

Information on capital adequacy ratio

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania (“BoA”), which ultimately determines the statutory capital required to underpin its business. The new regulations “On the capital adequacy ratio” and “On the regulatory capital” entered into force in 2015 are issued pursuant to Law No. 8269 date 23.12.1997 "On the Bank of Albania", and Law No. 9662 date 18.12.2006 "On Banks in the Republic of Albania".

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted exposures, calculated as the sum of the risk-weighted exposure amounts, on- and off-balance sheet for credit risk and for credit counterparty risk, capital requirement for market and operational risk.

The minimum Regulatory Capital Ratio against the risk weighted exposures required by Bank of Albania is 12%. The minimum Tier 1 Capital Ratio is 6% and the minimum Common Equity Tier 1 Ratio is 4.5%.

In June 2020, BKT has reported the following consolidated ratios:

- Regulatory Capital Ratio 15.66% (December 2019: 18.62%);
- Tier 1 Capital Ratio 14.57% (December 2019: 17.37%);
- Common Equity Tier 1 Ratio 14.57% (December 2019: 17.37%).

Starting from January 2019 the Bank has started to report on a stand-alone basis as well for statutory purposes, following the conversion of BKT Kosovo into a subsidiary during 2018. Based on the regulation of BoA nr. 4/2017 “On the consolidated supervision” the Bank should also monitor its capital adequacy ratio on a stand-alone basis. The same minimum regulatory ratios mentioned above are applied.

In June 2020, BKT has reported the following stand-alone ratios:

- Regulatory Capital Ratio 17.57% (December 2018: 21.75%);
- Tier 1 Capital Ratio 16.24% (December 2018: 20.19%);
- Common Equity Tier 1 Ratio 16.24% (December 2018: 20.19%).