) Going concern (continued)

According to the above factors, Bank's Management has carried out an assessment on the Bank's ability to track its activity according to the going concern basis and has concluded that the Bank has sufficient resources to continue operating for a period of at least 12 months from the date of financial reporting. Also, based on these assessments, the Management is not aware of any material uncertainty that may cast doubt on Bank's ability to continue its activity.

(c) Basis of measurement

The separate financial statements are prepared on the historical cost basis except for debt instruments at fair value through OCI which are measured at fair value, assets held for sale which are measured at FV less costs to sell and inventory which is measured at the lower of cost and net realizable value.

(d) Functional and presentation currency

The separate financial statements are presented in Albanian Lek ("ALL"), which is the Bank's functional and presentation currency. Except as indicated otherwise, financial information presented in ALL has been rounded to the nearest thousand.

3. NEW STANDARDS AND INTERPRETATION ISSUED NOT YET EFFECTIVE

a) Standards, amendments and interpretations of existing standards that are not yet effective and / or have not been previously approved by the Bank

At the date of authorization of these financial statements, some new but not necessarily effective Standards, Standards and Amendments to existing Standards, and Interpretations have been published by the IASB. Standards and changes that are not yet effective and were not initially approved by the Company include:

- IFRS 17 Insurance Contracts - Effective for annual reporting periods beginning on or after 1 January 2023
- Definition of a business (Amendments to IFRS 3) - effective for annual reporting periods beginning on or after 1 January 2021
- Definition of materiality (Amendments to IAS 1 and IAS 8) - effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.
- Conceptual Framework for Financial Reporting - effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

These standards or changes to existing standards have not previously been approved by the Company. Management provides that all relevant pronouncements will be approved for the first period beginning on or after the effective date of publication. New standards, amendments and interpretations that have not been adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2019, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Bank's financial statements.

3. NEW STANDARDS AND INTERPRETATION ISSUED NOT YET EFFECTIVE (CONTINUED)

a) Standards, amendments and interpretations of existing standards that are not yet effective and / or have not been previously approved by the Bank (continued)

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The amendment is effective from 1 January 2019. The Bank does not expect a significant impact from this amendment.

The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The IASB issued the Conceptual Framework in March 2019. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The Bank will adopt the following standards when they become effect, but does not expects to have an impact over its financial statements because these are not applicable to the Bank.

IFRS 17 Insurance contracts, effective on or after 1 January 2023.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows). A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period). Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use, effective on or after 1 January 2022

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

3. NEW STANDARDS AND INTERPRETATION ISSUED NOT YET EFFECTIVE (CONTINUED)

a) Standards, amendments and interpretations of existing standards that are not yet effective and / or have not been previously approved by the Bank (continued)

AIP IFRS 9 Financial Instruments - Fees in the ’10 per cent’ test for derecognition of financial liabilities, effective on or after 1 January 2022

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective on or after 1 January 2022

Right to defer settlement

f an entity’s right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the ‘classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period’. That is, management’s intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term ‘settlement’

Settlement by way of an entity’s own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception. In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or noncurrent. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent ‘settlement’.

Amendments to IFRS 3: Definition of a Business, effective on or after 1 January 2020.

Amendments to IFRS 3: Reference to the Conceptual Framework, effective on or after 1 January 2022.

Amendments to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract, effective on or after 1 January 2022.

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a firsttime adopter, effective on or after 1 January 2022.

AIP IAS 41 Agriculture - Taxation in fair value measurements, effective on or after 1 January 2022.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

(All amounts are in thousand Albanian Lek, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES

As presented in Note 4.h), the Bank does not reclassify its financial assets subsequent to its initial recognition, apart from the exceptional circumstances mentioned in the Standard. During 2019 the Bank identified that a part of its financial instruments at FVOCI obtained from the merger with NBG, retained their previous classification as FVOCI instead of being classified under the policy of the Bank. In the current year, the Bank revised the classification of this portfolio as Amortized Cost in accordance with the Business Model of the Bank for all variable rates securities. The reclassification did not impact the measurement of the assets as the fair value at the date of original acquisition through the merger did not differ from the amortized cost and there is no impact in profit or loss. See note 14 for more details.

a) Business combinations

The company applies the acquisition method in accounting for business combinations. The amount transferred by the Company to acquire control of a subsidiary is calculated as the total fair value at the acquisition date of the transferred assets, liabilities and equity interests issued by the Company, which includes the fair value of each asset or liability arising from a contingency adjustment of consideration. Purchase costs are incurred when they occur. Acquired assets and liabilities are measured at their fair value at the acquisition date.

b) Subsidiaries and consolidation

Subsidiaries are entities controlled by the Bank. The Bank prepares separate financial statements in accordance with IFRS. Interests in subsidiaries are accounted for at cost in the separate financial statements. The Bank does not prepare consolidated financial statements, because its Parent, Tranzit shpk prepares consolidated financial statements prepared in accordance with IFRS. Information on interest in other entities is presented in Note 21.

c) Investment in associates

The investment in an associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Bank's investment in its associate is accounted for at cost. The investment is accounted for using the equity method in the consolidated financial statements of the parent of the Bank, i.e. Tranzit shpk.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

d) 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 amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised 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 recognised in profit or loss. The official exchange rates for main currencies used in the conversion of foreign currency balances for 2020 and 2019 are as follows (against ALL):

	31 December 2020	31 December 2019
1 USD	100.84	108.64
1 EUR	123.70	121.77
1 GBP	137.93	143.00

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Foreign currency transactions

While the average annual rates for the year ended 31 December 2020 and 2019 converted into Lekë are as follows:

	Year 2020	Year 2019
1 USD	108.53	109.84
1 EUR	123.77	123.02
1 GBP	139.26	140.17

e) Interest

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the separate statement of financial position with an increase or reduction in interest income.

The adjustment is subsequently amortized through Income from banking operations in the separate statement of comprehensive income.

Interest and similar income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets (as set out in Note 4.j), the Bank calculates interest income by calculating the credit-adjusted

EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

f) Fees and commission – Revenue from banking services to customers

The bank earns fee and commission income from a diverse range of services it offers to its customers. Fees and commission income and expenses that are part of the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Service fees and commissions for which the Bank assumes a performance obligation to customers are recognized as bank revenue and are calculated in accordance with IFRS 15 Contract Income. The Terms and Conditions of Service of the Bank (contracts) usually do not involve multiple performance obligations, included under one consideration, hence there is no significant judgment on the transaction price distribution.terms and conditions (contracts) do not typically include multiple performance obligations bundled under one consideration, consequently there is no significant judmement in allocation of transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Fees and commission – Revenue from banking services to customers (contunued)

In addition, banking services offered by the bank have a duration of no more than one year or are renewed on annual basis (for example account maintenance). Consequenlty the Bank has used the practical expedient of the standard and needs not to present information about the aggregate amount of the price related to the unsatifsifed portion of performance obligations.

Satisfaction of performance obligations is performed either at a point in time where by commission revenue is recognised when the service has been executed and transferred to the customer, or over time where by the Bank performs the service over an agreed period and the customer consumes it as the service is being performed, and revenue is recognised over the said period.

Fee income can be divided into the following three categories:

- *Fee income earned from services that are provided over a period of time*

  Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission account servicing fees, card and E-banking maintenance fees.

- *Fee income from providing financial services and earned on the execution of a transaction (point in time)*

  Commission income recognised at a point in time typically relate to transaction. They include fees from payment and transfer orders of the customers, and other banking services offered. Loan services fees that are not part of the effective interest rate including insurance commissions are also recognised when the service is performed and transferred to the customer. These fees or components of fees that are linked to a certain performance and are recognised as the related services are performed.

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.

g) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised 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 recognised 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 or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments – initial recognition

I. Date of recognition

The Bank initially recognises 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 recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

II. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value, except in the case of financial assets and financial liabilities recorded at FVLP, transaction costs are added to, or subtracted from, this amount.

Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the bank accounts for the Day 1 profit or loss, as described below.

III. Day 1 profit or loss

When the fair value of the instruments differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and the fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between

the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

IV. Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

• Amortised cost

• FVOCI

i) Financial assets and financial liabilities

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading or the fair value designation is applied. See accounting policies 4.g.

Due from Banks, Loans and advances to customers, Financial investments at amortised cost

The Bank only measures Due from Banks, Loans and advances to customers, and other financial investments at amortised cost if both of the following conditions are met:

- The financial assets is held within a business model with the objective to collect contractual cash flows
- The contractual terms of financial asset give rise to ash flows that are only payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and financial liabilities

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. The business model assessment is based on reasonably expected scenarios not taking into account "stress case" scenarios. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial asset going forward.

The SPPI test

A second step of its classification process the Bank assesses the contractual of financial asset to identify whether they meet SPPI test. "Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of premium/discounts). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Bank applies judgement and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risk volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVLP.

Debt instruments at FVOCI

The Bank only measures and other financial investments at FVOCI if both of the following conditions are met when both conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to change in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments is explained in note 4.j. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Debt instruments at FVOCI (continued)

Equity instruments other than subsidiaries and associates at FVOCI

Upon initial recognition, the Bank may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and financial liabilities (continued)

The Bank does not have any such instruments as at 31 December 2020 and 31 December 2019.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the separate financial statements as off-balance sheets and are presented in its Commitments and Contingencies at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL provision as set out in Note 4.j.

The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Financial guarantee contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 12.

j) Reclassification of financial assets and liabilities

As presented in Note 4.h), the Bank does not reclassify its financial assets subsequent to its initial recognition, apart from the exceptional circumstances mentioned in the Standard. During 2020 the Bank identified that a part of its financial instruments at FVOCI obtained from the merger with NBG, retained their previous classification as FVOCI instead of being classified under the policy of the Bank. In the current year, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Bank revised the classification of this portfolio as Amortized Cost in accordance with the Business Model of the Bank for all variable rates securities.

The reclassification did not impact the measurement of the assets as the fair value at the date of original acquisition through the merger did not differ from the amortized cost and there is no impact in profit or loss. See note 14 for more details.

k) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Derecognition of financial assets and liabilities (Continued)

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Derecognition of financial assets and liabilities (Continued)

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

l) Impairment of financial assets

Overview of the ECL principles

The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVLP, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to rise over the life of the asset (the life time expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss (12mECL). The Banks policies for determining if there has been significant increase in credit risk are set out in the note 9.

The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within 12 months from the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, weather a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans in Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. Credit impaired assets acquired in a business combination are not treated as POCI.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of financial assets (Continued)

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The bank measures ECL on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECLs calculations are outlined below and the key elements are, as follows:

- PD- The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD- The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.
- LGD- The *Loss Given Default* is the estimate of a loss arising in the case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive.

When estimating the ECLs, the Bank considers three scenarios (a baseline, best and worst scenario). Each of these is associated with different PDs.When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

● Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

● Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

● Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans with Individual Impairment calculation. As a principle, the provision amount of loan that are impaired on individual basis is calculated as the difference between the actual outstanding of the loan with a) liquid collateral amount and with b) sum of the present value of all different cash flows discounted with the actual interest rate of the loan.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of financial assets (Continued)

- POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

Loan commitments, letters of credit and financial guarantee:

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 for the Bank is applied as below:

- Letter of Guarantee & Letter of Credit with residual maturity <= 1 year = 20%
- Letter of Guarantee & Letter of Credit with residual maturity > 1 year = 50%
- Unused part of Term Loans = 0%
- Unused part of Overdrafts = 20%
- Unused part of Credit Cards = 20%

Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon dercognition of the asset.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- Inflation rates.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the separate financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

m) Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a frequent basis [different periods for different types: For example for R/Estate collaterals the frequency is yearly (business premises) or every 3 years (residential premises)]. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Credit enhancements: collateral valuation and financial guarantees (Continued)

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as internal/external R/E evaluators.

If a loan, as part of its contractual terms, is guaranteed by a third party the Bank estimates the corresponding ECLs based on the combined credit risk of the guarantor and the guaranteed party, by reflecting the guarantee in the measurement of the loss given default (LGD). The Bank considers the financial guarantee integral to the contractual terms' of the guaranteed loan, when the guarantee was entered into at the same time, or within a short time, after the loan is advanced.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

n) Collateral repossessed

The Bank's policy for repossessed collaterals is to determine whether an asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

o) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

p) Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Management Unit.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined are determined based on pre-defined criteria. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected the probation period is successfully completed, or written off.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank considers whether the assets should be classified as Stage 3. .

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Forborne and modified loans (Continued)

Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of one years has passed from the date the forborne contract was considered performing
- The customer does not have any contracts that are more than 30 days past due.

q) Fair Value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 10.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, unrestricted cash deposited with Bank of Albania and short-term highly liquid investments with original maturity of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short term commitments.

s) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership.

The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral or to financial investments FVOCI pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Leasing

(i) Bank as a lessee

The Bank makes the use of leasing arrangements principally for the provision of the office space, and IT equipment and motor vehicles (although the Group currently has no motor vehicles).

The rental contracts for offices are typically negotiated for terms of 1 and 5 years. The Bank does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses. The Bank assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices and servicing and repair contracts in respect of motor vehicles. The Bank has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Bank's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Bank would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Bank.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Bank's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Leasing (Continued)

(i) Bank as a lessee (Continued)

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

To respond to business needs particularly in the demand for office space, the Bank will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Bank is able to increase office capacity by taking additional floors available and therefore agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

In other instances, the Bank is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease. Both of which were not part of the original terms and conditions of the lease. In these situations, the

Bank does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date that the lease is effectively modified. For the reasons explained above, the discount rate used is the Bank's incremental borrowing rate determined at the modification date, as the rate implicit in the lease is not readily determinable.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs, and certain IT equipment. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(ii) The Bank as a lessor

As a lessor the Bank classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

u) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized with other income in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Property and equipment (Continued)

(iii) Depreciation

Depreciation is recognized in profit or loss using the straight-line method over the estimated useful life of each part of an item of property and equipment. Land and art work are not depreciated. The estimated useful live for the current and comparative periods are as follows:

	In years
• Building	40
• Office furniture	5
• Motor vehicles	5
• Leasehold improvements	9-12
• Computer and IT equipment	4-5

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

Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

v) 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 estimated useful live for the current and comparative periods are as follows:

	In years
• IT software and applications	4-10

w) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, and inventories, 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 recognised 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 recognised in profit or loss. Impairment losses recognised 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 rate 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.

x) Provisions

A provision is recognized if the Bank has a present legal or constructive obligation that can be estimated reliably 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. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Employee benefits

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

5. RISK MANAGEMENT

The Bank has exposure to the following risks from its use of financial instruments:

a. credit risk
b. liquidity risk
c. market risks
d. capital management

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank Asset and Liability (ALCO), Credit and Sensitive Affairs and Provisioning committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

In the normal course of its business, the Bank is exposed to credit risk on its loans and advances to customers and financial institutions, investment securities and other off-balance-sheet items. 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, debt securities, on funds with other financial institutions and other off-balance sheet items. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Bank manages its exposure to credit risk on a regular basis by closely monitoring credit limits, its loan portfolio and concentration of exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. The Credit Risk Unit, reports to the Chief Executive Officer and, is responsible for oversight of the Bank's credit risk. The management of credit risk is accomplished through:

Formulating credit risk policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Management of credit risk (Continued)

Establishing and monitoring of the delegation levels and escalating process regarding the credit approvals. Board of Directors delegates its power of approval authority to the Credit Committees of the Bank currently for an amount up to the equivalent of EUR 3,000,000 on increases of existing facilities or granting of new facilities; and up to the equivalent of EUR 5,000,000 on renewal or restructuring of current facilities. However for financing of specific sectors of economy as well as certain counterparties types, which are considered more risky such as gambling, financial institutions, political parties, foundations, etc., the approval authority remains with the Board of Directors regardless of the amount of financing.

Reviewing and assessing credit risk. Bank Management and Credit Risk Assessment Sector of the Bank assess all credit exposures limits, prior to the final approval by the competent authority. Renewals and reviews of facilities are subject to the same process.

Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

Developing and maintaining the Bank's risk classifications in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk classification is used in determining where impairment may be required against specific credit exposures.

The current risk grading framework consists of five categories: a) standard, b) watch, c) sub-standard, d) doubtful and e) lost. The loans classified into the first two categories are considered as performing. The loans falling under the 3 last categories are considered as Non-performing. Apart from the criteria of the days in delay, the Bank uses also the following qualitative criteria for defining the risk categorization of the loans:

- Ability to pay
- Financial condition
- Management liability
- Collateral and guarantors
- Loan structure

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. The loans with renegotiated terms are considered individually impaired in the first year from the implementation of the restructuring.

Credit related commitments risk

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Definition of default and cure (Continued)

Such events include:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends a set of criteria, at the time of the cure.

The Bank's criterion for 'cure' for ECL purposes is less stringent than the 24 months requirement for forbearance, which is explained in Note 4.n.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL (Stage 1) or LTECL (Stage 2), the Bank assesses whether there has been a significant increase in credit risk.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained in Note 9 are a significant increase in credit risk as opposed to a default. Moreover, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 9), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk or not.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit cards and other revolving facilities is set out in Note 12.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Probability at default

The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

For the purpose of a collective evaluation of impairment (Stage 1 and Stage 2), loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, customer type, collateral type, past-due status and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of

(All amounts are in thousand Albanian Lek, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Definition of default and cure (Continued)

such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The methodology consist of:

a) Creation of pools for facilities with similar credit characteristics (e.g. products)

b) Calculation of a 12-month PD per each stage

c) Calculation and estimation of Lifetime PD for each segment with the incorporation of Macro adjustment.

Loss given default

The LGD calculation has the following components:

a) Probability of Cure (Cure Rates)

b) Loss Rate given no Cure

Cure events are exposures that exit default status (expresses the likelihood of exit from Stage 3 status). Thus, exposures that transit from status NPE or FNPE to PE or FPE in 12 months following the observation period are identified as having returned to performing status and a cure event has occurred. Exposures are considered to have stopped being non-performing when all the following conditions are met:

a) the debtor does not have any amount past-due by more than 90 days.

b) One year has passed since the forbearance measures were extended

c) the situation of the debtor has improved to the extent that full repayment, according to the original or when applicable the modified conditions, is likely to be made;

The Loss Rate involves estimating recovery rates per segment by observing historical cumulative recoveries as a percentage (%) of outstanding exposure. Regarding recoveries, the historical cash payments from default exposures are considered.

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Analysis of risk concentration

The Bank monitors concentration of credit risk by sector. An analysis of credit risk at the reporting date is shown below:

	Net Loans and advances to customers	
	31 December 2020	**31 December 2019**
Concentration by sector		
Services	68,884	8,504
Wholesale	3,954,367	3,466,236
Construction	1,777,307	1,354,518
Manufacturing	2,322,224	1,979,537
Real Estate	1,181,436	903,036
Hotels and restaurants	3,358,806	1,086,346
Electricity, gas and water supply	2,611,464	2,602,883
Retail Trade	1,114,141	968,851
Other	1,828,262	947,172
Businesses	**18,216,891**	**13,317,083**
Mortgage	10,576,810	10,884,524
Consumer	484,381	553,155
Individuals	**11,061,191**	**11,437,679**
Carrying amount	**29,278,082**	**24,754,762**

	Loans and advances to banks and cash equivalent	
Concentration by sector	**31 December 2020**	**31 December 2019**
Bank	6,218,239	8,097,835
Carrying amount	**6,218,239**	**8,097,835**

	Financial Investments	
Concentration by sector	**31 December 2020**	**31 December 2019**
Sovereign Bonds	35,146,559	31,824,674
Carrying amount	**35,146,559**	**31,824,674**

The credit quality of the maximum credit exposure of debt securities based on Moody's ratings, where applicable, is as follows:

	Financial Investments (debt securities)	
Sovereign	**31 December 2020**	**31 December 2019**
Rated B1	35,146,559	31,824,674
	35,146,559	**31,824,674**

Concentration of Credit Risk

The following concentrations of credit risk arise in the Bank's credit-risk portfolio.

	31 December 2020	**As % total on balance**	**31 December 2019**	**As % total on balance**
Republic of Albania securities	35,146,559	44%	31,824,674	45%
Balances with Bank of Albania	14,080,755	18%	11,488,604	16%
Total direct Albanian Sovereign risk	**49,227,314**	**61%**	**43,313,278**	**61%**
Largest bank	657,946	1%	1,958,903	3%
Largest customer	1,246,969	2%	1,206,260	2%
Total largest bank and customer	**1,904,915**	**2%**	**3,165,163**	**5%**
Total on-balance-sheet risk	**51,132,229**	**64%**	**46,478,441**	**66%**

(All amounts are in thousand Albanian Lek, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Analysis of risk concentration (continued)

The counterparty for the largest bank exposure as at 31 December 2020 is a foreign bank being Raiffeisen Bank AG (2019: Raiffeisen Bank AG). The counterparty for the largest customer exposure as at 31 December 2020 is OSHEE SHA (2019: OSHEE SHA).

Maximum exposure to credit risk

	Net Maximum Exposure	
	31 December 2020	31 December 2019
Cash and cash equivalents (excluding cash on hand)	9,582,272	8,137,551
Loans and advances to banks	6,218,239	5,778,764
Financial assets FVOCI	18,242,385	20,874,755
Financial assets amortised cost	16,904,174	10,949,919
Loans and advances to customers	29,278,082	24,754,762
Financial Leasing	52,166	42,279
Sundry debtors	11,385	12,879
Total on-balance-sheet risk	**80,288,703**	**70,550,909**
Undrawn credit commitments	1,588,958	1,076,174
Guarantees in favor of customers	465,014	803,165
SPOT Transactions	37,135	530,570
Total credit related commitments	**2,091,107**	**2,409,909**
Total Credit Risk Exposure	**82,379,810**	**72,960,818**

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.

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit Quality by class of financial assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed. Explanation of the terms: Stage 1, Stage 2 and Stage 3 are included in Note 15.

	As at 31 December 2020					As at 31 December 2019
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Cash and Central Bank						
Low- fair risk	15,596,893	-	-	-	15,596,893	13,153,086
Less: allowance	-	-	-	-	-	-
Carrying amount	**15,596,893**	**-**	**-**	**-**	**15,596,893**	**13,153,086**
Due from banks						
Low- fair risk	1,719,756	-	-	-	1,719,756	2,427,711
Less: allowance	-	-	-	-	-	-
Carrying amount	**1,719,756**	**-**	**-**	**-**	**1,719,756**	**2,427,711**
Investment securities						
Low- fair risk	35,226,177	-	-	-	35,226,177	31,866,277
Monitoring	-	-	-	-	-	-
Less: allowance	(76,618)	-	-	-	(76,618)	(41,603)
Carrying amount	**35,146,559**	**-**	**-**	**-**	**35,146,559**	**31,824,674**
Loans and advances						
Low- fair risk	24,154,162	1,219,157	100,140	-	25,473,459	20,339,224
Monitoring	66,078	697,722	148,751	-	912,551	1,163,864
Substandard	274,058	172,978	768,945	-	1,215,981	1,867,298
Doubtful	15,584	47,084	1,531,811	-	1,594,479	1,451,174
Lost	127,099	6,705	2,598,297	-	2,732,101	2,386,558
Less: allowance	(432,679)	(103,562)	(2,114,248)	-	(2,650,489)	(2,453,356)
Carrying amount	**24,204,302**	**2,040,084**	**3,033,696**	**-**	**29,278,082**	**24,754,762**

(All amounts are in thousand Albanian Lek, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit Quality by class of financial assets (continued)

	As at 31 December 2020					As at 31 December 2019
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Financial Leasing						
Low- fair risk	52,694	-	-	-	52,694	42,706
Monitoring	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Lost	-	-	-	-	-	-
Less: allowance	(528)	-	-	-	(528)	(427)
Carrying amount	**52,166**	-	-	-	**52,166**	42,279
Financial guarantees and other commitments						
Low- fair risk	465,014	-	-	-	465,014	**803,164**
Less: allowance	(1,381)	-	-	-	(1,381)	**(2,300)**
Carrying amount	**463,633**	-	-	-	**463,633**	**800,864**

An ageing analysis of loans and the respective ECL impairment as at 31 December 2020 and 2019 is shown in the tables below:

	31 December 2020					
31 December 2020	**Not past due or less than 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**more than 180 days**	**Total**
Loans and advances to customers:						
Commercial lending	16,571,427	383,209	293,422	146,578	2,574,147	**19,968,783**
Mortgage lending	7,960,571	467,187	269,013	291,769	1,609,374	**10,597,914**
Consumer lending	1,130,496	30,608	36,576	32,660	131,531	**1,361,871**
Financial Leasing	52,694	-	-	-	-	**52,694**
Total gross	**25,715,188**	**881,004**	**599,011**	**471,007**	**4,315,052**	**31,981,262**
Total ECL	677,498	39,309	235,578	110,352	1,588,277	**2,651,014**
Net	**25,037,690**	**841,695**	**363,433**	**360,655**	**2,726,775**	**29,330,248**

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit Quality by class of financial assets (continued)

	31 December 2019					
31 December 2019	**Not past due or less than 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**more than 180 days**	**Total**
Loans and advances to customers:						
Commercial lending	11,751,593	148,715	635,732	810,916	1,797,726	**15,144,682**
Mortgage lending	8,168,383	614,568	420,153	298,285	1,084,040	**10,585,429**
Consumer lending	1,256,156	60,906	34,725	45,927	80,293	**1,478,007**
Financial Leasing	42,706	-	-	-	-	**42,706**
Total gross	**21,218,838**	**824,189**	**1,090,610**	**1,155,128**	**2,962,059**	**27,250,824**
Total ECL	634,539	69,009	107,710	510,748	1,131,777	2,453,783
Net	**20,584,299**	**755,180**	**982,900**	**644,380**	**1,830,282**	**24,797,041**

Impaired loans and securities

Impaired loans are the ones for which the Bank determines that it is probable that it will be unable to collect all principal and interest due, according to the contractual terms of the agreement(s). The Bank classifies loans and advances to customers in performing and non-performing categories as described above and performs impairment tests for all loans that show objective evidence for impairment, estimating their discounted future cash flows and comparing them with the respective carrying amount of the loans. Loans that do not show objective evidence for individual impairment are assessed collectively for impairment. Collective impairment is also assessed for customers tested individually, but with no resulting need for individual impairment.

(All amounts are in thousand Albanian Lek, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit Quality by class of financial assets (continued)

The table below shows loans and net advances to customers classified into two main groups, impaired individually and in group.

	Net loan exposure and advances to customers	
Individually impaired	**31 December 2020**	**31 December 2019**
Gross balance	5,147,944	5,119,921
Deduction for impairment losses	(2,114,247)	(2,089,983)
Book value	**3,033,697**	**3,029,938**
Depreciated in groups		
Gross balance	26,660,427	22,015,858
Deduction for impairment losses	(416,042)	(291,034)
Book value	**26,244,385**	**21,724,824**
Total carrying amount of Loans and advances to customers	**29,278,082**	**24,754,762**

Specific movements for individual and group depreciation are presented in detail in note 15.
The table below shows net financial rents categorized into two main groups: individually depreciated and group.

	Net exposure for finance lease	
Individually impaired	**31 December 2020**	**31 December 2019**
Gross balance	-	-
Deduction for impairment losses	-	-
Book value	-	-
Depreciated in groups		
Gross balance	52,694	42,706
Deduction for impairment losses	(528)	(427)
Book value	**52,166**	**42,279**
Total carrying amount of Loans and advances to customers	**52,166**	**42,279**

Movements for impairment of finance lease are detailed in note 16.

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The following is an analysis of gross and net balances (deductible for impairment losses) for individually impaired loans according to risk classification:

	Loans and advances to individually impaired customers			
	31 December 2020		**31 December 2019**	
	Gross	**Net**	**Gross**	**Net**
31 December 2020				
Low risk - fair	100,140	72,552	4,009	3,611
In pursuit	148,751	117,068	75,471	61,922
Non-standard	768,945	531,521	1,369,420	826,466
Suspicious	1,531,811	749,308	1,377,896	653,284
Lost	2,598,297	1,563,248	2,293,125	1,484,655
Total	**5,147,944**	**3,033,697**	**5,119,921**	**3,029,938**

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when Bank Sensitive Affairs and Provisioning Committee determines that the loan/securities are uncollectible and with the approval of the Board of Directors. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write off decisions generally are based on a product specific past due status as well as on legal actions followed related to the enforcement procedure.

The Bank holds collateral against loans and advances to customers. The Bank implements its internal guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The Bank holds collateral mainly in the form of:

- Real Estate mortgages over residential as well as business properties;
- Pledge over business assets in operation such as machineries and equipments, inventory, and accounts receivable;
- Cash collateral and certain securities (i.e. Treasury Bills), etc.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated on an annual basis.

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 represent the expected recovery time (in years) of 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.

For the purposes of the calculation of individual impairment for Loans and advances to Customers, the Banks considers as collaterals Real Estate properties, cash collateral and Bank Guarantees.

There is no collateral for loans and advances to banks, except in reverse repurchase case. For large part of loan portfolio, the fair value of collateral exceeds the amounts of loans, however the Bank normally discounts the fair value of the collateral with 49% to account for the practical and administrative process of a foreclosure. In such a manner, the bank is protected against the potential default of the client.

The breakdown of the carrying amount of the individually impaired loans and advances (and including off-balance sheet exposures) by class, along with the fair value of the collateral held by the Bank as security, are as follows:

BANKA AMERIKANE E INVESTIMEVE SHA
Notes to the separate financial statements for the year ended 31 December 2020
(All amounts in ALL thousand, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Credit impaired loans and advances

	31 December 2020		31 December 2019	
	Credit impaired loans	Collateral Amount with haircut	Credit impaired loans	Collateral Amount with haircut
Corporate+SME	1,968,517	1,182,233	1,749,014	1,389,944
SBE	1,089,510	1,108,615	1,820,571	1,553,835
Individual Secured	1,987,966	2,871,435	1,457,000	2,170,477
Individual Unsecured	101,951	-	93,336	-
Financial Leasing	-	-	-	-
Guarantee	-	-	-	-
Total gross	**5,147,944**	**5,162,283**	**5,119,921**	**5,114,256**
Total ECL	(2,114,247)	-	(2,089,983)	-
Net	**3,033,697**	**-**	**3,029,938**	-

When the Bank holds repossessed assets in its ownership, their conversion into cash is the first aim of the Bank, through marketing the properties for sale. Proceeds are used to reduce or liquidate the carrying amount of the loans. If there is no satisfactory offer collected, the Bank's practice is to keep the asset for sale until receiving the best offer. Depending on operational needs and the suitability of the asset to fulfil those needs, management may decide to make use of the property; in such cases a reclassification into property and equipment of the Bank is performed. The respective amounts of repossessed properties are disclosed in note 19.

The collateral structure of loans in different stages is presented below:

31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Property with haircut	26,472,546	3,218,450	5,128,227	-	34,819,223
Pledge	-	-	-	-	-
Cash	1,424,595	26,118	34,056	-	1,484,769
Total	**27,897,141**	**3,244,568**	**5,162,283**		**36,303,992**

31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Property with haircut	24,839,620	2,651,991	4,970,566	-	32,462,177
Pledge	-	-	-	-	-
Cash	1,212,629	30,055	143,690	-	1,386,374
Total	**26,052,249**	**2,682,046**	**5,114,256**	**-**	**33,848,551**

Loans and advances renegotiated

Restructuring activities include extended payment agreements, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to normal status and managed together with other similar accounts. The total restructured portfolio during 2020 is LEK 34 million (2019: LEK 37 million).

Set out below is the carrying amount of restructured loans and advances to customers, net of impairment allowances, during the whole life of products, by product:

	Stage1	**Stage2**	**Stage 3**	**POCI**	**31 Dec 2020**	**31 Dec 2019**
Commercial	412,599	49,677	1,924,303	-	2,386,579	2,739,208
Mortgage	303,150	127,451	545,839	-	976,440	953,027
Consumer	10,446	1,252	12,599	-	24,297	23,434
Total	**726,195**	**178,380**	**2,482,741**	**-**	**3,387,316**	**3,715,669**

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The following tables provide a summary of the Bank's restructured and rescheduled exposures as at 31 December 2020 and 2019.

31 December 2020		Performing loans			Non-Performing loans				
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**
Corporates and SMEs	13,882,183	1,892,397	-	**1,892,397**	124,843	-	**124,843**	**2,017,241**	**14.53%**
Small business	6,139,294	731,819	-	**731,819**	386,524	25,984	**412,509**	**1,144,327**	**18.64%**
Collateralized individuals	11,338,804	1,441,512	-	**1,441,512**	75,454	-	**75,454**	**1,516,966**	**13.38%**
Un Collateralized individuals	620,982	71,175	-	**71,175**	225	-	**225**	**71,400**	**11.50%**
Total	**31,981,263**	**4,136,902**	**-**	**4,136,902**	**587,047**	**25,984**	**613,031**	**4,749,934**	**14.85%**

31 December 2019		Performing loans			Non-Performing loans				
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**
Corporates and SMEs	9,259,574	-	-	-	665,923	-	**665,923**	**665,923**	**7.19%**
Small business	5,927,813	-	-	-	822,410	-	**822,410**	**822,410**	**13.87%**
Collateralized individuals	11,349,860	-	-	-	41,791	-	**41,791**	**41,791**	**0.37%**
Un Collateralized individuals	713,575	-	-	-	-	-	**-**	**-**	**0.00%**
Total	**27,250,823**	**-**	**-**	**-**	**1,530,124**	**-**	**1,530,124**	**1,530,124**	**5.61%**

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The following tables provide a summary of the Bank's restructured and rescheduled ECL loans as at 31 December 2020 and 2019.

	Gross amount of forborne loans				ECL allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporates and SMEs	1,892,397	-	124,843	**2,017,241**	2,605	-	52,607	**55,212**
Small business	656,580	75,239	412,509	**1,144,327**	15,148	2,271	136,842	**154,260**
Collateralized individuals	1,338,406	103,106	75,454	**1,516,966**	24,275	11,714	19,444	**55,433**
Un Collateralized individuals	70,748	427	225	**71,400**	1,941	114	247	**2,302**
Total	**3,958,131**	**178,771**	**613,031**	**4,749,934**	**43,968**	**14,098**	**209,140**	**267,206**

	Gross amount of forborne loans				ECL allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporates and SMEs	-	-	665,923	665,923	-	-	348,789	348,789
Small business	-	-	822,410	822,410	-	-	425,840	425,840
Collateralized individuals	-	-	41,791	41,791	-	-	10,660	10,660
Un Collateralized individuals	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,530,124**	**1,530,124**	**-**	**-**	**785,288**	**785,288**

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

In the current economic circumstances, the Bank has been encouraged, recommended and required by government and regulators to offer new loans to customers under 2- types of government Sovereign Loan.

The key features of each support program include (but not limited to) the following:

1- Payment of salaries eligible within the Covid-19 program

- The loans are supported 100% by government guarantees in a total of ALL 300.000.000;
- The funds has been disbursed only to support salaries up to three consecutive months (calculated based on the February payroll list);
- The applicable interest rate is calculated as the yield of 12M treasuries adjusted for a 0.5% premium, up to 2.85%;
- The lenders have to be officially classified as affected customers/industries/sectors' from the pandemic;
- These loans are to be disbursed at an administration fee of 0% and apply a grace period of 3 months; and
- The loans disbursed only in ALL, have a maturity up to 2 years.

2- *Sovereign Loan within Covid-19 program, for business development ("Working Capital")*

- The loans are supported 60% by government guarantees in a total of ALL 400.000.000;
- The loans will facilitate the lender address working capital and investment needs, and provide support to commercial operations. Under no circumstance, should the the funds be used to finance illegal activities or refinance other loan facilities.
- The applicable interest rate is calculated as the yield of 12M treasuries adjusted for a 3.00% premium, up to 5.00%;
- The lenders have to be officially classified as affected and temporary closed industries/sectors' from the pandemic;
- These loans are to be disbursed at an administration fee of 0% and apply a grace period up to 6 months; and
- The loans disbursed only in ALL, have a maturity up to 5 years.

5. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The following tables present the number of customer accounts and associated loan values of customers under government supported programs as of 31 December 2020.

	31-Dec-20		
	Corporate & MBE	**SBE**	**Total**
Number of approved accounts	12	13	25
Loan value of customers under the scheme	473,656	46,677	520,333
% of portfolio	**3.22%**	**0.76%**	**1.58%**

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 2020.

31 December 2020

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	516,706	3,626	-	520,333
% of portfolio	2.10%	0.17%	0.00%	1.58%
ECL	(5,355)	(248)	-	(5,603)
% of total ECL	1.72%	0.24%	0.00%	0.16%

Repayment risk

The Bank's activities may cause risk at the time of repayment of transactions and trades. Repayment risk is the risk of loss due to a company's failure to meet its obligations to provide cash, valuables or other assets as agreed in the contract. Repayment risk with financial institutions and other government counterparties is included within a system of limits for all transactions with these counterparties and is subject to daily monitoring, defined and regulated according to the regulation of the Central Bank of Albania "On risk management of large exposures of Bank".

b) Liquidity Risk

Liquidity risk is defined as the possibility that an institution is unable to meet its payment obligations due to its incapacity to liquidate assets or obtain adequate funding from the market (funding liquidity risk), or due to the difficulty of easily unwinding positions in financial assets without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions.

5. RISK MANAGEMENT (CONTINUED)

b) Liquidity Risk (Continued)

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank's liquidity management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio liquid and marketable assets;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The responsibility for the management of daily liquidity position remains with the Treasury Sector Monitoring. Daily reports and information exchanged through various functions of the Bank cover the projected estimated cash flows for the next day, week, and month, which are considered as key liquidity management periods. The starting point for those projections is the analysis of the contractual maturity of the financial liabilities and the expected collection date for the financial assets. The Management of short and medium term liquidity is a responsibility of ALCO. ALCO analyses on a monthly basis the liquidity position of the Bank and proposes the actions deemed as necessary.

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to short term liabilities, and the cumulative gaps up to 3- months. For this purpose the highly liquid assets are considered as including cash and cash equivalents and FVOCI securities portfolio. The Liquidity ratios defined by the Bank are in compliance with Bank requirements imposed by the Regulation "On Liquidity Risk Management".

The Bank calculates on a daily to monthly basis the following ratios: liquid assets to short-term liabilities, loans to deposits, and liquid assets to deposits. Liquid assets are considered as including cash and cash equivalents, Albanian government treasury bills and any short term deposits with banks maturing within 7 days.

Details of the liquid assets to short-term liabilities ratio during the reporting period were as follows:

	31 December 2020	31 December 2019
Average for the period	77.88%	61.23%
Minimum for the period	74.47%	55.92%
Maximum for the period	85.89%	83.49%

5. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table enclosed shows the liquidity situation of the Bank as currently monitored by the Bank's management, as at 31 December 2020. It considers the undiscounted cash flows in/out of the Bank for on and off balance sheet financial assets and liabilities, according to remaining maturity and not reflecting any earlier repayment or retention history assumptions. Where no contractual remaining maturity is applicable for the financial instruments, the Bank has used judgment in estimating the time when these financial assets and liabilities will be matured.

31 December 2020	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
ASSETS						
Cash and cash equivalent	11,098,410	-	-	-	-	**11,098,410**
Minimum reserve requirement	1,791,268	318,381	1,432,716	2,575,033	-	**6,117,398**
Advances to Banks	100,840	-	-	-	-	**100,840**
Investment securities	352,931	2,111,980	3,668,575	25,467,571	8,835,432	**40,436,489**
Loans and advances to customers (gross performing loans)	740,660	1,481,320	6,665,941	10,524,726	8,324,278	**27,736,925**
Financial leasing	1,494	2,998	14,838	35,629	-	**54,959**
Other Financial Assets	9,453	-	3,248	1,388	-	**14,089**
TOTAL	**14,095,056**	**3,914,679**	**11,785,318**	**38,604,347**	**17,159,710**	**85,559,110**
LIABILITIES						
Current accounts with Banks						
Current/Saving accounts with customers	5,571,793	865,077	3,892,848	11,211,968	2,752,833	**24,294,519**
Deposits from Banks	5,866,053	1,335,202	-	-	-	**7,201,255**
Deposits from customers – Time deposits	3,411,092	6,215,486	22,592,999	11,782,606	489,933	**44,492,116**
Subordinated Debt	-	-	-	-	-	**-**
Other Financial Liabilities	94,452	168,235	904	-	-	**263,591**
TOTAL	**14,943,390**	**8,584,000**	**26,486,751**	**22,994,574**	**3,242,766**	**76,251,481**
TOTAL GAP ON-BALANCE SHET	**(848,334)**	**(4,669,321)**	**(14,701,433)**	**15,609,773**	**13,916,944**	**9,307,629**
Off Balance Sheet inflow	-	-	-	-	-	**-**
Off Balance Sheet outflow	**87,280**	**257,641**	**1,039,669**	**161,683**	**42,686**	**1,588,959**
TOTAL GAP OFF-BALANCE SHEET	**(87,280)**	**(257,641)**	**(1,039,669)**	**(161,683)**	**(42,686)**	**(1,588,959)**
TOTAL GAP 31 December 2020	**(935,614)**	**(4,926,962)**	**(15,741,102)**	**15,448,090**	**13,874,258**	**7,718,670**
CUMULATED GAP 31 December 2020	**(935,614)**	**(5,862,576)**	**(21,603,678)**	**(6,155,588)**	**7,718,670**	**-**

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. The Bank's expected cash flows on some financial liabilities vary significantly from the contractual cash flows as current accounts with customers are expected to remain stable and not be withdrawn.

5. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

31 December 2019	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
ASSETS						
Cash and cash equivalent	9,802,033	-	-	-	-	**9,802,033**
Minimum reserve requirement	1,638,420	290,283	1,306,275	2,435,146	-	**5,670,124**
Advances to Banks	108,640	-	-	-	-	**108,640**
Investment securities	1,555,095	655,762	5,654,013	19,055,243	8,695,594	**35,615,707**
Loans and advances to customers (gross performing loans)	682,390	1,364,781	6,141,514	8,553,751	6,235,932	**22,978,368**
Financial leasing	1,234	2,413	10,997	30,475	-	**45,119**
Other Financial Assets	40,539	-	64,104	3,826	-	**108,469**
TOTAL	**13,828,351**	**2,313,239**	**13,176,903**	**30,078,441**	**14,931,526**	**74,328,460**
LIABILITIES						
Current accounts with Banks	-	-	-	-	-	-
Current/Saving accounts with customers	4,617,623	696,805	3,138,110	9,366,006	2,371,698	**20,190,242**
Deposits from Banks	1,240,063	35,002	-	-	-	**1,275,065**
Deposits from customers – Time deposits	3,900,473	5,589,548	23,933,308	11,519,160	409,234	**45,351,723**
Subordinated Debt	-	-	-	-	-	-
Other Financial Liabilities	8,343	236,686	-	-	-	**245,029**
TOTAL	**9,766,502**	**6,558,041**	**27,071,418**	**20,885,166**	**2,780,932**	**67,062,059**
TOTAL GAP ON-BALANCE SHET	**4,061,849**	**(4,244,802)**	**(13,894,515)**	**9,193,275**	**12,150,594**	**7,266,401**
Off Balance Sheet inflow						
Off Balance Sheet outflow	**20,576**	**36,359**	**706,370**	**116,689**	**196,181**	**1,076,175**
TOTAL GAP OFF-BALANCE SHEET	**(20,576)**	**(36,359)**	**(706,370)**	**(116,689)**	**(196,181)**	**(1,076,175)**
TOTAL GAP 31 December 2020	**4,041,273**	**(4,281,161)**	**(14,600,885)**	**9,076,586**	**11,954,413**	**6,190,226**
CUMULATED GAP 31 December 2020	**4,041,273**	**(239,888)**	**(14,840,773)**	**(5,764,187)**	**6,190,226**	**-**

5. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The information provided relates to cash flows deriving from financial off-balance-sheet liabilities, therefore it considerably differs from the face of the statement of financial position. The analysis does not include non-financial liabilities and equity and comprises cash flows of contractual interest.

The table below shows the Bank's financial contingent liabilities and financial commitments.

	1 Month	1-3 Months	3-12 Months	1-5 Years	>5 Years	Total
31 December 2020						
Commitments	87,279	257,641	1,039,669	161,683	42,686	**1,588,958**
Guarantees	89,578	64,227	199,062	112,147	-	**465,014**
SPOT Transactions	37,135	-	-			**37,135**
31 December 2019						
Commitments	20,575	36,359	706,370	116,689	196,181	**1,076,174**
Guarantees	73,790	324,338	282,223	122,814	-	**803,165**
SPOT Transactions	530,570	-	-	-	-	**530,570**

The Bank expects only a small part of the commitments to be demanded within one month and guarantees to be closed at maturity date. Refer also to note 36 Commitment and contingencies.

Reconciliation between contingent liabilities and commitments maturity table and note 36 Commitment and contingencies is as follows:

	31 December 2020	31 December 2019
Commitments	**1,588,958**	**1,076,174**
Un-drawn credit facilities	1,588,958	1,076,174
Guarantees		
Letters of credit	-	82,804
Guarantees in favor of customers	465,014	720,361
SPOT transactions	**37,135**	**530,570**

Undiscounted cash flows based on remaining outstanding balance for financial liabilities as at 31 December 2020 and 31 December 2019 is as follows:

	Carrying amount	Gross nominal (outflow)	1 Month	1-3 Months	3-12 Months	>1 Years
31 December 2020						
Due to banks	**7,201,255**	**7,201,255**	5,866,053	1,335,202	-	-
Due to customers	**68,199,118**	**68,786,635**	8,982,885	7,080,563	26,485,847	26,237,340
Subordinated liabilities						
31 December 2019						
Due to banks	**1,275,065**	**1,275,065**	1,240,063	35,002	-	-
Due to customers	**64,980,154**	**65,541,965**	8,518,096	6,286,353	27,071,418	23,666,098
Subordinated liabilities	**-**	**-**	-	-	-	-

5. RISK MANAGEMENT (CONTINUED)

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) which will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

The Bank holds its securities portfolio in accordance with IFRS 9 as either at Amortised Cost or at Fair Value through OCI.

Exposure to Foreign Exchange rate risk

Foreign exchange rate risk is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Bank's statement of financial position. The key sources of exchange rate risk consist of:

- Foreign currency loans and deposits held by corporate and retail customers;
- Investment securities;
- Trading of foreign banknotes;
- Collection and/or payment of interest, commissions, administrative costs, etc. in foreign currencies.

The Board of Directors sets limits on the level of exposure for both overnight and intra-day positions, which are monitored daily by the Operational Risk and Permanent Controls Specialist.

Exchange rates sensitivity analyses include standard scenarios of a 200 basis point (bps) parallel fall or rise in exchange rates of the main currencies EUR (2020: ALL 88,680 thousands; 2019: ALL 52,845 thousands) and USD (2020: ALL 204 thousands; 2019: ALL 258 thousands) in both profit or loss and equity. The analysis below includes only monetary assets and liabilities denominated in ALL and foreign currencies. The table below summarizes the Bank's exposure to foreign currency exchange rate risk as at year end date. The Bank's exposure to foreign currency exchange rate risk as at 31 December 2020 and 31 December 2019 is as follows:

31 December 2020	ALL	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	2,268,762	6,831,212	1,935,270	63,167	**11,098,411**
Loans and advances to banks	1,563,804	4,268,519	385,915	-	**6,218,238**
FVOCI Securities	16,585,509	1,656,876	-	-	**18,242,385**
Amortised cost Securities	14,409,725	2,494,449	-	-	**16,904,174**
Loans and advances to customers	6,179,053	23,077,958	21,071	-	**29,278,082**
Financial Leasing	-	52,166	-	-	**52,166**
Other financial assets	4,826	8,323	836	104	**14,089**
Total	**41,011,679**	**38,389,503**	**2,343,092**	**63,271**	**81,807,545**
Liabilities					
Due to banks	7,201,255	-	-	-	**7,201,255**
Due to customers	33,406,099	32,378,966	2,349,271	64,782	**68,199,118**
Subordinated Debt	-	-	-	-	**-**
Lease liability	435,421	-	-	-	**435,421**
Other financial liabilities	210,839	525,693	4,085	1,189	**741,806**
Total	**41,253,614**	**32,904,659**	**2,353,356**	**65,971**	**76,577,600**
Net Position	**(241,935)**	**5,484,844**	**(10,264)**	**(2,700)**	**5,229,945**

5. RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Exposure to Foreign Exchange rate risk (continued)

31 December 2019	ALL	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	1,587,239	6,183,724	1,963,725	67,345	**9,802,033**
Loans and advances to banks	1,596,392	3,819,838	362,534	-	**5,778,764**
FVOCI Securities	18,529,419	2,345,336	-	-	**20,874,755**
Amortised cost Securities	10,949,919	-	-	-	**10,949,919**
Loans and advances to customers	3,465,293	21,219,308	70,161	-	**24,754,762**
Financial Leasing	-	42,279	-	-	**42,279**
Other financial assets	18,307	89,235	797	131	**108,469**
Total	**36,146,569**	**33,699,720**	**2,397,217**	**67,476**	**72,310,982**
Liabilities					
Due to banks	1,275,065	-	-	-	**1,275,065**
Due to customers	33,108,035	29,467,153	2,338,329	66,637	**64,980,154**
Subordinated Debt	-	-	-	-	**-**
Lease liabilities	2,317	477,313	6,658	-	**486,288**
Other financial liabilities	439,510	537,779	38,325	-	**1,015,614**
Total	**34,824,927**	**30,482,245**	**2,383,312**	**66,637**	**67,757,121**
Net Position	**1,321,642**	**3,217,475**	**13,905**	**839**	**4,553,861**

Exposure to Interest Rate risk

The principal Interest Rate risk to which the Bank's portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. This risk arises primarily from securities portfolio, retail and corporate banking. Interest rate risk is managed principally through periodic monitoring of interest rate spreads between Bank's assets and liabilities and also preparing related scenario analysis on interest rates for decision making purposes.

Standard scenarios that are considered on a monthly basis include a 200 basis point (bps) parallel fall or rise in all interest rates up to one year and 300 basis points (bps) parallel fall or rise over one year. The following sensitivity analyses shows the impact in profit or loss of the Bank. There is no impact on any equity balances, apart from the direct impact from profit or loss.

	31 December 2020			
	Up to 1 Year Scenarios		over 1 Year Scenarios	
	200 bps Increase	200 bps decrease	200 bps Increase	200 bps decrease
Estimated Profit(loss) effect	(185,489)	185,489	253,241	(253,241)

	31 December 2019			
	Up to 1 Year Scenarios		over 1 Year Scenarios	
	200 bps Increase	200 bps decrease	200 bps Increase	200 bps decrease
Estimated Profit\(loss) effect	(160,578)	160,578	60,326	(60,326)

5. RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)
Exposure to Interest Rate risk (continued)

The tables below summarize the Bank's exposure to interest rate risks. Included in the tables are the Bank's monetary assets and liabilities with both fixed and non-fixed interest rates.

31 December 2020	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not interest bearing	Total
Assets							
Cash and cash equivalents	1,618,916	-	-	-	-	9,479,494	**11,098,410**
Loans and advances to banks	5,933,164	-	-	-	-	285,075	**6,218,239**
Investment securities	330,159	2,046,709	522,658	2,317,534	29,929,499	-	**35,146,559**
Loans and advances to customers	2,849,225	8,850,299	4,798,026	7,929,482	4,851,050	-	**29,278,082**
Financial Leasing	1,377	2,762	11,672	2,091	34,264	-	**52,166**
Other Financial assets	14,089	-	-	-	-	-	**14,089**
Total	**10,746,930**	**10,899,770**	**5,332,356**	**10,249,107**	**34,814,813**	**9,764,569**	**81,807,545**
Liabilities							
Due to banks	5,866,053	1,335,202	-	-	-	-	**7,201,255**
Due to customers	8,909,804	7,017,315	7,674,638	18,575,757	26,021,604	-	**68,199,118**
Subordinated debt	-	-	-	-	-	-	**-**
Lease Liability	7,187	14,456	20,783	41,153	351,842	-	**435,421**
Other Financial liabilities	263,591	-	-	-	-	484,085	**747,676**
Total	**15,046,635**	**8,366,973**	**7,695,421**	**18,616,910**	**26,373,446**	**484,085**	**76,583,470**
Interest sensitivity gap at 31 December 2020	**(4,299,705)**	**2,532,797**	**(2,363,065)**	**(8,367,803)**	**8,441,367**	**9,280,483**	**5,224,074**

5. RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)
Exposure to Interest Rate risk (continued)

31 December 2019	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not interest bearing	Total
Assets							
Cash and cash equivalents	2,319,071	-	-	-	-	7,482,962	**9,802,033**
Loans and advances to banks	5,524,869	-	-	-	-	253,895	**5,778,764**
Investment securities	1,541,739	605,786	1,445,188	5,715,856	22,516,105	-	**31,824,674**
Loans and advances to customers	1,430,106	11,663,021	2,433,579	5,850,623	3,377,433	-	**24,754,762**
Financial Leasing	-		42,279	-	-	-	**42,279**
Other Financial assets	108,470	-	-	-	-	-	**108,470**
Total	**10,924,255**	**12,268,807**	**3,921,046**	**11,566,479**	**25,893,538**	**7,736,857**	**72,310,982**
Liabilities							
Due to banks	1,240,063	35,002	-	-	-	-	**1,275,065**
Due to customers	8,450,667	6,228,994	7,476,703	19,348,091	23,475,699	-	**64,980,154**
Subordinated debt	-	-	-	-	-	-	**-**
Lease Liability	6,837	13,435	19,889	39,167	406,960	-	**486,288**
Other Financial liabilities	245,029	-	-		-	770,585	**1,015,614**
Total	**9,942,596**	**6,277,431**	**7,496,592**	**19,387,258**	**23,882,659**	**770,585**	**67,757,121**
Interest sensitivity gap at 31 December 2019	**981,659**	**5,991,376**	**(3,575,546)**	**(7,820,779)**	**2,010,879**	**6,966,272**	**4,553,861**

5. RISK MANAGEMENT (CONTINUED)

d) Capital Management

The Bank’s lead regulator, Bank of Albania, sets and monitors capital requirements for the Bank. The Bank’s policy is to maintain the capital base within limits, capitalizing all activity earnings so as to sustain future development of the business recognizing the impact of the level of capital on shareholders’ return. 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.

Pursuant to current Capital Requirements, the Bank of Albania requires the Bank to maintain a certain level of total capital of level I and II above the total risk-weighted assets and off-balance sheet items, above the minimum level of 12% and to maintain the ratio of tier 1 capital above the minimum level of 9% During 2020, the Bank has had a sufficiency rate, which on December 31, 2020 is 20.98% (2019: 19.27%). Currently the Bank does not have tier two capital elements. Despite the increase in the value of risk weighted assets, as a result of increased activity and increasing demand for capital indicators, the Bank's RMK has been satisfactory above the minimum regulatory level of determined during 2020.

The policy pursued by the Bank is to maintain a strong core capital in order to maintain the confidence of investors, creditors and the market as well as to support future business developments.

6. USE OF ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on available relevant market information and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

• The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment

• The segmentation of financial assets when their ECL is assessed on a collective basis

• Development of ECL models, including the various formulas and the choice of inputs

• Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

6. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank’s policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(ii) Going concern assessment

The Bank’s management has made an assessment of its ability to continue as a going concern, including the impact of COVID-19 pandemic (refer to Note 40), and is satisfied that it has the resources to continue in business for the foreseeable future. Management has not identified any material uncertainties that may cast significant doubt on the Bank’s ability to continue as a going concern and therefore the preparation of the financial statements under the going concern basis remains appropriate.

(iii) Net realizable value of inventory

The Bank has established a policy with respect to the fair values of repossessed assets which are being measured at the lower of cost and net realizable value. The net realizable value measurement include the use of external, independent property appraisers, having appropriate recognized statutory professional qualifications, which is subsequently reviewed from the Bank Management for significant unobservable inputs and any required write down adjustments.

(iv) Valuation of financial instruments

The Bank's accounting policy on fair value measurement is discussed in accounting policy 4.p. 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. 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 recognised valuation models for determining the fair value and uses 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 also 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.

.

6. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(iv) Valuation of financial instruments (continued)

As at 31 December 2020 and 2019 all financial instruments are measured at amortized cost, except FVOCI assets which have been measured at fair value and the respective fair values have been disclosed in note 11

As at 31 December 2020 and 2019 all financial instruments are measured at amortized cost, except FVOCI assets which have been measured at fair value and the respective fair values have been disclosed in note 11

(v) Impairment of available–for–sale investments

The Bank reviews its debt securities classified as available–for–sale investments and/or FVOCI at each reporting period to assess whether there is any indication of impairment. This requires similar judgment as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available–for–sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

(vi) Litigation and operational risk

The Bank Management has established an internal process with respect to recognition and measurement of provisions and contingencies due to actual or threaten litigations. Key assumptions about the likelihood and magnitude of an outflow of resources are based on the internal and external legal advice following the respective successful defense strategies against resulting actions. Each action and corresponding risk is assessed on its merits and the underlying constructive or legal obligation and the estimate of cash outflows considered payable are independently approved from the Bank CEO. Management believes, that existing or potential future litigation are remote, however due to causes beyond legal background and framework further risks might be triggered.

(vii) Determination of control over investees

Management applies its judgement to determine whether the Bank controls investees. In assessing whether the Bank controls the investees, the Bank performs the power analysis and takes into consideration purpose and design of the investee, the evidence of practical ability to direct the relevant activities of the investees etc. As a result, the Bank concluded that it does not control and therefore should not consolidate its special purpose vehicles and entities with receivables in default, as the Bank does not have power over the relevant activities of those entities.

(viii) 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 judgements about future events. New information may become available that causes the Bank to change its judgement 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.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained in Note 4.p.

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

	Carrying Amount				Fair Value			
	Loans and receivables	Investment securities	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
31 December 2020								
Loans and advances to customers	29,278,083	-	-	**29,278,083**	-	-	30,310,463	**30,310,463**
Financial Leasing	52,167	-	-	**52,167**	-	-	41,028	**41,028**
Financial investments at AC	-	16,904,174	-	**16,904,174**	-	17,400,867		**17,400,867**
Financial Investments at FVOCI	-	18,242,385	-	**18,242,385**	-	18,242,385		**18,242,385**
Total	**29,330,248**	**35,146,559**	-	**64,476,807**	-	**35,643,252**	**30,351,491**	**65,994,743**
Due to customers	-	-	68,199,118	68,199,118	-	-	67,855,424	**67,855,424**
Total	-	-	**68,199,118**	**68,199,118**	-	-	**67,855,424**	**67,855,424**
31 December 2019								
Loans and advances to customers	24,754,762	-	-	**24,754,762**	-	-	25,715,836	**25,715,836**
Financial Leasing	42,279	-	-	**42,279**	-	-	40,507	**40,507**
Financial investments at AC	-	10,949,919	-	**10,949,919**	-	11,352,027	-	**11,352,027**
Financial Investments at FVOCI	-	20,874,755	-	**20,874,755**	-	20,874,755	-	**20,874,755**
Total	**24,797,041**	**31,824,674**	-	**56,621,715**	-	**32,226,782**	**25,756,343**	**57,983,125**
Due to customers	-	-	64,980,154	**64,980,154**			64,576,592	**64,576,592**
Total	-	-	**64,980,154**	**64,980,154**	-	-	**64,576,592**	**64,576,592**

Loans and advances to/from credit institutions include inter-bank placements and items in the course of collection/settlement. As loans, advances and overnight deposits are short term and at floating rates, their fair value is considered to be approximated by their carrying amount. In estimating the fair value of the loan portfolio, the bank takes into account comparable factors in the market like interest rates. There have not been any transfers of financial assets and liabilities between categories of fair value hierarchy of Level 2 and Level 3.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Valuation techniques:

Investment securities at FVOCI

Investment securities are financial instruments issued by the Albanian government and includes both government bonds (long-term) and treasury bills (short-term) with fixed or floating rate interest payments. These instruments are generally liquid but are not listed in a market, hence direct quotations are not available. As a result, the Bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future cash flows and a market price at which the security could sell at the date of reporting. In these instances the Bank classifies those securities as Level 2. The Bank does not have Level 3 government securities where valuation inputs would be unobservable.

Due to customers

The fair values of the Bank's deposits to customers are determined by using the discounted cash flow method using discount rates that reflect the market's average borrowing rate for similar types of instruments as at the end of the reporting period. The Bank presents these instruments as Level 2.

Subordinated Debt

The fair value of the Bank's subordinated debt is determined by using the discounted cash flow method using a discount rate that reflects the instrument's borrowing rate, as there is no market for similar instruments in Albania to compare it to. The Bank presents this instrument as Level 3.

Loans and advances to customers and Financial Leasing

For loans and financial leases measured at amortised cost, a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market average rates of interest for similar types of instruments, prepayment rates and assumptions regarding market liquidity, where relevant. Due to the nature of the Bank's information systems, and diverse nature of the loan portfolio, the fair value estimates include significant uncertainty. The Bank classifies these assets as Level 2.

Sensitivity of fair value measurements to changes in unobservable market data

The table below describes the effect of changing the significant unobservable inputs to reasonable possible alternatives. All changes except for debt instruments classified as "Financial Investments at FVOCI) would be reflected in the Income statement. Sensitivity data are calculated using a number of techniques, including analysing price dispersion of different price sources, adjusting model inputs to reasonable changes within the fair value methodology.

The ranges are not comparable or symmetrical as the model inputs are usually not in the middle of the favorable/unfavorable range.

The table below shows data in relation to Level 3 inputs that are already aggregated on the underlying product levels without assuming any potential diversification effect, but including potential off-sets from economic or accounting hedge relationships in place. The Bank is of the opinion that, whilst there may be some diversification benefits, incorporating these would not be significant to the analysis.

Sensitivity analyses	Level 3	Valuation technique	Inputs	Sensitivity	Impact
Loans and advances to customers & Financial Leasing	30,310,463	FMS	Market rates	+200bp/ -200bp	(1,456,609) 1,723,088
Due to customers	67,855,424	FMS	Market rates	+100bp/ -100bp	393,968/ - 386,129

8. ANALYSES OF ASSETS, LIABILIITES AND EQUITY ACCORDING TO REMAINING MATURITY

The table below sets out the discounted assets and liabilities of the bank as per their maturity:

	31 December 2020			31 December 2019		
	< 12 months	> 12 months	Total	< 12 months	> 12 months	Total
Assets						
Cash and cash equivalents	11,098,410	-	11,098,410	9,802,033	-	**9,802,033**
Loans and advances to banks	3,643,204	2,575,035	6,218,239	3,343,618	2,435,146	**5,778,764**
Securities	5,217,058	29,929,501	35,146,559	9,308,569	22,516,105	**31,824,674**
Loans and advances to customers	8,344,688	20,933,394	29,278,082	7,694,141	17,060,621	**24,754,762**
Financial leasing	17,902	34,264	52,166	13,230	29,049	**42,279**
Property and equipment and right-of-use assets	-	1,480,359	1,480,359	-	1,578,060	**1,578,060**
Intangible assets	-	146,223	146,223	-	157,582	**157,582**
Deferred tax assets	23,491		23,491	22,633	-	**22,633**
Inventory and other assets	451,687	3,046,677	3,498,365	572,619	3,018,160	**3,590,779**
Assets held for sale	2,336	-	2,336	2,336	-	**2,336**
Affiliates	-	120,500	120,500	-	100,500	**100,500**
Total	**28,798,776**	**58,268,289**	**87,064,729**	**30,759,179**	**46,895,223**	**77,654,402**
Liabilities						
Due to banks	7,201,255	-	7,201,255	1,275,065	-	**1,275,065**
Due to customers	42,166,054	26,033,064	68,199,118	41,494,471	23,485,683	**64,980,154**
Provisions	-	65,834	65,834	-	88,805	**88,805**
Other liabilities	706,737	40,939	747,676	971,584	44,030	**1,015,614**
Lease liability	-	435,421	435,421	-	486,288	**486,288**
Deferred tax liability	108,881		108,881	172,208	-	**172,208**
Subordinated liabilities	-	-	-	-	-	**-**
Total Liabilities	**50,182,927**	**26,575,258**	**76,758,185**	**43,913,328**	**24,104,806**	**68,018,134**
Net exposure	**(21,384,151)**	**31,690,695**	**10,306,544**	**(13,154,149)**	**22,790,417**	**9,636,268**

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents (unrestricted) as at 31 December 2020 and 31 December 2019 can be detailed as follows:

	31 December 2020	31 December 2019
Cash on hand	1,516,138	1,664,482
Unrestricted balances with Bank of Albania	7,963,356	5,818,480
Current Accounts with correspondent banks	1,618,916	2,159,067
Money market placements	-	160,004
Total	**11,098,410**	**9,802,033**

Cash and cash equivalents consist of unconditional accounts denominated in the four major currencies Lek, Euro, USD and GBP, with balances in Euro accounting for approximately 58% of the balance as at 31 December 2020, followed by balances in Lek and USD. Current accounts are placed in correspondent banks rated from BBB to A+.

10. LOANS AND ADVANCES TO BANKS

Loans and advances to banks as at 31 December 2020 and 31 December 2019 are composed as follows:

	31 December 2020	31 December 2019
Deposits with correspondent banks	100,840	108,640
Compulsory reserve with Bank of Albania	6,117,399	5,670,124
Total	**6,218,239**	**5,778,764**

In accordance with Bank of Albania requirements, the Bank should maintain a minimum of the due to customers balances, as a compulsory reserve with the Bank of Albania. LEK obligatory reserve may by used by the bank up to 70% of its value conditionally that the monthly average balance of LEK obligatory reserve is not lower than the required balance The amount required to be deposited is calculated as percentage over the 100,840 customer balances. According to the regulation the rate of required reserve is related to the currency and the tenor of customer accounts (2017: 10% of customer deposits at 24 months contractual maturity). Effective from 24 July 2018, rates of obligatory reserve changed as below:

- 7.5% for customer deposits in LEK with contractual maturity up to 12 months
- 5.0% for customer deposits in LEK with contractual maturity over 12 months up to 24 months
- 12.5% for customer deposits in foreign currency, when the ratio “Deposits in foreign currency/Total deposits” is up to 50%
- 20% for customer deposits in foreign currency, when the ratio “Deposits in foreign currency/Total deposits” is higher than 50%

The obligatory reserve rate denominated in ALL is 100% of repurchase agreements rate. Meanwhile, this ALL balance had an interest rate as at 31 December 2020 of 1.00% a year (31 December 2019: 1.00% a year). The obligatory reserve rate denominated in EUR is indexed at ECBDF rate of (0.5)% a year (31 December 2019: (0.5)% a year).

The loans and advances to Banks are placed with Banks located in the following countries, and bear on original maturity shorter than 3 months:

	31 December 2020	31 December 2019
Albania	6,117,399	5,670,124
France	100,840	108,640
Total	**6,218,239**	**5,778,764**

Loans and advances to banks amounting to ALL 100,840 is a pledge account with the status blocked for the year 2020 and 2019 at CA CIB in Paris, used for forex transactions.

11. INVESTMENTS SECURITIES

Investments securities can be detailed as follows:

	31 December 2020	31 December 2019
Debt Instruments at FVOCI		
Albanian Government Treasury Bills	619,155	2,998,383
Albanian Government Bonds	15,966,353	15,531,036
Albanian Government Euro Bond	1,656,877	2,345,336
Total Debt Instruments at FVOCI	**18,242,385**	**20,874,755**

	31 December 2020	31 December 2019
Debt Instruments at amortized cost		
Albanian Government Bonds	16,983,793	10,991,522
Allowance for impairment losses	(79,619)	(41,603)
Total Debt Instruments at amortized cost	**16,904,174**	**10,949,919**
Total Investment Securities	**35,146,559**	**31,824,674**

FVOCI securities consist of treasury bills and government bonds classified as follows:

Treasury bills issued by Albanian Government and by original maturity are presented as follows:

		31 December 2020				
Maturity	**Average Interest Rate**	**Nominal Value**	**Premium / (Discount)**	**Accrued Interest**	**Revaluation Difference**	**Carrying Value**
6 Months	0.77%	109,740	(210)	99	36	109,665
12 Months	2.06%	510,420	(11,272)	8,334	2,008	509,490
		620,160	**(11,482)**	**8,433**	**2,044**	**619,155**
		31 December 2019				
Maturity	**Average Interest Rate**	**Nominal Value**	**Premium / (Discount)**	**Accrued Interest**	**Revaluation Difference**	**Carrying Value**
6 Months	1.34%	1,650	(11)	6	1	1,646
12 Months	1.84%	3,019,240	(55,291)	25,038	7,750	2,996,737
		3,020,890	**(55,302)**	**25,044**	**7,751**	**2,998,383**

Bonds issued by Albanian Government and by original maturity are presented as follows:

		31 December 2020				
Maturity	**Average Interest Rate**	**Nominal Value**	**Premium / (Discount)**	**Accrued Interest**	**Revaluation Difference**	**Carrying Value**
24 months	0.92%	1,593,500	(3,434)	13,261	10,281	1,613,608
36 months	2.64%	1,731,900	(2,525)	14,981	9,012	1,753,368
60 months	4.46%	7,020,900	28,834	127,700	179,116	7,356,550
84 months	6.79%	1,612,600	(1,944)	8,596	93,985	1,713,237
120 months	4.14%	2,951,700	14,773	62,286	500,831	3,529,590
Euro Bond - 60 months	0.92%	1,608,100	(2,604)	12,652	38,729	1,656,877
		16,518,700	**33,100**	**239,476**	**831,954**	**17,623,230**

11. INVESTMENTS SECURITIES (CONTINUED)

The bonds issued by the Albanian Government together with their maturities for 2019 are as follows:

		31 December 2019				
Maturity	**Average Interest Rate**	**Nominal Value**	**Premium / (Discount)**	**Accrued Interest**	**Revaluation Difference**	**Carrying Value**
24 Months	4.65%	1,479,416	(5,178)	16,500	8,324	1,499,062
36 Months	2.91%	977,800	(3,264)	7,911	6,959	989,406
60 Months	4.93%	6,955,343	69,131	126,628	261,134	7,412,236
84 Months	6.79%	1,556,193	3,475	7,285	145,797	1,712,750
120 Months	7.53%	3,160,600	2,588	67,160	687,234	3,917,582
Euro Bond - 60 Months	3.52%	2,258,810	26,855	17,452	42,219	2,345,336
		16,388,162	**93,607**	**242,936**	**1,151,667**	**17,876,372**

The table below sets out the financial assets classified as amortised cost at 31 December 2020 and 31 December 2019:

		31 December 2020					
Maturity	**Average Interest Rate**	**Nominal Value**	**Accrued Interest**	**Remaining Premium**	**Revaluation Difference**	**IFRS 9 Allowance**	**Carrying Value**
24 Months	2.60%	1,950,000	13,766	(3,086)	-	(6,780)	1,953,900
36 Months	2.80%	1,700,000	16,630	(31)	-	(6,025)	1,710,573
60 Months	4.15%	3,519,300	47,270	(30,104)	76	(11,719)	3,524,823
84 Months	4.53%	2,120,600	23,482	10,273	(5,693)	(8,342)	2,140,320
120 Months	4.13%	4,972,000	103,444	41,263	10,154	(19,812)	5,107,048
Euro Bond - 24 months	1.96%	1,237,000	5,590	-	-	(13,420)	1,229,170
Euro Bond - 60 months	2.96%	1,237,000	23,540	(8,681)	-	(13,520)	1,238,340
		16,735,900	**233,723**	**9,633**	**4,537**	**(79,618)**	**16,904,174**

		31 December 2019					
Maturity	**Average Interest Rate**	**Nominal Value**	**Accrued Interest**	**Remaining Premium**	**Revaluation Difference**	**IFRS 9 Allowance**	**Carrying Value**
24 Months	3.14%	1,500,000	19,175	(3,938)	-	(2,531)	1,512,706
36 Months	3.58%	200,000	2,567	-	-	(851)	201,716
60 Months	4.50%	1,600,000	26,408	1,590	205	(6,841)	1,621,362
84 Months	3.84%	2,470,600	26,487	13,916	501	(9,862)	2,501,642
120 Months	4.13%	4,972,000	99,7272	49,210	13,074	(21,518)	5,112,493
Total		**10,742,600**	**174,364**	**60,778**	**13,780**	**(41,603)**	**10,949,919**

The tables below shows the movement of gross balance and ECL of FVOCI securities:

FVOCI – Gross Carrying Amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2019	18,136,713	-	-	**18,136,713**
New assets originated or purchased	6,836,857	-	-	6,836,857
Assets de-recognised or repaid	(4,099,674)	-	-	(4,099,674)
Foreign exchange adjustments	859	-	-	859
Gross carrying amount – 31 December 2019	**20,874,755**	-	-	**20,874,755**
New assets originated or purchased at merger date	(709,973)	-	-	(709,973)
New assets originated or purchased	5,368,825	-	-	5,368,825
Assets de-recognised or repaid	(7,291,216)	-	-	(7,291,216)
Foreign exchange adjustments	6	-	-	6
Gross carrying amount – 31 December 2020	**18,242,385**	-	-	**18,242,385**

11. INVESTMENTS SECURITIES (CONTINUED)

FVOCI - ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2020	84,858			**84,858**
ECL allowance of ex-NBG as of acquisition date	23,155	-	-	**23,155**
New assets originated or purchased	(13,104)	-	-	**(13,104)**
Assets de-recognised or repaid	(4,018)	-	-	**(4,018)**
Foreign exchange adjustments	366	-	-	**366**
ECL – 31 December 2020	**91,257**	**-**	**-**	**91,257**
New assets originated or purchased at merger date	(11,059)	-	-	**(11,059)**
New assets originated or purchased	30,075			**30,075**
Assets de-recognised or repaid	(38,841)	-	-	**(38,841)**
Total	**71,432**	**-**	**-**	**71,432**

The tables below shows the movement of gross balance and ECL of amortised cost securities:

AC – Gross Carrying Amount	**Stage 1**	**Stage2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2019	11,249,376	**-**	**-**	**11,249,376**
New assets originated or purchased	592,252	-	-	**592,252**
Assets de-recognised or repaid	(850,106)	-	-	**(850,106)**
Gross carrying amount – 31 December 2019	**10,991,522**	**-**	**-**	**10,991,522**
New assets originated or purchased	(9,069)	**-**	**-**	**(9,069)**
Assets de-recognised or repaid	7,679,839	-	-	**7,679,839**
Transferred to stage 1	(1,678,499)	-	-	**(1,678,499)**
Gross carrying amount – 31 December 2020	**16,983,793**	**-**	**-**	**16,983,793**

AC - ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2019 under IFRS 9	**43,749**	**-**	**-**	**43,749**
New assets originated or purchased	6,279	-	-	**6,279**
Assets de-recognised or repaid	(8,425)	-	-	**(8,425)**
ECL – 31 December 2019	**41,603**	-	-	**41,603**
New assets originated or purchased	(5,783)	**-**	**-**	**(5,783)**
Assets de-recognised or repaid	46,294	-	-	**46,294**
Transferred to stage 1	(2,495)	-	-	**(2,495)**
ECL – 31 December 2020	**79,619**	-	-	**79,619**

12. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers as at 31 December 2020 and 31 December 2019 can be detailed as follows:

	31 December 2020	**31 December 2019**
Loans	26,650,927	21,966,425
Overdrafts	5,392,283	5,350,307
Deferred disbursement fees	(114,640)	(108,614)
Gross amount	**31,928,570**	**27,208,118**
Allowance for impairment	(2,650,488)	(2,453,356)
Total net amount	**29,278,082**	**24,754,762**

(All amounts in ALL thousand, unless otherwise stated)

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Loan by type of customer and product wise are presented as follows:

	As at December 31,2020		
Loan portfolio	Gross carrying amount	ECL amount	Carrying amount
Individual Secured	11,268,330	691,521	10,576,809
Individual Unsecured	691,456	208,455	483,001
Retail lending	**11,959,786**	**899,976**	**11,059,810**
Corporate & SME	13,829,489	1,188,080	12,641,409
SBE	6,139,294	562,431	5,576,863
Lending to businesses	**19,968,783**	**1,750,511**	**18,218,272**
Total	**31,928,569**	**2,650,487**	**29,278,082**

	As at December 31,2019		
Loan portfolio	Gross carrying amount	ECL amount	Carrying amount
Individual Secured	11,349,860	465,337	10,884,523
Individual Unsecured	713,577	162,721	550,856
Retail lending	**12,063,437**	**628,058**	**11,435,379**
Corporate & SME	9,216,868	949,419	8,267,449
SBE	5,927,813	875,879	5,051,934
Lending to businesses	**15,144,681**	**1,825,298**	**13,319,383**
Total	**27,208,118**	**2,453,356**	**24,754,762**

(All amounts in ALL thousand, unless otherwise stated)

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers

The tables below show an analysis of changes in gross carrying amount and the corresponding ECL allowances for each of the above categories is as follows:

Corporate & SME loans

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2019	6,597,912	451,437	4,364,093	-	**11,413,442**
New assets originated or purchased	3,678,299	-	-	-	**3,678,299**
Assets de-recognised or repaid	(1,335,154)	(59,750)	(351,134)	-	**(1,746,038)**
Amortization / Increase of debt	(259,732)	(72,234)	(173,211)	-	**(505,177)**
To other segments	(1,252,551)	(176,631)	(1,756,356)	-	**(3,185,538)**
Transfers to Stage 1	102,878	(102,878)	-	-	**-**
Transfers to Stage 3	(14,412)	-	14,412	-	**-**
Amounts written off	-	-	(333,594)	-	**(333,594)**
Foreign exchange adjustments	(86,456)	(2,875)	(15,196)	-	**(104,527)**
Gross carrying amount – 31 December 2019	**7,430,784**	**37,069**	**1,749,014**	**-**	**9,216,866**
New assets originated or purchased	4,052,271	-	-		**4,052,271**
Existing customers	548,301	-	-		**548,301**
New and closed during the year	247,400	-	-		**247,400**
Assets de-recognised or repaid	(603,452)	(37,069)	(277,101)		**(917,622)**
Amortization / Increase of debt	(721,068)	-	(359,262)		**(1,080,330)**
From other segments	1,431,952	106,980	913,727		**2,452,659**
To other segments	(700,941)	-	(47,535)		**(748,476)**
Transfers to Stage 2	(321,007)	321,007	-		**-**
Transfers to Stage 3	(3,000)	-	3,000		**-**
Amounts written off	-	-	(24,439)		**(24,439)**
Foreign exchange adjustments	71,746	-	11,111		**82,857**
Gross carrying amount – 31 December 2020	**11,432,986**	**427,987**	**1,968,515**		**13,829,487**

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 1 January 2019	**289,546**	**70,800**	**1,500,226**	**-**	**1,860,572**
New assets originated or purchased	68,041	-	-	-	**68,041**
Assets de-recognised or repaid	(112,374)	(15,329)	(113,701)	-	**(241,404)**
To other segments	(56,180)	(28,316)	(471,205)	-	**(555,701)**
Transfers to Stage 1	854	(854)	-	-	**-**
Transfers to Stage 3	(15,444)	-	15,444	-	**-**
Net re-measurement of ECL	(62,022)	(26,263)	62,969	-	**(25,316)**
Amounts written off	-	-	(148,174)	-	**(148,174)**
Foreign exchange adjustments	(1,445)	(35)	(7,120)	-	**(8,600)**
ECL – 31 December 2019	**110,976**	**3**	**838,439**	**-**	**949,418**
New assets originated or purchased	26,424	-	-	-	**26,424**
Assets de-recognised or repaid	(15,069)	(3)	(165,771)	-	**(180,843)**
Net re-measurement of ECL	(45,196)	-	(98,671)	-	**(143,867)**
From other segments	1,653	1,904	566,573	-	**570,130**
To other segments	(10,291)	-	(29,003)	-	**(39,294)**
Transfers to Stage 2	(5,036)	5,036	-	-	**-**
Transfers to Stage 3	(299)	-	299	-	**-**
Amounts written off	-	-	(228)	-	**(228)**
Foreign exchange adjustments	1,022	(4)	5,320	-	**6,338**
ECL – 31 December 2020	**64,184**	**6,936**	**1,116,958**	**-**	**1,188,078**

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (continued)

SBE loans

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2019	**1,521,585**	**232,700**	**413,978**	**-**	**2,168,263**
New assets originated or purchased	1,471,475	-	-	-	**1,471,475**
Assets de-recognised or repaid	(293,811)	(82,787)	(2,813)	-	**(379,411)**
Amortization / Increase of debt	(175,949)	(23,833)	(12,776)	-	**(212,558)**
From other segments	1,121,873	444,371	1,413,474	-	**2,979,718**
To other segments	(11,207)	-	-	-	**(11,207)**
Transfers to Stage 1	56,871	(55,216)	(1,655)	-	**-**
Transfers to Stage 2	(5,536)	7,508	(1,972)	-	**-**
Transfers to Stage 3	(7,507)	(67,423)	74,930	-	**-**
Amounts written off	-	-	(58,647)	-	**(58,647)**
Foreign exchange adjustments	(23,997)	(1,874)	(3,948)	-	**(29,819)**
Gross carrying amount – 31 December 2019	**3,653,797**	**453,446**	**1,820,571**	**-**	**5,927,814**
New assets originated or purchased	2,684,303	3,627	25,999		**2,713,929**
To Existing customers	141,947	2,978	-		**144,925**
New and closed during the year	25,737	-	-		**25,737**
Assets de-recognised or repaid	(352,748)	(1,271)	(154,812)		**(508,831)**
Amortization / Increase of debt	(201,782)	11,069	(31,599)		**(222,312)**
From other segments	592,613	37,175	49,970		**679,758**
To other segments	(1,685,056)	(118,663)	(814,452)		**(2,618,171)**
Transfers to Stage 1	213,370	(213,370)			**-**
Transfers to Stage 2	(242,487)	245,743	(3,256)		**-**
Transfers to Stage 3	(89,179)	(134,142)	223,321		**-**
Amounts written off	-	-	(36,464)		**(36,464)**
Foreign exchange adjustments	19,610	3,065	10,233		**32,908**
Gross carrying amount – 31 December 2020	**4,760,125**	**289,657**	**1,089,511**		**6,139,293**

BANKA AMERIKANE E INVESTIMEVE SHA

Notes to the separate financial statements for the year ended 31 December 2020
(All amounts in ALL thousand, unless otherwise stated)

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 1 January 2019 under IFRS 9	**33,274**	**66,184**	**182,352**	**-**	**281,810**
New assets originated or purchased	22,788	-	-	-	**22,788**
Assets de-recognised or repaid	(6,629)	(1,178)	(629)	-	**(8,436)**
From other segments	14,358	13,745	692,019	-	**720,122**
To other segments	(59)	-	-	-	**(59)**
Transfers to Stage 1	673	(648)	(25)	-	**-**
Transfers to Stage 2	(500)	574	(74)	-	**-**
Transfers to Stage 3	(2,108)	(9,487)	11,595	-	**-**
Net re-measurement of ECL	(8,680)	(54,581)	(10,762)	-	**(74,023)**
Amounts written off	-	-	(57,774)	-	**(57,774)**
Foreign exchange adjustments	(498)	(328)	(7,723)	-	**(8,549)**
ECL – 31 December 2019	**52,619**	**14,281**	**808,979**	**-**	**875,879**
New assets originated or purchased	83,469	248	14,875		**98,592**
Assets de-recognised or repaid	(4,712)	(3)	(39,209)		**(43,924)**
From other segments	12,129	372	30,671		**165,943**
To other segments	(22,465)	(9,259)	(547,006)		**43,172**
Transfers to Stage 1	1,892	(1,892)	-		**(578,730)**
Transfers to Stage 2	(6,028)	6,067	(39)		**-**
Transfers to Stage 3	(17,907)	(98,454)	116,361		**-**
Net re-measurement of ECL	37,196	-	33,569		**-**
Amounts written off	-	-	(10,779)		**(10,779)**
Foreign exchange adjustments	613	192	11,472		**11,472**
ECL – 31 December 2020	**136,806**	**6,730**	**418,894**		**562,430**

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (continued)

Individual secured loans

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2019	**10,115,975**	**1,419,146**	**1,575,944**	**-**	**13,111,065**
New assets originated or purchased	801,579	-	10,763	-	**812,342**
Assets de-recognised or repaid	(779,042)	(139,632)	(82,855)	-	**(1,001,529)**
Amortization / Increase of debt	(959,840)	(136,520)	(79,513)	-	**(1,175,873)**
From other segments	7,594	3,900	1,761	-	**13,255**
To other segments	(161,961)	(10,606)	(39,966)	-	**(212,533)**
Transfers to Stage 1	608,112	(523,571)	(84,541)	-	**-**
Transfers to Stage 2	(700,941)	872,711	(171,770)	-	**-**
Transfers to Stage 3	(160,393)	(232,526)	392,919	-	**-**
Amounts written off	-	-	(49,189)	-	**(49,189)**
Foreign exchange adjustments	(116,149)	(14,976)	(16,553)	-	**(147,678)**
Gross carrying amount – 31 December 2019	**8,654,934**	**1,237,926**	**1,457,000**	**-**	**11,349,860**
New assets originated or purchased	1,418,804	15,306	-	-	**1,434,110**
To existing customers	1,670	-	-	-	**1,670**
New and closed during the year	14,274	-	-	-	**14,274**
Assets de-recognised or repaid	(745,822)	(92,841)	(31,163)	-	**(869,826)**
Amortization / Increase of debt	(724,687)	(74,117)	(55,345)	-	**(854,149)**
From other segments	39,636	27,474	34,815	-	**101,925**
To other segments	(51,363)	-	3,159	-	**(48,204)**
Transfers to Stage 1	298,440	(294,592)	(3,848)	-	**-**
Transfers to Stage 2	(876,487)	943,137	(66,650)	-	**-**
Transfers to Stage 3	(253,242)	(384,038)	637,280	-	**-**
Amounts written off	-	-	(5,979)	-	**(5,979)**
Foreign exchange adjustments	109,517	16,435	18,698	-	**144,650**
Gross carrying amount – 31 December 2020	**7,885,674**	**1,394,690**	**1,987,967**	**-**	**11,268,331**

BANKA AMERIKANE E INVESTIMEVE SHA

Notes to the separate financial statements for the year ended 31 December 2020

(All amounts in ALL thousand, unless otherwise stated)

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 1 January 2019 under IFRS 9	**67,793**	**239,703**	**345,284**	**-**	**652,780**
New assets originated or purchased	4,742	-	5,930	-	**10,672**
Assets de-recognised or repaid	(6,549)	(30,062)	(12,047)	-	**(48,658)**
From other segments	47	31	28	-	**106**
To other segments	(1,024)	(1,369)	(22,763)	-	**(25,156)**
Transfers to Stage 1	3,124	(2,682)	(442)	-	**-**
Transfers to Stage 2	(42,182)	51,886	(9,704)	-	**-**
Transfers to Stage 3	(31,503)	(59,391)	90,894	-	**-**
Net re-measurement of ECL	69,688	(133,668)	(41,173)	-	**(105,153)**
Amounts written off	-	-	(13,099)	-	**(13,099)**
Foreign exchange adjustments	(790)	(1,272)	(4,092)	-	**(6,154)**
ECL – 31 December 2019	**63,346**	**63,176**	**338,816**	**-**	**465,338**
New assets originated or purchased	25,913	1,226	-	-	**27,139**
Assets de-recognised or repaid	(3,611)	(737)	(3,364)	-	**(7,712)**
From other segments	762	785	11,744	-	**13,293**
To other segments	(266)	-	3,201	-	**2,935**
Transfers to Stage 1	5,431	(5,357)	(74)	-	**-**
Transfers to Stage 2	(50,346)	53,589	(3,243)	-	**-**
Transfers to Stage 3	(50,684)	(77,417)	128,101	-	**-**
Net re-measurement of ECL	153,997	45,261	(13,957)	-	**185,301**
Amounts written off	-	-	(1,187)	-	**(1,187)**
Foreign exchange adjustments	867	934	4,615	-	**6,416**
ECL – 31 December 2020	**82,063**	**18,284**	**125,838**	**-**	**226,185**

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (continued)

Individual unsecured loans

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2019	**804,284**	**37,425**	**162,433**	**-**	**1,004,142**
New assets originated or purchased	204,893	-	73	-	**204,966**
Assets de-recognised or repaid	(237,565)	(4,846)	(6,830)	-	**(249,241)**
Amortization / Increase of debt	(144,105)	(6,909)	(4,157)	-	**(155,171)**
From other segments	8,273	1,231	21,423	-	**30,927**
To other segments	(7,585)	(179)	(392)	-	**(8,156)**
Transfers to Stage 1	11,019	(9,798)	(1,221)	-	**-**
Transfers to Stage 2	(29,102)	32,093	(2,991)	-	**-**
Transfers to Stage 3	(25,583)	(11,466)	37,049	-	**-**
Amounts written off	-	-	(111,992)	-	**(111,992)**
Foreign exchange adjustments	(1,826)	(14)	(59)	-	**(1,899)**
Gross carrying amount – 31 December 2019	**582,703**	**37,537**	**93,336**	**-**	**713,576**
New assets originated or purchased	152,191	368	-	-	**152,559**
To existing customers	606	60	-	-	**666**
New and closed during the year	11,037	-	-	-	**11,037**
Assets de-recognised or repaid	(81,609)	(6,160)	(5,550)	-	**(93,319)**
Amortization / Increase of debt	(102,619)	(7,013)	(3,926)	-	**(113,558)**
From other segments	46,408	-	(2,402)	-	**44,006**
To other segments	(11,482)	-	(1,734)	-	**(13,216)**
Transfers to Stage 1	3,963	(3,963)	-	-	**-**
Transfers to Stage 2	(23,314)	25,318	(2,004)	-	**-**
Transfers to Stage 3	(21,965)	(14,851)	36,816	-	**-**
Amounts written off	-	-	(12,880)	-	**(12,880)**
Foreign exchange adjustments	2,276	14	296	-	**2,586**
Gross carrying amount – 31 December 2020	**558,195**	**31,310**	**101,952**	**-**	**691,457**

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 1 January 2019 under IFRS 9	**13,361**	**7,183**	**154,882**	**-**	**175,426**
New assets originated or purchased	43,007	9	88	-	**43,104**
Assets de-recognised or repaid	(3,638)	(720)	(7,115)	-	**(11,473)**
From other segments	137	602	23,076	-	**23,815**
To other segments	(51)	(15)	(212)	-	**(278)**
Transfers to Stage 1	114	(104)	(10)	-	**-**
Transfers to Stage 2	(6,875)	7,738	(863)	-	**-**
Transfers to Stage 3	(29,720)	(12,979)	42,699	-	**-**
Net re-measurement of ECL	31,191	7,525	8,955	-	**47,671**
Amounts written off	-	-	(117,280)	-	**(117,280)**
Foreign exchange adjustments	(86)	(9)	(471)	-	**(566)**
ECL – 31 December 2019	**47,440**	**9,230**	**103,749**	**-**	**160,419**
New assets originated or purchased	33,561	262	-	-	**33,823**
Assets de-recognised or repaid	(943)	(1,590)	(6,810)		**(9,343)**
From other segments	1,317	-	(2,310)	-	**(993)**
To other segments	(137)	-	(1,939)	-	**(2,076)**
Transfers to Stage 1	93	(93)	-	-	**-**
Transfers to Stage 2	(6,447)	6,820	(373)	-	**-**
Transfers to Stage 3	(25,251)	(16,866)	42,117	-	**-**
Net re-measurement of ECL	35,294	10,660	(7,170)	-	**38,784**
Amounts written off	-	-	(13,900)	-	**(13,900)**
Foreign exchange adjustments	(27)	12	375	-	**375**
ECL – 31 December 2020	**84,900**	**8,435**	**113,739**	**-**	**207,074**

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (continued)

LG/LC

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2019	**686,997**	**-**	**35,000**	**-**	**721,997**
New assets originated or purchased	464,571	-	-	-	**464,571**
Assets de-recognised or repaid	(380,394)	-	(5,000)	-	**(385,394)**
Transfers to Stage 1	30,000	-	(30,000)	-	**-**
Foreign exchange adjustments	1,990	-	-	-	**1,990**
Gross carrying amount – 31 December 2019	**803,164**	**-**	**-**	**-**	**803,164**
New assets originated or purchased	177,856	-	-	-	**177,856**
Assets de-recognised or repaid	(522,244)	-	-	-	**(522,244)**
Net re-measurement of ECL	7,363	-	-	-	**7,363**
Foreign exchange adjustments	(1,125)	-	-	-	**(1,125)**
Gross carrying amount – 31 December 2020	**465,014**	**-**	**-**	**-**	**465,014**

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 1 January 2019 under IFRS 9	**5,015**	**-**	**156**	**-**	**5,171**
New assets originated or purchased	1,568	-	-	-	**1,568**
Assets de-recognised or repaid	(2,399)	-	(156)	-	**(2,555)**
Transfers to Stage 1	125	-	(125)	-	**-**
Net re-measurement of ECL	(2,012)	-	125	-	**(1,887)**
Foreign exchange adjustments	3	-	-	-	**3**
ECL – 31 December 2019	**2,300**	**-**	**-**	**-**	**2,300**
New assets originated or purchased	178	**-**	**-**	**-**	**178**
Assets de-recognised or repaid	(1,021)	-	-	-	**(1,021)**
Transfers to Stage 1	-	-	-	-	**-**
Net re-measurement of ECL	(36)	-	-	-	**(36)**
Foreign exchange adjustments	(40)	-	-	-	**(40)**
ECL – 31 December 2020	**1,381**	**-**	**-**	**-**	**1,381**

Movement in the allowance for impairment losses on loans and advances to customers is as follows:

	31 December 2020	31 December 2019
Specific allowance for impairment		
Balance at 1 January	**2,453,782**	**2,976,323**
Balance of ex-NBG at merger date	-	-
Net impairment on Stage 1	154,016	(127,338)
Net impairment on Stage 2	15,737	(295,380)
Net impairment on Stage 3	2,480	(73,511)
Net Impairment on financial leasing	520	433
Net impairment on LG/LC	(879)	(2,874)
FX impact	25,358	(23,870)
Balance at 31 December	**2,651,014**	**2,453,783**
Charge/(reversal) in allowance of financial assets	171,874	(498,670)
Loss/(recoveries) from write-offs and other expenses	(106,502)	(274,622)
W-offs & Wavers	101,898	182,697
Recovery for the year from specific impairment	**167,270**	**(590,595)**

13. FINANCIAL LEASING

The Bank has issued financial leases to its customers, amounting ALL 52,166 thousand (31 December 2019: ALL 42,279 thousand). These leases have an average life of between one to 5 years, with no renewal option included in the contracts.

Financial leases to customers as at 31 December 2020 and 31 December 2019 can be detailed as follows:

	31 December 2020	31 December 2019
Gross investment in finance leases, receivable		
- Not later than 1 year	16,891	13,364
- Later than 1 year and not later than 5 years	35,803	29,342
Less: Unearned finance income	-	-
Net investment in finance leases	**52,694**	**42,706**
Loss allowances for impairment	(528)	(427)
Total	**52,166**	**42,279**

Finance Lease Receivables – Movement in gross book value

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2019	**56,399**	**-**	**-**	**-**	**56,399**
Assets de-recognised or repaid	(13,114)	-	-	-	**(13,114)**
Foreign exchange adjustments	(579)	-	-	-	**(579)**
Gross carrying amount – 31 December 2019	**42,706**	**-**	**-**	**-**	**42,706**
Assets de-recognised or repaid	16,703	**-**	**-**	**-**	**16,703**
Depreciation/ Debt Increase	(7,382)	-	-	-	**(7,382)**
Foreign exchange adjustments	667	-	-	-	**667**
Total	**52,694**	**-**	**-**	**-**	**52,694**

Finance Lease Receivables – Movement in ECL

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2019 under IFRS 9	**564**	**-**	**-**	**-**	**564**
Assets de-recognised or repaid	(131)	-	-	-	**(131)**
Foreign exchange adjustments	(6)	-	-	-	**(6)**
ECL – 31 December 2019	**427**	**-**	**-**	**-**	**427**
Assets de-recognised or repaid	**92**	**-**	**-**	**-**	**92**
Foreign exchange adjustments	**9**	**-**	**-**	**-**	**8**
ECL – 31 December 2020	**528**	**-**	**-**	**-**	**527**

(All amounts in ALL thousand, unless otherwise stated)

14. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property and Equipment as at 31 December 2020 and 31 December 2019 is as follows:

	Buildings	Computers and IT equipment	Office equipment	Vehicles	Leasehold improvements	Tangible assets in progress	Right-of-use assets (buildings)	Total
Cost								
Balance at 1 January 2019	**760,666**	**488,292**	**139,667**	**39,365**	**557,420**	**3,630**	**-**	**1,989,040**
Effect from adoption of IFRS 16	-	-	-	-	-	-	570,826	**570,826**
Additions	74,877	50,117	9,144	-	7,356	215,151	-	**356,645**
Disposal	-	(2,640)	(1,424)	(12,642)	(110,389)	-	-	**(127,095)**
Transfers	-	8,574	(5,399)	(13,459)	13,459	(3,175)	-	**-**
Balance at 31 December 2019	**835,543**	**544,343**	**141,987**	**13,264**	**467,846**	**215,606**	**570,826**	**2,789,416**
Effect from adoption of IFRS 16								
Additions	104,923	52,901	49,038	2,582	107,922	-	28,439	**345,803**
Disposal	-	(149,846)	(2,428)	-	(9,456)	-	-	**(161,730)**
Transfers	-	-	-	-	-	(215,606)	-	**(215,606)**
Balance at 31 December 2020	**940,466**	**447,398**	**188,597**	**15,846**	**566,312**	**-**	**599,265**	**2,757,883**
Accumulated depreciation								
Balance at 1 January 2019	**(203,474)**	**(388,722)**	**(120,875)**	**(19,263)**	**(399,421)**	**-**	**-**	**(1,131,755)**
Charge for the year	(15,965)	(48,943)	(6,284)	(1,083)	(46,481)	-	(87,352)	**(206,108)**
Disposals	-	2,639	1,424	12,056	110,388	-	-	**126,507**
Balance at 31 December 2019	**(219,439)**	**(435,026)**	**(125,735)**	**(8,290)**	**(335,514)**	**-**	**(87,352)**	**(1,211,356)**
Charge for the year	(20,889)	(57,530)	(14,140)	(1,027)	(39,215)		(93,857)	**(226,658)**
Disposals	-	149,747	2,421	-	8,322	-	-	**160,490**
Reclassification						-		**-**
Balance at 31 December 2020	**(240,328)**	**(342,808)**	**(137,454)**	**(9,317)**	**(366,407)**	**-**	**(181,209)**	**(1,277,524)**
Net book value								
At 31 December 2019	**616,104**	**109,317**	**16,252**	**4,974**	**132,332**	**215,606**	**483,474**	**1,578,060**
At 31 December 2020	**700,138**	**104,589**	**51,143**	**6,529**	**199,905**	**-**	**418,055**	**1,480,359**

As at 31 December 2020 and 2019, the Bank has no property, plant and equipment set as collateral.

(All amounts in ALL thousand, unless otherwise stated)

15. INTANGIBLE ASSETS

	Software and licenses	Advances	Total
Cost			
Balance at 1 January 2019	**618,080**	**2,841**	**620,921**
Additions	61,845	951	**62,796**
Balance at 31 December 2019	**679,925**	**3,792**	**683,717**
Additions	24,978	21,283	**46,261**
Transfers	-	-	-
Balance at 31 December 2020	**704,903**	**25,075**	**729,978**
Accumulated amortization			
Balance at 1 January 2019	**(477,342)**	**-**	**(477,342)**
Charge for the year	(48,073)	-	**(48,073)**
Disposals	-	-	-
Balance at 31 December 2019	**(526,136)**	**-**	**(526,136)**
Charge for the year	(58,340)	-	**(58,340)**
Disposals	-	-	-
Balance at 31 December 2020	**(583,755)**	**-**	**(583,755)**
Net carrying value			
At 31 December 2019	**153,790**	**3,792**	**157,582**
At 31 December 2020	**121,148**	**25,075**	**146,223**

16. INVENTORY AND OTHER ASSETS

Inventory and other assets as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Repossessed Collaterals	3,467,648	3,423,110
Payments in transit and other assets	11,385	108,470
Sundry debtors	5,242	12,879
Prepaid Expenses	14,089	46,320
Other	-	-
Total	**3,498,364**	**3,590,779**

Inventory represents repossessed assets (“the inventory”) acquired in the process of collection of defaulted loans. The movement of “repossessed assets “during the reporting period is presented as follows:

	2019	Additions	Disposals	2020
At beginning of the period	3,918,936	-	-	**3,918,936**
Additions/ Disposals	-	693,563	(682,196)	**11,367**
Reclassification in fixed asset	(156,770)	-	-	**(156,770)**
Impairment of inventory	(377,268)	-	33,263	**(344,005)**
Effect of movements in foreign exchange	38,212	-	(92)	**38,120**
At end of the period	**3,423,110**	**693,563**	**(649,025)**	**3,467,648**

17. ASSETS HELD FOR SALE

Assets held for sale represent repossessed collaterals (as presented in note 19) whose selling process is expected to be realized within 12 months from the reporting date.

	31 December 2020	31 December 2019
Assets Held For Sale	2,336	2,336
Total	**2,336**	**2,336**

17. ASETS HELD FOR SALE (CONTINUED)

The movement of "assets held for sale" during the reporting period is presented as follows:

	2019
At beginning of the period	2,361
Inventory write-down	(25)
At end of the period	**2,336**

18. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

The Bank has investments in participation in ALSE (established on May 4, 2017) and ALREG (established on May 4, 2017), with a percentage of participation of 45.59% and 47.5% respectively.

During 2019, the Bank increased the share capital of the Albanian Stock Exchange ALSE sh.a. with a value of 17,500 thousand ALL and the Register of Albanian Titles (Albanian Register of Titles, ALREG sh.a), with a value of 16,625 thousand ALL.

The Bank's shareholders during 2018 have established the ABI Broker sh.a in a value of 3,500 thousand ALL. The purpose is to establish an insurance company so that the Bank can also assist its clients and others in the insurance market. This transaction was registered at the NBC on December 27, 2019.

The shareholders of the Bank agreed on the establishment of ABI Invest sh.a in a value of 25,000 thousand ALL.The purpose was to start the activity of a fund management company through which the Bank will generate profits from investments in securities. This company was registered at the NBC on December 24, 2019.

The Bank's investment in these associates and subsidiaries is accounted for at cost and as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Investment in associates:		
- ALSE	38,750	38,750
- ALREG	33,250	33,250
Investment in subsidiaries:		
- ABI Broker	3,500	3,500
- ABI Invest	45,000	25,000
Total	**120,500**	**100,500**

19. DUE TO BANKS

Due to banks as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Correspondent banks		
Current accounts		
Resident	-	-
Deposits		
Resident	110,006	75,014
Repurchase Agreements	**7,091,249**	**1,200,051**
Total	**7,201,255**	**1,275,065**

The details of repurchase agreement as at 31 December 2020 and 31 December 2019 have been as follows:

31 December 2020				
Maturity	**Interest Rate**	**Nominal value**	**Accrued interest**	**Book value**
25/01/2021	0.52%	1,583,324	1,511	1,584,835
24/03/2021	0.53%	1,335,047	155	1,335,202
07/01/2021	0.50%	4,171,154	57	4,171,212
Total		**7,089,525**	**1,724**	**7,091,249**

BANKA AMERIKANE E INVESTIMEVE SHA

Notes to the separate financial statements for the year ended 31 December 2020

(All amounts in ALL thousand, unless otherwise stated)

19. DUE TO BANKS (CONTINUED)

31 December 2019				
Maturity	**Interest Rate**	**Nominal value**	**Accrued interest**	**Book value**
27/12/2019	1.04%	1,199,846	205	1,200,051
Total		**1,199,846**	**205**	**1,200,051**

As at 31 December 2020, Albanian Government investment securities of ALL 7,091,249 thousand (2019: ALL 1,200,051 thousand) have been pledged as collateral for Repurchase Agreements (see note 12). These transactions are conducted under terms that are usual to the customary to standard lending, Securities borrowing and lending activities as well as requirements determined by Bank of Albania.

20. DUE TO CUSTOMERS

Due to customers as at 31 December 2020 and 31 December 2019 are composed as follows.

	31 December 2020			31 December 2019		
	Local Currency	**Foreign Currency**	**Total**	**Local Currency**	**Foreign Currency**	**Total**
Current accounts						
Retail	3,107,330	3,362,032	**6,469,362**	2,385,344	2,813,879	**5,199,223**
Corporate	1,674,962	1,790,989	**3,465,951**	2,144,734	1,530,644	**3,675,378**
	4,782,292	**5,153,021**	**9,935,313**	**4,530,078**	**4,344,523**	**8,874,601**
Saving accounts						
Retail	4,788,978	9,390,150	**14,179,128**	3,374,760	7,784,551	**11,159,311**
Corporate	-	-	**-**	-	-	**-**
	4,788,978	**9,390,150**	**14,179,128**	**3,374,760**	**7,784,551**	**11,159,311**
Deposits						
Retail	22,767,968	19,145,385	**41,913,353**	23,619,393	18,865,466	**42,484,859**
Corporate	1,066,862	1,104,462	**2,171,324**	1,583,803	877,580	**2,461,383**
	23,834,830	**20,249,847**	**44,084,677**	**25,203,196**	**19,743,046**	**44,946,242**
Total	**33,406,100**	**34,793,018**	**68,199,118**	**33,108,034**	**31,872,120**	**64,980,154**

Balances due to customers by maturity and currency type are as follows:

	31 December 2020			31 December 2019		
	Local Currency	**Foreign Currency**	**Total**	**Local Currency**	**Foreign Currency**	**Total**
Current Accounts	**4,782,292**	**5,153,021**	**9,935,313**	**4,530,078**	**4,344,523**	**8,874,601**
Saving Accounts	**4,788,978**	**9,390,150**	**14,179,128**	**3,374,760**	**7,784,551**	**11,159,311**
Deposits						
1 month	54,802	490,406	**545,208**	38,975	318,889	**357,864**
3 months	468,203	899,664	**1,367,867**	955,215	1,354,531	**2,309,746**
6 months	694,167	1,479,291	**2,173,458**	861,934	1,367,482	**2,229,416**
9 months	31,182	6,646	**37,828**	26,259	45,170	**71,429**
12 months	7,637,782	13,815,706	**21,453,488**	8,550,110	13,748,119	**22,298,229**
18 months	2,406,753	-	**2,406,753**	1,008,533	3,764	**1,012,297**
24 months	2,282,259	1,688,315	**3,970,574**	2,452,312	1,779,713	**4,232,025**
36 months	7,341,042	1,436,583	**8,777,625**	8,750,532	700,525	**9,451,057**
60 months	1,752,382	421,956	**2,174,338**	1,479,371	416,793	**1,896,164**
84 months	874,211	3,093	**877,304**	832,479	-	**832,479**
120 months	292,048	8,186	**300,234**	247,476	8,060	**255,536**
	23,834,831	**20,249,846**	**44,084,677**	**25,203,196**	**19,743,046**	**44,946,242**
Total	**33,406,101**	**34,793,017**	**68,199,118**	**33,108,034**	**31,872,120**	**64,980,154**

21. SUBORDINATED LIABILITIES

In October 2015, all rights and obligation on the subordinated debt granted by Credit Agricole S.A were transferred to Tranzit Shpk. As at 31 December 2020, there are not subordinated liabilities that bear interest.

The Bank has not had delays in the payment of principal or interest or other violations related to its subordinated liabilities during the periods ended December 31, 2019. During 2020, the subordinated debt is in the amount of 0 Lekë (2019: 0 Lekë) after in 2019 it was transferred as capital. The movements in the subordinated debt in 2019 are as follows:

	31 December 2019
Balance at the beginning of the year	**373,059**
Transfer to Capital	(365,476)
SD paid during the period	(4)
Interest accrued during the period	8,674
Interest paid during the period	(11,335)
Foreign exchange effect	(4,918)
Balance at the end of the year	**-**

22. DEFERRED TAX ASSETS AND LIABILITIES

Recognized deferred tax assets and liabilities and movements in deferred income tax/income during the year are as follows:

			Deferred Tax Expense	
	2020	2019	Year ended 31/12/2020	Year ended 31/12/2019
Equipment and intangible assets	23,491	22,633	858	(2,849)
- of which coming from the merger with ex-NBG		-		
Deferred tax assets	**23,491**	**22,633**	**858**	**(2,849)**
Investment securities at FVOCI	(108,881)	(172,208)	63,327	(4,631)
- of which coming from the merger with ex-NBG		-		
Deferred tax liabilities	**(108,881)**	**(172,208)**	**63,327**	**(4,631)**
Total deferred tax expense recognized in profit or loss	**-**	**-**	**858**	**(2,849)**
Total deferred tax expense recognized in OCI	**-**	**-**	**63,327**	**(4,631)**

23. OTHER PROVISIONS

Movements in provisions during the year are as follows:

	Litigations	Off-Balance sheet provisions	Other	Total
Balance at 1 January 2019	**26,677**	-	**4,795**	**31,472**
Provisions reversed during the year	57,281	-	126	**57,407**
Effect of movements in foreign exchange		-	(74)	**(74)**
Balance at 31 December 2019	**83,958**	-	**4,847**	**88,805**
Expenses during the year	116		-	**116**
Provisions			(161)	**(161)**
Provisions reversed	24,699		13	**24,712**
Effect of movements in foreign exchange	1,580		-	**1,580**
Balance at 31 December 2020	**60,839**	**-**	**4,995**	**65,834**

Other includes provision for losses on dormant accounts and current accounts with a debit balance.

BANKA AMERIKANE E INVESTIMEVE SHA

Notes to the separate financial statements for the year ended 31 December 2020

(All amounts in ALL thousand, unless otherwise stated)

24. OTHER LIABILITIES

Other liabilities as at 31 December 2020 and 31 December 2019 are composed as follows:

	31 December 2020	31 December 2019
Payments in transit	263,591	245,029
Suppliers Payable	27,804	33,445
Sundry creditors and other payables	408,687	343,320
Social security system payable	6,172	274,518
Income tax payable	4,148	26,955
Other	31,404	92,347
	741,806	**1,015,614**

25. SHARE CAPITAL

The Bank's authorized, issued and fully paid capital as at 31 December 2020 comprises a 100% shareholding by Tranzit Shpk. The registered share capital at 31 December 2020 and 31 December 2019 is as follows:

At 31 December 2020	Currency	No of shares	Par Value	In original currency	In ALL '000
	ALL				
	EUR	84,769	295.59	25,057,179	**3,450,935**
		84,769			**3,450,935**

At 31 December 2019	Currency	No of shares	Par Value	In original currency	In ALL '000
	ALL	30,644	42,690.08	1,308,190,105	**1,308,190**
	EUR	54,125	295.59	15,999,022	**2,142,745**
		84,769			**3,450,935**

The shares as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Number of authorized, fully paid shares at 01 January	84,769	74,617
Number of shares issued during year	-	10,152
Number of authorized and fully paid shares at 31 December	**84,769**	**84,769**

During year 2019, based on Shareholder's resolution and approval of Bank of Albania, a portion of Subordinated Debt amounting LEK 365,476 thousand is transferred to paid up Capital through issuance of 10,152 new shares (2019: 10,152 shares).

26. RESERVES

LEGAL AND OTHER RESERVE

The Bank should establish a regulatory reserve of 1.25% to 2% of total risk-weighted assets, by appropriating one fifth of the net profit and before payment of dividends, until the balance on this measure reaches at least 1.25% of total risk-weighted assets and a legal reserve of 5% of the Bank's net income after deduction of accumulated losses from previous years, until the balance of this reserve reaches 10% of the Bank's share capital but these reserves are not distributable to the shareholders. The amount of legal reserves as at 31 December 2020 is ALL 410,966 thousand (2019: ALL 410,966 thousand). Under this item is reflected also the reserve from merger with ex-NBG. The movement in legal and other reserve are as follows:

	31 December 2020	31 December 2019
Balance at 1 January	4,292,981	4,184,123
Additional legal reserve for the year	137,588	108,858
Balance at 31 December	**4,430,569**	**4,292,981**

26. RESERVES (CONTINUED)

FAIR VALUE RESERVES

The fair value reserve comprises the cumulative net change in the fair value of FVOCI financial assets, until the assets are derecognised or impaired. The changes during the financial year ended 31 December 2020 amounted to an increase of ALL 387,932 thousand (2019: ALL 157,032 thousand). Calculations for Other Reserve in 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Revaluation Reserves of FVOCI portfolio	833,999	1,256,190
Deferred Tax Liabilities (15%)	(108,881)	(172,208)
Revaluation Reserves of FVOCI portfolio ex-NBG	(108,134)	(108,134)
IFRS 9 reserve for the prior years	79,705	73,304
IFRS 9 reserve for the year 2020	(19,825)	6,399
Remaining Revaluation Reserve of AC portfolio	4,534	13,781
Total securities Fair Value Capital Reserve	**681,398**	**1,069,332**

Movements in Fair Value Reserve in 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
Other reserve at the beginning of the year	**1,069,332**	**912,300**
Impact of adopting IFRS	-	-
Total changes in Securities portfolio reserves	**(387,934)**	**157,032**
Changes in Other reserves Recognized in profit	(9,244)	16,253
Changes in Other reserves Recognized in other comprehensive income	(378,690)	140,779
Other reserve at the end of the year	**681,398**	**1,069,332**

27. NET INTEREST INCOME

Interest Income calculated using EIR was earned on the following asset and liabilities:

Interest income	Year ended 31 December 2020	Year ended 31 December 2019
Loans and advances to customers	1,509,485	1,412,165
Loans and advances to banks	(3,729)	20,216
Financial investments at amortised cost	951,426	894,350
Financial investments at FVOCI	614,810	526,232
Total interest income	**3,071,992**	**2,852,963**
Interest expenses		
Demand and time deposits	453,636	476,399
Deposits from banks	91,304	83,876
Subordinated Debt	-	8,639
Current accounts of customers	5,843	16,188
	20,617	20,899
Total interest expenses	**571,400**	**606,001**
Net interest income	**2,500,592**	**2,246,962**

BANKA AMERIKANE E INVESTIMEVE SHA
Notes to the separate financial statements for the year ended 31 December 2020
(All amounts in ALL thousand, unless otherwise stated)

28. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
Fee income earned from services that are provided over time:	**93,435**	**91,774**
Current accounts	55,312	63,229
Cards	38,123	28,545
Fee income from providing financial services at a point in time:	**244,026**	**200,222**
Collection and payment services	62,440	66,255
Guarantees given	6,963	12,785
Internet banking	275	166
Arrangement fees and others	174,348	121,016
Fee and commission income	**337,461**	**291,996**
ATMs and cards	42,308	29,737
Other banking services	4,271	7,999
Collection and payment services	20,404	22,812
Guarantees received	4,874	221
Fee and commission expenses	**71,857**	**60,769**
Net fee and commission income	**265,604**	**231,227**

Fee and commissions do not include fees received for loans and advances to customers (transaction costs), which are adjusted on initial recognition for the carrying value of these financial assets as per effective interest rate method.

29. OTHER OPERATING INCOME, NET

	Year ended 31 December 2020	Year ended 31 December 2019
(Loss)/Gain on sale of fixed assets	33,263	(87,404)
Operational gains	284,382	(14,763)
Total	**317,645**	**(102,167)**

30. PERSONNEL EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and bonus	701,521	781,223
Social Insurance	66,723	73,842
Training & similar	17,669	15,740
Total	**785,913**	**870,805**

31. OTHER ADMINISTRATION EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Deposit Insurance Premium	203,143	199,951
Advertising & publications	79,425	151,682
IT licence fees, HW and software maintenances	43,178	88,606
Rent Expenses	54,475	87,425
Consulting, legal and professional fees	28,037	78,225
Premises and equipments maintenance & repair	60,332	49,501
Telephone and electricity	21,663	28,867
Cards	28,988	21,769
Repossessed Collaterals insurance & maintenance	18,875	16,719
Stationery	9,400	13,807
Travel & business trips	5,531	13,595
Reuters	1,254	11,569
Insurances	9,836	9,790
Transport and security services	7,686	8,689
Cleaning services	13,393	7,408
Representation expenses	2,913	6,148
Local taxes	6,528	5,760
Data communication & Internet	1,577	4,727
Other	18,856	70,120
	615,090	**874,358**

32. INCOME TAX EXPENSES

The components of income tax expense for the year ended 31 December 2020 and 2019 are:

	Year ended 31 December 2020	Year ended 31 December 2019
Current year	(202,645)	(178,201)
Adjustment for prior years	(422)	(30,535)
Current tax expense	**(203,067)**	**(208,736)**
Origination and reversal of temporary differences	858	(2,849)
Deferred tax expenses	**858**	**(2,849)**
Income tax expense	**(202,209)**	**(211,585)**

Reconciliation of the income tax expense with the accounting profit(loss) for the year ended 31 December 2020 and 2019 is presented as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Accounting profit before tax	**1,266,289**	**960,125**
Non-deductible expenses	208,887	308,392
Recognition of loans written-off deferred from prior years, net	(124,210)	(80,511)
Tax Profit before recognition of losses carried forward	**1,350,966**	**1,188,006**
Recognition of losses carried forward		-
Taxable base	**1,350,966**	**1,188,006**
Income tax expense at 15% (2019:15%)	**202,645**	**178,201**

32. INCOME TAX EXPENSES (CONTINUED)

Non-deductible adjustments are detailed as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Losses on unrecoverable loans and overdrafts	1,270	24,618
Reversal of sundry operational losses	72,525	80,336
Write back of inventory	24,664	103,707
Penalties	62	140
Depreciation	30,530	26,655
Personnel Costs	9,735	6,376
Marketing and sponsorship	1,082	15,813
Non-deductible provision exp. IFRS9 (securities)	38,016	6,765
Other	16,405	43,982
Total	**208,887**	**308,392**
At 15%	**31,333**	**46,259**

Deductible temporary differences relates to loan and advances to customers written off considered as tax deductible only upon fulfilment of the respective criteria set forth in the tax legislation and exhaustion of any recovery efforts. Following also external tax advice and tax ruling, the management believes that the income tax provision calculation is appropriate despite the uncertainty of the Albanian tax environment and existing legislation in force and believes that any future tax audit will not have a significant effect on the Bank's financial position, results of operations, or cash flows.

33. COMMITMENTS AND CONTINGENCIES

Letters of credit and guarantees as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Contingent Assets	**2,091,107**	**2,409,909**
Letters of credit & guarantees in favor of customers	465,014	803,165
Commitments in favor of customers	1,588,958	1,076,174
SPOT transactions	37,135	530,570
Contingent liabilities	**75,471,325**	**71,160,562**
Guarantees pledged from credit customers	623,605	966,666
Collateral received from credit customers	74,847,720	70,193,896

Letters of credit and guarantees given to customers commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses.

34. LITIGATION AND CLAIMS

The Bank is subject to legal proceedings, claims, and litigations arising in the ordinary course of business. The Bank has formal controls and policies for managing litigations and legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Bank makes adjustments to account for any adverse effects, which the claims or litigations may have on its financial standing. At year end, the bank had several claims with no probable material adverse effects, accordingly, the Bank has provisioned the amounts referred to in the Note 26 of these separate financial statements.

35. LEASE COMMITMENTS AND OPERATING LEASE EXPENSE

The Bank's operating minimum non-cancellable lease contingencies as lessee as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Less than one year	99,250	99,021
Between one and five years	286,807	295,567
More than five years	118,648	171,513
Total	**504,705**	**566,101**

The amount of operating lease expenses recognised in profit or loss as rent expense for the year ended 31 December 2020 amounts to ALL 54,475 thousand (2019: ALL 87,425 thousand).

Future minimum finance lease payments (principal and interest) as at 31 December 2020 are detailed as follows:

	31 December 2020	31 December 2019
Not later than 1 year	16,893	14,431
Later than 1 year and not later than 5 years	35,568	29,112
Later than 5 years	-	-
Total	**52,460**	**43,543**

36. RELATED PARTIES TRANSACTIONS

The Company's immediate parent for 2020, is Tranzit Sh.p.k, which holds a 100% interest. The Company, therefore, considers that it has a related-party relationship, in accordance with International Accounting Standard 24 Related Party Disclosures ("IAS 24") with the following:

- *Key management personnel and parties related to key management personnel*;
- *Supervisory Board members, Management Board members and other key management personnel* defined as persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, collectively "key management personnel", close family members of key management personnel, and companies and un-incorporated businesses controlled, or jointly controlled by key management personnel and/or their close family members.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions include loans and advances to customers, deposits and a subordinated debt, along with other transactions carried out on normal commercial terms and at market rates (at arm's length transaction). As at 31 December 2020 and 31 December 2019 the Bank had the following contractual terms and transactions with its shareholders:

31-Dec-20	Amount	Average Interest rate	Min - Max Interest Rates	Min-Max Years Maturity
Key management personnel and Other related parties				
Loans and advances given	50,444	3.50%	1.64%-15%	3-20
Due to customers (CA and SA)	62,865	0.03%	0%-0.35%	-
Due to customers (Term Deposits)	5,464	1.39%	0.2%-2%	1.25-3
Tranzit Sh.p.k				
Due to customers (CA and SA)	256,327	-	-	-

BANKA AMERIKANE E INVESTIMEVE SHA

Notes to the separate financial statements for the year ended 31 December 2020

(All amounts in ALL thousand, unless otherwise stated)

37. RELATED PARTIES TRANSACTIONS (CONTINUED)

31-Dec-19	Amount	Average Interest rate	Min - Max Interest Rates	Min-Max Years Maturity
Key management personnel and Other related parties				
Loans and advances given	37,053	2.85%	1.64%-15%	3.00-20
Due to customers (CA and SA)	30,753		-	-
Due to customers (Term Deposits)	12,577	0.80%	0.1%-1.95%	1.00-6
Tranzit Sh.p.k				
Due to customers (CA and SA)	474,971	-	-	-
Subordinated Debt	-	-	-	-

36. RELATED PARTIES TRANSACTIONS (CONTINUED)

The following transactions have taken place during the year ended 31 December 2020 and 31 December 2019:

	Year ended 31 December 2020				Year ended 31 December 2019			
	Tranzit sh.p.k Group	Key Management Personnel and other related parties	ABI Broker sh.a	ABI Invest	Tranzit sh.p.k Group	Key Management Personnel and other related parties	ABI Broker sh.a	ABI Invest sh.a.
Assets at the end of the year	**-**	**50,444**	**-**	**-**	**-**	**37,053**	**-**	**-**
Loans and advances given	-	50,444	-	-	-	37,053	-	-
Liabilities at the end of the year	**203,415**	**68,328**	**19,157**	**33,755**	**474,971**	**43,330**	**11,577**	**25,000**
Due to banks	-	-	-	-	-	-	-	-
Due to customers	203,415	68,328	19,157	33,755	474,971	43,330	11,577	25,000
Subordinated debt	-	-	-	-	-	-	-	-
Income for the year ending	**87**	**1,766**	**24**	**22**	**67**	**1,265**	**-**	**-**
Interest and similar income	-	1,247	-	-	-	689	-	-
Fee and commission income	87	519	24	22	67	576	-	-
Expenses for the year ending	**25,057**	**128**			**97,373**	**130**	**-**	**-**
Interest and similar expenses	-	128	-	-	8,998	130	-	-
Fee and commission expenses	-	-	-	-	-	-	-	-
Technical assistance	25,057	-	-	-	88,375	-	-	-
Short term management benefits								
Key management's compensation	**-**	**88,757**	**-**	**-**	**-**	**66,955**	**-**	**-**
Salaries	-	70,528	-	-	-	42,752	-	-
Bonuses	-	11,946	-	-	-	17,143	-	-
Other	-	6,283	-	-	-	7,060	-	-
Dividend Distributed	-	-	-	-	700,000	-	-	-
Dividend Collected	-	-	10,000	-	-	-	-	-

There are no related party transactions as at and for the year ended 31 December 2020 for both Bursa Shqiptare e Titujve ALSE and Regjistri Shqiptar i Titujve ALREG.

37. SUBSEQUENT EVENTS

On March 24, 2020, the Council of Ministers declared the state of natural disaster in Albania as per Decision of no. 243, as a result of the spread of COVID19 virus and its classification as a pandemic by the World Health Organization on March 12, 2020. The Bank has assessed the further impact of developments and measures taken for the epidemiological situation after the end of the reporting period and does not consider them as events that require correction or additional disclosures to the separate financial statements as at and for the year ended 31 December 2020. In addition, Management:

- Continues to take measures in order to minimize the impact of the Covid-19 pandemic on its operational activity;
- Continues to monitor the financial impact caused by the Covid-19 pandemic and take further measures to manage this impact;
- Continues to follow and respond proactively to the impact of restrictions imposed by the Council of Ministers on measures to manage the financial impact on businesses and economic activity as a whole, affecting the levels of NPL, the residual value of financial assets , etc.

The Bank's management structures have taken a series of measures to support customers in dealing with the situation of pandemics. The primary commitment has been to ensure the continuity of banking services even in conditions of restriction of movements. The branches continue the operations, while ensuring the health of the staff and customers of the bank, the continuous supply of liquidity and cash in ATMs as well as the facilities in the payment of obligations including the postponement of credit installments without penalty, the possibility of restructuring the loan, etc. Current assessments of the effect of pandemics have been discussed at the Bank Management and no breach of regulatory indicators is foreseen, including those related to liquidity or the level of capital adequacy of the Bank.

The management of the Bank is not aware of any other event after the reporting date that would require either adjustments or additional disclosures in these Financial Statements.

2020

ANNUAL REPORT

abi AMERICAN BANK OF INVESTMENTS