

Annual  
**REPORT**  
2024



**TIRANA  
BANK**



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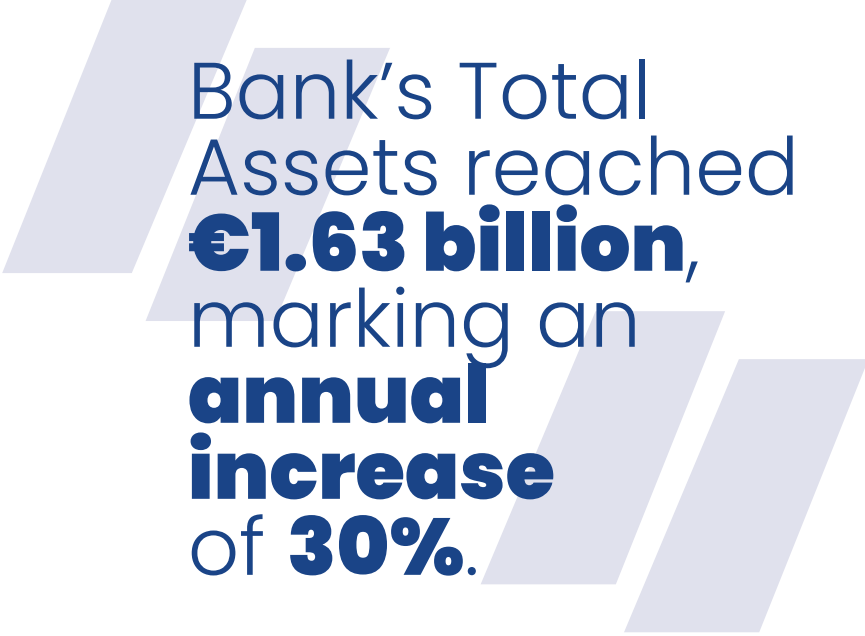
*Letter from*

*Mr. DRITAN MUSTAFA*

**CHIEF  
EXECUTIVE  
OFFICER**

**Dear Clients,  
Dear Partners and Collaborators,  
Dear Colleagues of the Bank,**

The year 2024 was an exceptional year for Tirana Bank, during which we achieved record results and further strengthened our position as one of the most dynamic and consistently growing financial institutions in the Albanian market. Our financial and operational performance stands as clear evidence of our strategy for sustainable growth, driven by our commitment to meeting our clients' needs with quality and to contributing to the country's economic development.



# Bank's Total Assets reached **€1.63 billion**, marking an **annual increase of 30%**.

The Loan Portfolio expanded by 41%—the highest growth rate in the banking system in 2024—reaching a value of €800 million.

These achievements represent not only our success as a financial institution, but also our tangible impact on financing the local economy, through our support of dynamic sectors such as trade, manufacturing and processing, infrastructure, renewable energy, tourism, and agribusiness, as well as financing individuals for investment and consumption.

The trust of our clients was reflected in a 22% increase in deposits, surpassing €1.2 billion at the end of 2024—

an additional motivation for us to continue with dedication in providing high-standard services and building long-term relationships with our clients.

The year 2024 was also significant for Tirana Bank in terms of digital transformation. With the launch of the TiStart platform, we enabled fully online account opening for individual clients—marking an important step towards enhancing the customer experience and setting a new standard in the Albanian banking market. Through the digitalization of internal processes and the introduction of new products, we reaffirm the Bank's ongoing transformation into a financial institution aiming for a modern, fully digital infrastructure.

Tirana Bank's development strategy remains aligned with the vision of the Balfin Group, built on four key pillars: sustainable growth, expansion into new markets, digital transformation, and the strengthening of human capital. These priorities have guided our decision-making, reflecting our commitment to building a modern, efficient, and sustainable business model.

I would like to express my sincere gratitude to the entire Tirana Bank team for their dedication, professionalism, and passion throughout this year. A special thanks goes to our clients for their trust and ongoing collaboration, and to our partners for supporting us at every stage of our development.

Sincerely,  
**Dritan Mustafa**  
Chief Executive Officer  
Tirana Bank

# GROUP PROFILE

The BALFIN Group is one of the most successful investment groups in the Western Balkans. Founded in 1993 in Vienna by Samir Mane, the Group today has a presence in Austria, Albania, Kosovo, Bosnia and Herzegovina, Croatia, North Macedonia, Switzerland, Montenegro, the Netherlands, Canada, and the United States of America.

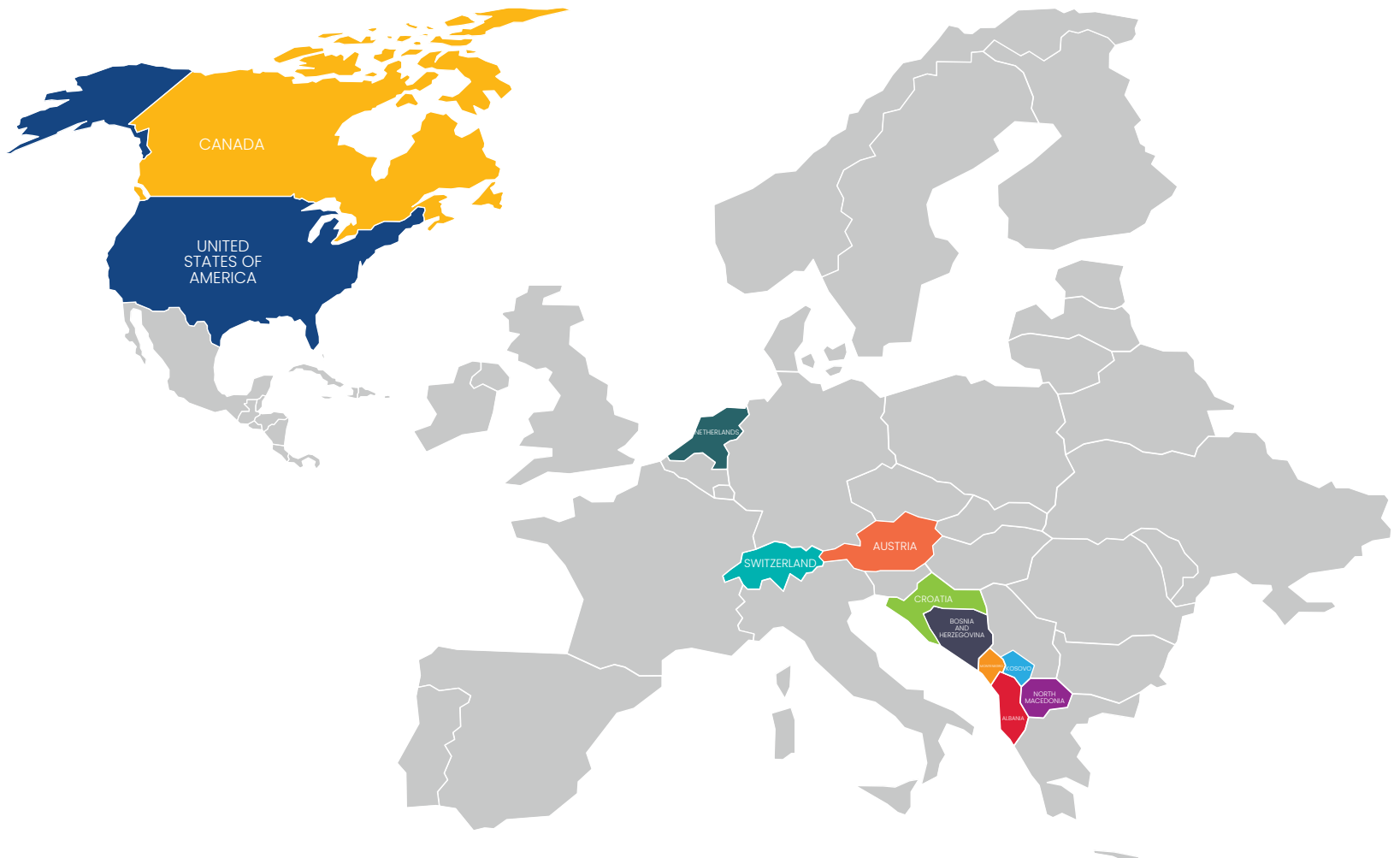
The Group maintains a diversified investment portfolio covering the banking sector, real estate development, wholesale and retail trade, asset management, tourism, energy, logistics, education, and the entertainment sector.

BALFIN Group employs approximately 5,500 people, whose dedication and passion remain the key driver of its success story spanning more than three decades.

As a trusted partner conducting business across a wide range of industries internationally, BALFIN Group applies the highest standards of business conduct and ethics, enjoys solid and sustainable financial capital, benefits from exceptional human resources, and places a strong emphasis on innovation.

Since 2023, the Group's social initiatives have been consolidated under the Mane Foundation, enabling an even greater and more effective contribution to community empowerment.





# CORPORATE GOVERNANCE

Tirana Bank implements a Corporate Governance System with the objective of ensuring the effective organization, operation, and management of the company, and in particular, safeguarding the interests of its stakeholders. The Corporate Governance System of Tirana Bank complies with all legislative and regulatory acts governing its operations. Specifically, Tirana Bank, in its capacity as a joint stock company, applies the provisions of Law No. 9901, dated 14.04.2008, "On Entrepreneurs and Commercial Companies", as amended, along with its own Articles of Association.

The Bank's Articles of Association set out, among other things, its purpose, the activities to be carried out, the governing bodies of the company and their operations, the responsibilities of the members of the Board of Directors, as well as the internal regulations by which it shall be guided.

Tirana Bank, as a banking institution supervised by the Bank of Albania, applies the provisions of Law No. 9662, dated 18.12.2006, "On Banks in the Republic of Albania", as amended, and Regulation No. 63/2012 of the Bank of Albania, "On the Core Principles of the Governance of Banks and Branches of Foreign Banks and the Criteria for the Approval of Their Administrators", as amended, as well as Regulation No. 67/2015 of the Bank of Albania, "On the Internal Control System", as amended, regarding the principles governing the operation of banking institutions and

the criteria for assessing their Internal Control System. Furthermore, Tirana Bank has established and applies its Internal Operating Regulation (the "Regulation"), which constitutes an internal document of the Bank. The Regulation incorporates the rules deriving from the applicable legal framework at the institutional level and provides detailed provisions on the scope of competence, responsibilities, and functioning of the Bank's key governing bodies.

The Bank's governing and supervisory bodies, as well as its Internal Control, Risk Management, and Compliance systems, operate in full compliance with the aforementioned legislative and regulatory corporate governance framework, as implemented through:

- The Articles of Association;
- The Internal Operating Regulation;
- The Board of Directors' Nomination Policy;
- The Board of Directors' Terms of Reference;
- The Risk Committee Charter;
- The Audit Committee Charter.

## A. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders of Tirana Bank is the highest governing body of the company and is responsible, among other things, for electing the members of the Board of Directors and the external

auditors, as well as for approving the annual financial statements. The responsibilities of the General Meeting are those defined by the applicable legislative provisions and by the Bank's Articles of Association.

## **B. BOARD OF DIRECTORS**

The Board of Directors is the decision-making and supervisory body of the Bank. It is responsible for deciding on all matters related to the management of the Bank, the administration of its assets, and the overall pursuit of its objectives.

The Board of Directors does not have the authority to decide on matters which, pursuant to Law No. 9901, dated 14.04.2008, or the Articles of Association, fall within the competence of the General Meeting of Shareholders.

Meetings of the Board of Directors are held at least once every three (3) months.

During 2024, the Board of Directors held a total of 7 meetings, of which 4 were regular meetings and 3 were meetings with a limited agenda.

In the context of its role, responsibilities, and capacity to provide leadership, oversight, and governance, the Board of Directors, during its meetings, regularly addressed the following matters:

- Setting and approving the Bank's strategy and strategic objectives, ensuring that its purpose, strategy, and values are aligned with the culture and standards of the Group.
- Overseeing large-scale changes and transformation programs, with particular attention

to initiatives aimed at process improvement and digitalization.

- Monitoring the Bank's performance, ensuring the prudent management of its operations in line with the strategy, risk tolerance, business plans, and budget.
- Approving the Bank's risk tolerance framework and risk appetite statement.
- Approving the Bank's financial plans, including business plans and the annual budget.
- Reviewing macroeconomic developments in the country.
- Reviewing the Bank's financial and operational performance results.
- Reviewing and approving the certified financial statements and the annual report, upon the recommendation of the Audit Committee.
- Monitoring the Bank's risk profile and related strategies, such as the capital adequacy ratio performance and forward-looking scenarios, as well as the analysis of credit, market, and liquidity risk, and operational risk assessments—including stress test results—and reviewing developments and measures related to the recovery of non-performing loans.
- Receiving regular reports on the Bank's risk profile from the Risk Management Committee.
- Reviewing the activities of the Audit Committee.
- Reviewing and approving the Bank's Capital Strategy and Plans, the Internal Capital Adequacy Assessment, as well as its Recovery Plans.
- Reviewing and approving the Bank's Internal Liquidity Adequacy Assessment and the related statement.
- Reviewing and approving the Bank's corporate governance framework and ensuring its implementation.

- Overseeing the Board of Directors' Conflict of Interest Policy and ensuring its application.
- Conducting the annual assessment of its own performance and effectiveness.
- Delegating the day-to-day management and operations of the Bank to the Chief Executive Officer, in line with the approved policies.
- Challenging, guiding, and supporting the Bank's Management in fostering the creation of sustainable value for customers, employees, and shareholders.
- Promoting the Group's culture, ethics, purpose, values, and mindset.
- Ensuring compliance with applicable laws and regulations.
- Providing oversight, through the Audit Committee, of the effectiveness of the Internal and Financial Control framework.
- Continuously ratifying credit limits beyond the approving authority of the Bank's Management, as well as approving settlement agreements and the write-off of non-performing loans.

The activity of the Board of Directors has also contributed to the continuous improvement of the corporate governance framework, as well as the Bank's internal regulatory framework, through the review of the operations of various committees and the approval of new and/or revised policies in different areas of the Bank's activities.

In accordance with Article 32 of its Articles of Association, as currently in force, the Bank is managed by a Board of Directors composed of an odd number of members, not fewer than five (5) and not more than nine (9), the exact number being determined by a resolution of the General Meeting of Shareholders.

Pursuant to Law No. 9662, dated 18.12.2006, the majority of Board members must be independent, as defined in Article 44, paragraph 2, of the aforementioned law. Furthermore, Law No. 9662, dated 18.12.2006, stipulates, among other things, the following regarding the composition of the Bank's Board of Directors:

- Members of the Audit Committee may also be members of the Board of Directors;
- One member of the Board must serve as Chairperson of the Audit Committee;
- Members of the Management Board may also serve as members of the Board of Directors, but their number must not constitute the majority of the Board's composition;
- The Chairperson and Deputy Chairperson of the Board of Directors may not simultaneously be members of the Management Board.

The term of office for members of the Bank's Board of Directors is four (4) years, with the right to be re-elected for subsequent terms.

It should be noted that the Board of Directors has approved a Policy on the Appointment of Board Members. This policy is based on the Bank's regulatory obligations and includes the following:

- The provisions of Law No. 9662, dated 18.12.2006, "On Banks in the Republic of Albania", as amended; and
- The provisions of Regulation No. 63 of the Bank of Albania, dated 14.11.2012, "On the Core Principles of the Governance of Banks and Branches of Foreign Banks and the Criteria for the Approval of Their Administrators", as amended.

The Policy outlines the general principles, procedures, and criteria for the appointment of Board members,

which include, among others, the following:

- Criteria regarding suitability and proper reputation;
- Criteria for avoiding conflicts of interest;
- Criteria on availability and commitment to devote sufficient time to the performance of the duties of the Board of Directors;
- Criteria relating to financial experience within the banking sector, commitment to implementing best banking practices, with particular attention to risk management, compliance, and the internal control system; Adequate knowledge of the regulatory environment and the business in which the Bank operates; and
- Criteria relating to the independence, character, and personal qualities of the candidate for membership.

Furthermore, in accordance with the regulatory framework, each Board member is subject to prior suitability approval by the Bank of Albania.

The Bank's Board of Directors is composed of members with international leadership expertise and knowledge. In addition, the members of the Board possess in-depth knowledge and experience of the banking market and actively contribute to enhancing the corporate governance framework.

At the same time, considering the diversity of the members of the Board of Directors—primarily in terms of skills, educational background, professional experience, and varied origins—different perspectives are ensured in the functioning of the Board, fostering constructive dialogue and avoiding “groupthink.”

In all cases, the Bank recognizes and embraces the importance and benefits of diversity in maintaining and enhancing its competitiveness and development, as well as in achieving maximum efficiency and effectiveness of the Board. In this context, when appointing new Board members or executive directors, a combination of factors is taken into consideration, including, among others: skills, competencies, qualifications, knowledge, experience, educational background, professional track record, gender, age, and other qualities, which may vary depending on the Bank's business needs or strategy.

It should be noted that the Board of Directors has approved its Terms of Reference, which define the organization and operating procedures of the Board and specify the rights and duties of its members. These Terms of Reference have been drafted in accordance with the requirements of Law No. 9662, dated 18.12.2006; Regulation No. 63 of the Bank of Albania, dated 14.11.2012; Law No. 9901, dated 14.04.2008; the Bank's Articles of Association; and Tirana Bank's Internal Operating Regulation.

The Board of Directors has established the Risk Committee as an advisory body on risk-related matters, which, among other functions, supports the Board in decision-making regarding strategy, risk appetite, the risk management system, and risk oversight. The Risk Committee is composed of three (3) members of the Board of Directors, at least one of whom is specialized in the field of risk management. The Risk Committee meets at least four (4) times per year.

# BOARD OF DIRECTORS



**DRITAN Mustafa**  
*Member/CEO*

**PERIKLIS DROUGKAS**  
*Vice Chairman /  
Independent Member*

**HUBERT DE SAINT  
JEAN**  
*Chairman / Independent  
Member*

**ERNST WELTEKE**  
*Independent  
Member*

**STEVEN GRUNERUD**  
*Member*

# AUDIT COMMITTEE

PERIKLIS <b>DROUGKAS</b>	Chairman
STEVEN <b>GRUNERUD</b>	Member
DANIELA <b>HOXHA (MALAJ)*</b>	Member

\* Mrs. Hoxha stepped down from the Audit Committee on 21.03.2024 and was replaced by Mr. Hubert DE SAINT JEAN.

# EXECUTIVE COMMITTEE

DRITAN <b>MUSTAFA</b>	General Executive Director
OLIVIER <b>BAUR</b>	Deputy Chief Executive Officer
ELVIRA <b>KAPOLI</b>	Chief Financial Officer
ERALDA <b>TAFAJ</b>	Head of Operations
LILA <b>CANAJ</b>	Chief Retail Banking Officer
MANJOLA <b>CAPO</b>	Head of Credit Risk
GLENDA <b>KURTI</b>	Head of Corporate Business Division
ELONA <b>GJIPALI</b>	Head of Banking Recovery Division
BRISILDA <b>BALA</b>	Head of Risk Management

# KEY INDICATORS OF TIRANA BANK

Amounts in million ALL

TIRANA BANK	December 2024	December 2023
TOTAL ASSETS	159,739	130,437
NET LOANS	75,566	56,368
DEPOSITS	123,380	107,079
NET PROFIT AFTER TAX	2,869	1,941
RETURN ON ASSETS (ROA)	2.0%	1.6%
RETURN ON EQUITY (ROE)	19.6%	17.2%
CAPITAL ADEQUACY RATIO (CAR)	17.3%	17.7%
NPL	3.1%	4.2%
LOANS/DEPOSITS RATIO	63.4%	54.7%
COST/INCOME RATIO	40.8%	42.3%
BRANCHES	33	32
EMPLOYEES	564	508
CUSTOMERS	154,339	138,958

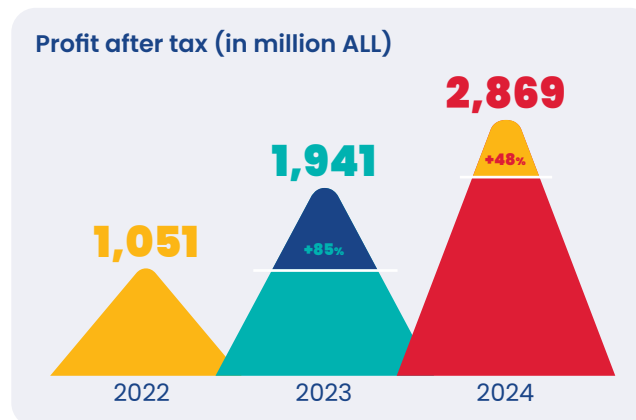
• The key indicators presented for the years ended 31 December 2024 and 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The year 2024 was a historic one for Tirana Bank, delivering record financial results and marking one of the most successful periods in the Bank's nearly 30-year history. The Bank recorded significant growth across all key financial and operational indicators, further strengthening its position as one of the most stable and trusted financial institutions in Albania. Our continued focus on strategic planning, prudent financial management, and digital client solutions resulted in exceptional growth in business volumes as well as profitability.

The Bank's revenues for the year increased by 31%, reaching ALL 8,809 million (2023: 36%), driven primarily by higher interest income, fees and commissions, and foreign exchange gains. The year 2024 also reflects a notable improvement in the Bank's profitability margins, supported by strong business performance and optimized funding costs.

As a result, we increased our net profit by 48% year-on-year, reaching approximately ALL 2.9 billion (2023: ALL 2 billion). This achievement highlights the strength and resilience of our business model, as well as the commitment and expertise of our dedicated and highly valued team.

Excluding the impact of foreign exchange revaluation, the Bank generated a net profit of over €29 million, with a positive ROA and ROE in 2024 of 1.9% and 19%, respectively (2023: 1.9% and 20.4%), both above budget, driven by strong profitability despite a substantial increase in total equity and total assets during the year.

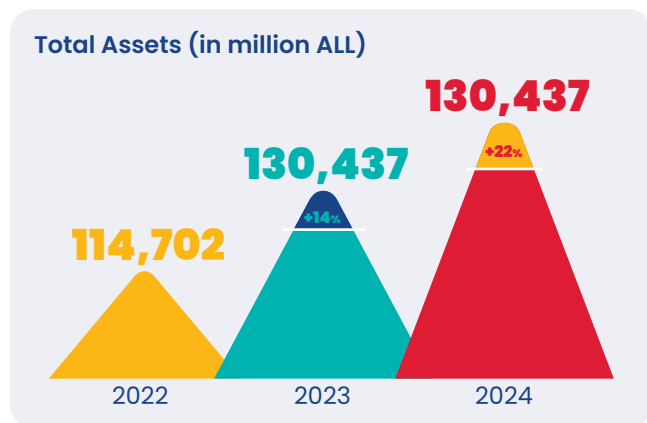


Net interest income was higher than the previous year by 17% (ALL 851 million) (2023: 38.5%). The significant growth in interest income was mainly driven by a 26% increase in loan portfolio income and a 20% increase in income from investment securities. Interest expenses during 2024 were higher than the previous year by 58% (2023: 140%), primarily due to the increase in customer funding and market conditions with higher interest rates.

Fee and commission income for 2024 increased by approximately ALL 153 million or 23% compared to the same period of the previous year. Overall, all categories of commissions were higher than last year, including card fees, disbursement fees, money transfers, and collection fees, and remained above budgeted figures. Overall, 2024 demonstrated an improvement in the Bank's profitability margins, reflecting growth in business indicators and optimized funding costs.

Operating expenses have shown an upward trend in recent years, reflecting inflationary pressures and in line with the Bank's growth and expansion strategy. The cost-to-income ratio also improved to 40.8% in 2024 (from 42.3% in 2023).

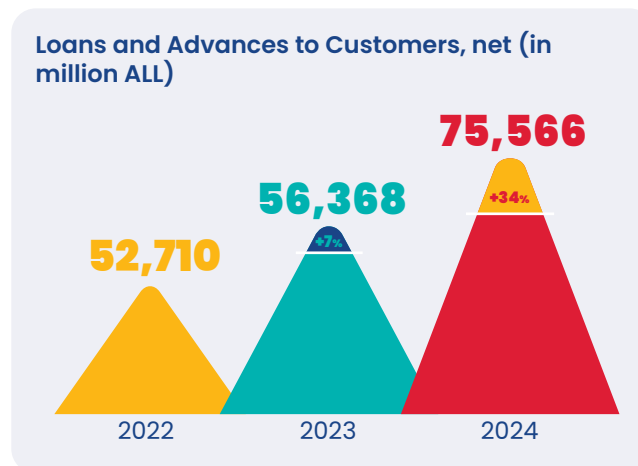
The Bank remains well-capitalized, at around 17.3% in December 2024 (December 2023: 17.7%). The capital adequacy ratio in December 2024 is estimated at approximately 18.7%, including the capitalization of the entire profit for 2024.



As of 31 December 2024, the Bank's total assets reached approximately ALL 159,738 million, representing an increase of around ALL 29,302 million (2023: ALL 130,437 million), or about 22% compared to year-end 2023. This growth was primarily driven by customer financing and the increase in liabilities to other banks for liquidity management purposes, which were mainly allocated to the loan portfolio and investment securities.

Total assets reached approximately €1.6 billion, further

increasing our market share for consecutive years and representing one of the largest growth rates in the Albanian banking system for the year. This exceptional growth is a testament to the continued trust and confidence our clients and stakeholders place in us.

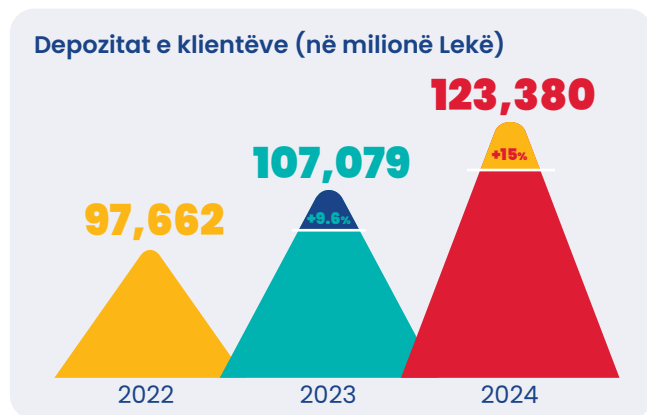


Our strategic efforts to diversify the loan portfolio and effectively manage interest rates resulted in a substantial increase in this portfolio. We recorded a 34% increase (ALL 19,198 million) in the net loan portfolio compared to year-end 2023, reaching approximately ALL 75,566 million at the end of December 2024, demonstrating our ability to capture market opportunities while maintaining a healthy interest margin.

Gross loan growth in 2024 was driven by a 31.5% increase in loans to individuals (ALL 5.7 billion), a 45.5% increase in corporate loans (ALL 13.5 billion), a 33% increase in

SME lending (ALL 2.4 billion), and an increase in small business lending of ALL 1.3 billion.

The Bank has improved its non-performing loan (NPL) ratio in recent years, reaching 3.1% in December 2024 (December 2023: 4.2%), and continues to build a high-quality performing portfolio in line with prevailing market conditions. Our focus on rigorous risk management practices and strict underwriting standards has enabled us to achieve this impressively low non-performing loan ratio, which remains among the lowest in the market. This reflects our commitment to prudent credit risk management and ensures the long-term stability of our operations.



Customer funding increased by ALL 16,301 million during 2024, or 15% (2023: ALL 9,417 million, or 9.6%), reaching a total of ALL 123,380 million, underscoring customer trust and providing additional resources for investment activities. The Bank has successfully increased its main source of funding while maintaining optimized

funding costs over the past years. This achievement is a testament to our clients' confidence and the Bank's strong market reputation, driven by our comprehensive deposit product range, competitive interest rates and offers, and the personalized customer service delivered by our staff.

In addition to the above, the Bank continues to focus on digital penetration and the enhancement of its digital platform to improve functionality and performance, as well as to increase transactions through alternative channels (transactions via TiBank rose to 68% in 2024 from 55% in 2023). During the year, the Bank continued its investments in digital transformation to improve the customer experience and operational efficiency. A major milestone was the launch of the **TiStart**, platform, enabling the opening of bank accounts online without the need for physical presence at a branch. Furthermore, Tirana Bank introduced **Mastercard World Elite**, to the market – a premium product offering exclusive benefits to high-value clients.

Our strategy looks toward continued growth in the years ahead, strengthening our market presence, expanding our product and service offering, and embracing innovative technologies to ensure we meet and exceed our clients' evolving needs.

Tirana Bank's outstanding financial performance in 2024 is the result of a sustainable development strategy, continuous innovation, and an unwavering focus on the customer. These achievements underscore the important role the Bank plays in Albania's economic development and its ambition to continue growing in the years ahead.

# BUSINESS LINE PERFORMANCE

## A. RETAIL BANKING SERVICES

For the 28th consecutive year, Tirana Bank has successfully remained close to its customers with the utmost dedication, continuously enhancing service quality with the aim of strengthening productive, long-term relationships. In addition to core activities such as expanding the client base and active customer portfolio, increasing the cross-selling ratio, and improving customer satisfaction—by offering a comprehensive range of banking products and services with optimized processes—particular attention in 2024 was also devoted to innovation.

With an unwavering commitment to innovation, we have invested in modern technology to deliver an exceptional banking experience through our digital channels. Our digital banking application, TiBank, has been enhanced with new functionalities to meet our customers' needs anytime, anywhere.

We have also launched new projects aimed at fostering greater community engagement, supporting initiatives, and contributing to both economic and social development. Our loyalty program, Happy, has been expanded to offer more benefits and rewards to our valued customers.

Digital Banking is at the core of our efforts to bring the future closer, offering fast and convenient services that enhance the banking experience. New projects include innovative solutions that integrate the latest technology to ensure greater inclusion and easier access to financial services. With a commitment to continuous improvement, our goal is to create a safer and more user-friendly banking environment for all.

## RETAIL LENDING PERFORMANCE IN 2024

In 2024, lending activity in the Retail segment demonstrated steady and well-structured growth, surpassing the annual target by 108%, with consumer lending playing a particularly important role. In line with our strategy towards digital transformation, we launched a new system for consumer loan origination in the second quarter of 2024. The process is now fully automated, from data processing, scorecard assessment, and evaluation of the client's financial position to real-time integrations with the Credit Registry at the Bank of Albania, decision-making, and automatic disbursement into the client's account.

This innovative development delivered substantially higher results in terms of portfolio volumes, new loan demand, and customer experience. Specifically, in 2024 we recorded a 533% increase in disbursements compared to the previous year, as well as a 231% increase in approved cases compared to year-end 2023.

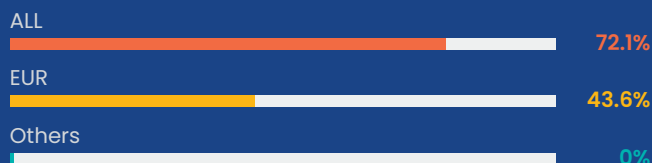
In a challenging year for the financial market, Tirana Bank continued to consolidate its position as one of the most active institutions in retail lending.

With a consistent focus on detailed customer profile analysis and maintaining the quality of the loan portfolio, the Bank implemented clear strategies to facilitate access to financing and enhance the customer experience.

### Key Trends and Market Dynamics

In line with banking market trends, loan growth has been primarily concentrated in the local currency, the Lek, which represents 72.1% of the total Retail loan portfolio. This orientation is aimed at minimizing exposure to foreign exchange risk and enhancing the financial stability of our clients.

#### PERFORMING RETAIL LOAN PORTFOLIO 2024



#### RETAIL LOAN PORTFOLIO STRUCTURE 2024



#### Main Objectives for Individual Lending in 2024:

- Growth of the performing loan portfolio in the Individual Clients segment, while maintaining a healthy balance between growth and risk management.

- Ongoing monitoring and management of the non-performing loan portfolio remains a priority, with the objective of limiting and recovering such loans by actively working to return them to performing status.
- We have deepened penetration within our existing customer base by increasing cross-sales and offering tailored products for salaried and standard clients.
- The continued orientation towards lending in the local currency serves to minimize foreign exchange risk exposure and ensure a more resilient portfolio.

Through these objectives and a clear strategy to enhance financial services, Tirana Bank will continue to support sustainable growth and provide tailored solutions to its clients.

#### PERFORMANCE AND GROWTH OF INDIVIDUAL CLIENT DEPOSITS IN 2024

The preservation and substantial growth of deposit volumes across all currencies continued to remain one of the main objectives of the Retail Division throughout 2024. During the year, Tirana Bank achieved an increase in the deposit portfolio, exceeding the target by 109%. This positive performance has supported the Bank's strategy for sustainable growth, ensuring a high level of liquidity and a solid financial base for its operations.

#### Key Strategies and Savings Stimulation

A key factor in achieving the 2024 objectives was the successful development of promotional campaigns for term deposit products, the design of new products, and highly active communication of offers across all promotional channels. These initiatives have enriched

the range of banking services offered by Tirana Bank, aiming to increase customer satisfaction and foster greater engagement in long-term savings.

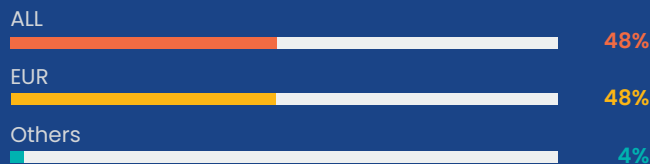
### Attracting New Clients and Expanding Investment Opportunities

The campaigns and initiatives undertaken during 2024 proved to be successful, attracting new clients to the Bank—clients with strong potential for cross-selling opportunities—while also creating more options for existing clients by offering them more favourable alternatives for investing their savings with Tirana Bank. With a client-oriented approach and an increasingly competitive offering, Tirana Bank has further strengthened its position as one of the most reliable and stable financial institutions in the market, also achieving one of the highest growth rates compared to the market average.

#### RETAIL DEPOSIT PORTFOLIO 2024



#### STRUCTURE OF THE RETAIL DEPOSIT PORTFOLIO



## DEBIT AND CREDIT CARD PRODUCTS

### Growth in Usage and Expansion of the Card Portfolio

Throughout 2024, Tirana Bank focused on expanding its card portfolio and increasing card usage, undertaking a series of initiatives and campaigns that produced tangible results in transaction growth and overall portfolio volume.

These strategies have improved the customer experience and encouraged the adoption of electronic payments in the Albanian market. This commitment is reflected in the achieved results, with the number of credit card transactions increasing by **40%**, and transaction volumes registering a **26% growth**. Considering the challenges of the market and the slow adaptation to card payments, these results confirm a positive trend in the growth of card usage and revenues from this product.

### Launch of Mastercard World Elite – The Most Exclusive Card in the Market

A key milestone in 2024 was the **launch of the Mastercard World Elite credit card—an exclusive, premium product** and the first of its kind in the Albanian market. With this premium offering, Tirana Bank has set a new standard in financial services, providing clients with unique advantages and privileges at an international level. This card has been a strategic step toward diversifying our offering and strengthening the Bank's position as a leader in financial services innovation.

### Marketing Strategies and Impact on Card Usage

Through various marketing campaigns and strategic partnerships, Tirana Bank has promoted the everyday

use of cards, influencing not only the growth in transaction volumes but also the expansion of its user base. Ongoing education and awareness efforts on the benefits and convenience of card usage have played a key role in increasing their use at POS terminals and for online purchases.

This positive trend has also contributed to reducing cash usage in the economy, supporting the formalization and modernization of the payment ecosystem in Albania.

### Forward-Looking Strategy

The achievements of 2024 serve as a solid foundation for further development of the Bank's card services. In 2025, Tirana Bank will continue to invest in technology, expand its product portfolio, and strengthen customer relationships, remaining one step ahead in meeting their needs and expectations.

### POS AND ATM NETWORK – EXPANSION AND PERFORMANCE IN 2024

In 2024, Tirana Bank undertook a series of strategic initiatives with a proactive approach to expand its card payment service channels, both in the ATM and POS network. Specifically for ATMs, this strategy has resulted in a significant increase in the Bank's presence in key areas, coastal regions, and tourist destinations, expanding the ATM network to a total of 84 ATMs and increasing the number of merchants operating with our POS terminals to a total of 336 POS devices. Thanks to the continuous monitoring of payment channel performance, strong relationships with merchants, and optimization measures, the Bank achieved

a substantial increase in activity in this segment. **POS transaction volumes grew by 80%, while ATM transaction volumes rose by 25% compared to 2022.**

Beyond raising awareness among domestic cardholders, the marked increase in the number of tourists visiting Albania over the past two years has also played a significant role in boosting card payments in the Albanian economy. The continuous demand from tourists to pay by card for services has had a positive impact in educating local businesses to accept, equip for, and serve their customers through this payment method. This phenomenon has consequently led to an increased demand for POS devices from various merchants, especially businesses operating in the tourism industry.

### DIGITAL PLATFORM

2024 has been an outstanding year for Digital Products, with a primary focus on digitalization. Our emphasis on enhancing the customer experience, improving functionalities, and increasing customer engagement has delivered excellent results.

Key Achievements in 2024

- **Digital Onboarding:**
  - Faster, easier, and with an improved customer experience.
  - Online account opening process, reducing time and improving customer satisfaction.
  - Usage of this functionality has increased significantly leading to a considerable number of new digital clients.

- **New Functionalities:**

- Expansion of digital payments, including bill payments and local taxes through the digital platform.
- Improved transaction management and new security features to boost customer trust.
- Real-time debit card transaction history.
- Personalized customer experience.
- Expanded product portfolio, including new debit cards and the Mastercard World Elite available on the digital platform.

**Performance and Progress**

The performance of digital products has exceeded set objectives, showing strong growth in digital adoption and customer engagement:

- New digital platform clients increased, surpassing the target by 143%.
- Transactions conducted through the platform versus physical branches reached 82%, exceeding the initial target.
- Monthly active platform users surpassed objectives, achieving 127% of the goal.
- The total number of transactions on the platform continues to grow, reflecting strong customer demand for digital products.

2024 has been a year of transformation and success in our digital journey. With strong adoption of digital services, new functionalities, and enhanced offerings, we are in an excellent position to continue this growth. Our commitment to digital innovation will guide us toward excellence in the years ahead.

**BANCASSURANCE**

Licensed by the Financial Supervisory Authority, under Board Decision No. 76, dated 15.06.2020, Tirana Bank has for several years been engaged in insurance intermediation for clients, in both Life and Non-Life classes.

Through the bank's staff, licensed as physical brokers, insurance brokerage activities are carried out in the name and on behalf of Tirana Bank, safeguarding the interests of the insured by managing client requests for insurance products offered by insurance companies operating in Albania.

This activity consistently contributes to: reducing risk for both secured and unsecured loan portfolios, protecting clients from losses caused by unforeseen events, increasing revenues from brokerage commissions generated for the respective segments.

Brokerage activity in 2024 was highly dynamic and productive: 100% reimbursement/compensation of reported claims/loss events, around 40% increase in revenues from the activity compared to previous periods, launch of new insurance products/packages to meet client needs and demands, growth in sales and profitability of the activity overall.

During the past year, our bank achieved a significant milestone in automation by successfully implementing the first robot for processing insurance policy payments linked to loans. This development represents an important step towards digitalization and increased operational efficiency. Key benefits include: reduced processing time, elimination of manual errors, ensured compliance with contractual deadlines and improved customer experience.

### B. SMALL BUSINESS DEPARTMENT

The year 2024 was a highly important one for the Small Business segment, both in terms of exceeding results and with the establishment of the Small Business Department with dedicated staff in every region.

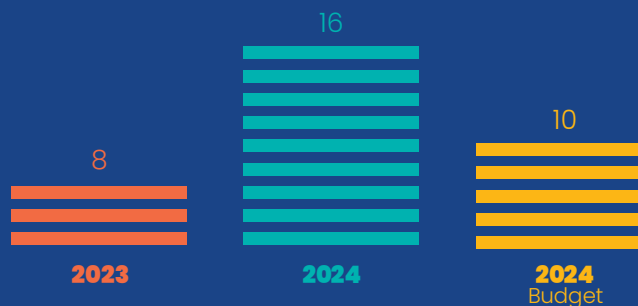
As an essential part of the continued development of the Retail Division at Tirana Bank, the Small Business segment has successfully maintained, for the second consecutive year, close relations with business clients, continuously improving the products and services offered, while ensuring service quality with the goal of strengthening a productive and long-term relationship.

In 2024, maximum attention was given to growing the client base, increasing the loan portfolio and raising the cross-selling ratio by offering a full range of competitive banking products and services. The development strategy, systematically presented in direct meetings as well as through our digital channels, has continued to be successfully implemented, reporting very positive performance across all key

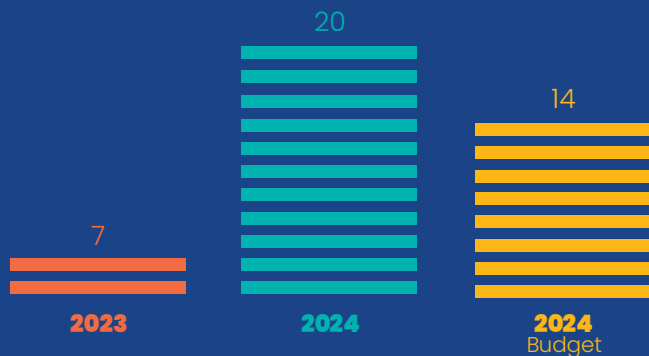
commercial indicators. Through this approach, the Small Business Department increased its service focus for this customer group, which directly contributed to a significant rise in the Bank's income from commissions and interest compared to the previous year.

In particular, the lending process during 2024 was highly dynamic, presenting the full package of personalized financial support services for the Small Business segment and achieving: 143% of the annual loan portfolio target and 157% of the annual disbursement target. The introduction of the Business Committee was an innovation that made a considerable contribution to these results by significantly reducing the approval time for small loans—a total volume of EUR 3 million distributed to 150 clients—while simultaneously improving the customer experience at Tirana Bank. It is also worth noting the high-quality management of the loan portfolio, with a Non-Performing Loan (NPL) ratio of just 0.3%, well below budgeted levels.

Loan Disbursement Performance (in EUR mln)



Loan Portfolio Performance (in EUR mln)



At the same time, the segment's focus has been on guiding customers towards digital services, significantly increasing the number of transactions via TiBank, while maintaining a strong commitment to retaining our existing customer base and attracting new customers to the Bank.

It is worth highlighting that these achievements are the direct result of the efforts of the Department established in 2024, as well as the close collaboration with the branch network, which operate as complementary units, each contributing at maximum capacity to the achievement of results.

### CUSTOMER EXPERIENCE AS A DIFFERENTIATION STRATEGY

#### Tirana Bank – Listening, Acting, and Innovating for Greater Customer Satisfaction

In 2024, Tirana Bank marked a new and more dynamic stage in our strategic commitment to enhancing and advancing the customer experience. In line with

the BALFIN Group's philosophy, we have continued to approach the voice of the customer not merely as a responsibility, but as an integral part of our institutional identity and culture. We have invested heavily in the continuous improvement of service quality, with particular emphasis on understanding customer needs and providing timely, concrete solutions. For us, the customer experience remains one of the most important strategic pillars—one that differentiates us and ensures that we stay consistently aligned with customer expectations and international best practices

#### Measuring and Listening to the Customer's Voice

A key highlight of 2024 was the launch of our new feedback platform, **Tironci**, – the first fully comprehensive platform of its kind within the Bank. This innovative tool has enabled us to collect real-time feedback from customers across the branch network, allowing us to immediately analyse service quality and intervene whenever needed.

To ensure objective and comprehensive measurement of our service standards, we have implemented continuous **Mystery Shopping** cycles, helping us identify and correct any deviations from our quality benchmarks. Additionally, to assess customer satisfaction after specific interactions with the Bank, we introduced **Post-Product Survey**, contacting customers after sales transactions to measure their perception of the quality and efficiency of the service provided.

Another important milestone during the year was the **Customer Satisfaction Survey**, our large-scale annual assessment of client satisfaction, which allowed us to measure overall satisfaction levels in detail, clearly

identifying both strengths and areas that require improvement.

### Continuous Service Improvement

In 2024, Tirana Bank has transformed listening to the customer's voice into concrete actions aimed at enhancing the overall client experience at every point of interaction. Operational processes have been continuously reviewed and optimized, with a focus on simplifying documentation and reducing waiting times for receiving services.

One of the most notable innovations has been the implementation of the **digital onboarding platform**, which now enables customers to open a bank account in just seven minutes without visiting a branch – significantly increasing customer satisfaction and facilitating access to our services. Another important achievement is the optimization of the **consumer lending process (LOS)**, which now allows digital loan approval within only 20 minutes, making it one of the fastest and most efficient processes in the Albanian banking market.

These fundamental changes have been made possible through continuous interdepartmental coordination and enhanced internal communication, ensuring that every employee is fully engaged and informed about their role in improving the customer experience.

### Building and Strengthening a Customer Service Culture

As part of strengthening our customer-centric organizational culture, in 2024 we organized, for the first time, a **dedicated Customer Experience Bootcamp**, a special event with broad staff participation from all departments. This initiative enabled the exchange of innovative ideas, the identification of processes

requiring review, and further strengthened collective awareness of the importance of customer experience in the bank's success.

In parallel, we continued investing in staff development through intensive training programs on advanced sales techniques and effective communication, with the goal of standardizing the customer experience across every touchpoint and improving employees' ability to identify and address customers' individual needs.

### Market Segmentation and Brand Recognition

Another strategic focus during 2024 was the deepened market segmentation and the strengthening of our brand recognition. By gaining deeper insight into our customers, we have been able to further personalize our offerings and communications, significantly improving our responsiveness to their specific needs. This approach has strengthened the bank's relationship with its customers and directly contributed to higher satisfaction and loyalty levels.

### A Clear Vision for the Future

PAAt Tirana Bank, customer experience is not an end goal but a continuous journey that evolves and improves over time. The year 2024 has proven that our commitment in this direction is serious and sustainable. We are proud of the significant strides made this year and remain determined to continue our journey, always keeping the customer at the heart of every decision, and continuously investing in the quality and efficiency of our services. For us, every satisfied customer is both an achievement and a motivation to continue with even greater passion, responsibility, and dedication working toward a better future for every Tirana Bank customer.

### C. CORPORATE AND SME BANKING DIVISION

Throughout 2024, the banking system maintained a dominant role in Albania's overall financial landscape. Despite inflationary pressures, the banking sector achieved steady growth, successfully meeting its set objectives.

During 2024, demand for credit remained high among businesses across various sectors, primarily to meet liquidity needs.

Key highlights of the banking sector's performance in 2024:

- Record demand for new Corporate and SME loans, as businesses sought funding for expansion and operational stability.
- Increased financing for the SME sector, which remained among the most active borrowers, supported by stable interest rates and positive macroeconomic developments.
- Overall, demand for foreign currency loans increased, supported by favourable exchange rate developments.

These positive trends throughout 2024 reflect a stable business lending environment, where banks play a decisive role in supporting its growth.

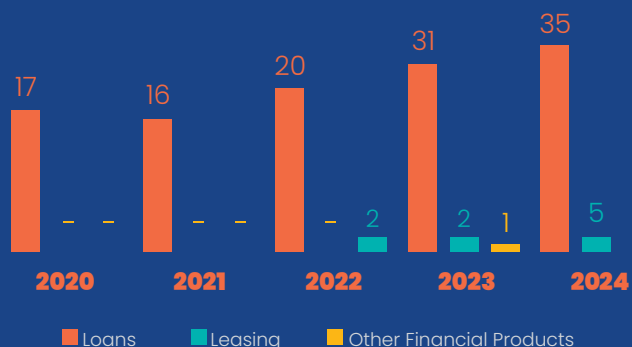
During 2024, Tirana Bank achieved a record year in Corporate and SME business lending, responding effectively to market trends and even surpassing them.

Large corporate projects not only exceeded set targets but also contributed to the diversification and enrichment of the loan portfolio, enhancing the bank's market presence.

#### Corporate Lending Division – Key Credit Performance Indicators 2024:

- Corporate loan portfolio outstanding balance increased by 48% compared to the previous year, marking a record result.
- This growth reflects strategic lending decisions, improved risk management, and higher financing demand from businesses.
- In 2024, new corporate loan disbursements increased by 71% year-on-year, representing a significant boost in financial support for corporate clients.

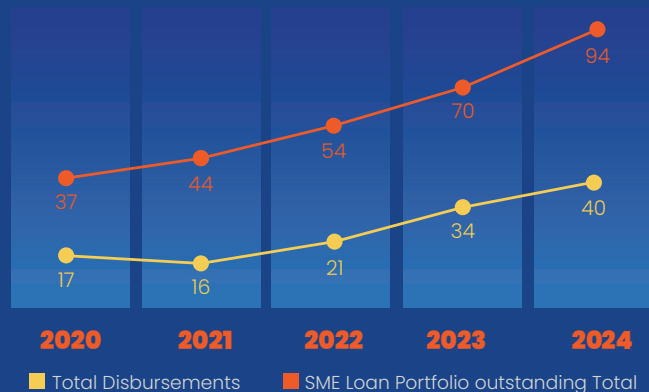
New Corporate Loan Disbursements (EUR mln) 2024



SME Loan Portfolio Outstanding (EUR Million) 2024



New disbursements and SME Loan Stock (EUR Million) 2024



**Summary of the key highlights of the performance of Corporate and SME client activity:**

- During 2024, new disbursements of EUR 192 million for corporate clients and EUR 40 million for SME clients.
- The portfolio has grown at record rates, reaching EUR 422 million for the corporate portfolio and EUR 94 million for the SME portfolio.
- A stable increase in the client base, with a primary focus not only on existing clients but also on the acquisition of new clients.
- Diversification of the loan portfolio by focusing, in addition to day-to-day business, on Project Financing, Green Loan Financing (photovoltaic panels), and growth in Leasing loans.

Increase in all main commercial indicators such as:

- interest and commission income, incoming and outgoing transfers, foreign exchange transactions, and the number of clients who credit their salary to Tirana Bank.
- During 2024, in line with market demands, Tirana Bank and the Corporate and SME Division have undertaken various initiatives related to the digitalization of the services and products offered, which remains a key focus for the further improvement of service and efficiency at Tirana Bank.
- We can highlight the projects: Credit Lens (automation of the lending process), Business Credit Card, Business ATM Cash-In, etc.

The priority of the Corporate and SME Division remains the offering of a variety of products and services aimed at meeting all client requirements in the shortest possible time and with maximum quality.

# RISK MANAGEMENT

*“At Tirana Bank, our commitment to excellence extends to the effective management of risks, ensuring the safety and stability of our operations. Our mission in risk management is to proactively identify, assess, and mitigate potential risks in order to protect the interests of our clients, shareholder, and employees. Through monitoring, analysis, and the implementation of risk mitigation strategies, we aim to uphold the highest standards of integrity and financial sustainability.*”

*Our focus is on fostering a risk-awareness culture that empowers every member of our team to contribute to the Bank’s overall resilience. By embracing innovation, adhering to regulatory requirements, and anticipating emerging risks, we position ourselves as a trusted financial institution operating in a dynamic and evolving financial market.”*

Effective monitoring and management of risks have continued to hold the same importance as business development, and the Bank has remained focused on maintaining stability, financial soundness, and operational continuity. The Bank's approach to risk management is documented in its Risk and Capital Strategy, which is reviewed on an annual basis and approved by the Board of Directors. Beyond the Risk and Capital Strategy, the internal risk management framework—comprehensive and effective, and grounded in the Bank's risk culture—includes governance components, policies, procedures, and methodologies supported by the necessary infrastructure.

The Board of Directors is responsible for overseeing the development and implementation of the internal risk management framework, which is also ensured through a number of specialized committees. The Risk Management Division is administratively independent from other units of the Bank. The Bank has established detailed processes and appropriate control mechanisms to identify, manage, monitor, and report risks. This ensures independence between risk-taking, risk management, and control functions. The current organizational structure provides for segregation of duties and aims to prevent potential conflict of interest situations.

#### RISK MANAGEMENT AT TIRANA BANK CONSISTS OF THE FOLLOWING RISK MANAGEMENT UNITS:

- The Department of Credit Risk Management, Reporting, Provisioning, and Calculation of Risk-Weighted Assets;
- The Department of Market Risk, Liquidity Risk, and Operational Risk Management;

- The Information Security Department

#### PRINCIPLES OF RISK AND CAPITAL MANAGEMENT AT TIRANA BANK

- **Capital Adequacy:** Tirana Bank aims to maintain a sufficient capital base to absorb losses under conditions of adverse economic developments, ensuring the continuity of operations and the fulfillment of obligations. This includes setting internal target capital limits above the minimum regulatory thresholds, with the objective of maintaining flexibility and reliability.
- **Risk Appetite and Tolerance:** Tirana Bank defines acceptable levels of risk in order to achieve its objectives. This includes setting quantitative limits and qualitative guidelines.
- **Resilience and Stress Testing:** The performance of stress tests is an integral part of the strategy, enabling the Bank to assess its resilience and its capacity to withstand potential shock situations. This supports the assessment of capital adequacy and the determination of reliable contingency plans.

#### OBJECTIVES OF THE RISK MANAGEMENT FUNCTION

The objectives of the risk management function are designed to balance the pursuit of the Bank's profitability with the need to protect against risks, maintain regulatory compliance, and ensure financial stability. Through proactive identification, monitoring, and mitigation of risks, the risk management function safeguards the Bank's capital, promotes a risk-aware culture, and supports long-term sustainable growth.

These objectives provide the foundation for resilience and adaptability, enabling the Bank to address both current and anticipated challenges in an increasingly complex financial landscape.

## **A. RISK APPETITE FRAMEWORK**

The Bank expresses its risk appetite through a comprehensive Risk Appetite Framework (RAF), aligned with best practices, consisting of qualitative risk appetite statements as well as quantitative indicators reflecting the risk appetite, for which limits and early-warning thresholds serve as monitoring tools, determined by the Board of Directors, the Risk Management Committee, and the Bank's Senior Management.

The Risk Appetite Framework is reviewed annually and whenever significant developments occur in the internal or external environment, as well as in the regulatory framework. It is approved by the Risk Management Committee and ultimately by the Board of Directors, following preliminary approval by the Executive Committee. It takes into account the general strategic guidelines provided by the Board of Directors and has been developed in line with regulatory requirements and recommendations.

### **Tirana Bank's Risk Appetite**

The Bank prioritizes: **maintaining a solid capital base, diversifying funding sources, preserving asset quality and diversifying the loan portfolio**, as well as effectively managing costs and operating expenses.

It aims to combine satisfactory profitability with the preservation of lending standards, ensuring that risk exposures remain in line with the risk appetite approved by the Risk Management Committee and the Board of Directors.

The Bank is committed to the continuous strengthening of risk management practices, ensuring that it operates under a clear and rigorous risk management system with an optimal information technology infrastructure, thereby ensuring the contribution of risk management to strategic planning. It continuously enhances its risk management processes, policies, models, and tools for identifying and measuring risk exposures, in line with regulatory requirements and best international practices.

The Board of Directors of Tirana Bank recognizes all material risks to which the Bank is exposed and holds responsibility for approving the Bank's risk management framework. The Bank maintains appropriate processes for the approval of new products or modifications to processes, in order to assess the potential impact on the Bank's risk level.

The Bank upholds a communication policy and culture aimed at strengthening the confidence of its clients, shareholder, investors, employees, and partners. It seeks to ensure the availability and adequacy of the resources necessary for the effective implementation of the internal risk management framework. The Bank maintains a remuneration policy that does not encourage risk-taking practices beyond desired levels.

### **Risk Appetite – Capital**

- Tirana Bank aims at all times to maintain a strong capital base, supporting its business plans and preserving its ability to continue operations.
- It seeks to maintain capital ratios above regulatory limits in order to ensure depositor confidence and hold sufficient reserves to withstand economic challenges.
- It maintains appropriate infrastructure, policies, procedures, and methodologies to meet regulatory requirements related to capital management.

### **Risk Appetite – Credit**

- Tirana Bank controls credit risk through sound lending criteria, which include the repayment option (as the primary source of repayment) and the acceptance of collateral (as the secondary source of repayment), as well as a careful assessment of the client. The process is supported by the use of internal rating systems with discriminatory capability and systems for measuring credit risk and calculating capital requirements.
- Its focus is on growing the loan portfolio in key sectors with good growth prospects, aiming to reduce delays through the timely identification of credit risk, continuous monitoring, and corrective measures.
- It manages the non-performing loan (NPL) ratio effectively through the Non-Performing Loan Recovery Division, reducing the formation rate of new NPLs in order to keep the cost of risk within the limits set by the Board of Directors.

- The Bank operates at all times within the lending limits approved by the Board of Directors, which are regularly updated and cover all Bank activities, in order to keep credit risk under control. All lending decisions are taken in accordance with the Lending Policies and Manuals in force.
- Centralized monitoring of all credit exposures at borrower and related party level is in place.

### **Risk Appetite – Liquidity**

- The Bank aims to maintain a diversified funding base and to carefully monitor liquidity levels. An increase in concentration beyond desired levels is reflected in additional liquidity buffers in order to reduce the respective risk.
- It maintains liquidity ratios within both regulatory requirements and internal risk appetite limits, the latter set at higher levels than regulatory indicators, thus allowing for the accommodation of potential shock scenarios and the necessary repositioning actions.
- On a regular basis, the Bank performs stress tests as part of its routine risk management processes and conducts specific and ad hoc stress tests in response to external developments with potential impact on its activities.
- The Bank relies on the effective management of its Assets and Liabilities to ensure the maintenance of adequate levels of highly liquid assets.

### **Risk Appetite – Market Risk**

- The Bank aims to maintain a low level of exposure to market risks arising from its trading activities

and carries out centralized management and monitoring of market risks originating from client activities, while keeping exposures within the market risk limits set by the Board of Directors.

### **Risk Appetite – Operational Risk**

- The Bank seeks to minimize operational losses caused by inadequacies or ineffectiveness of the Internal Control System or by the failure of involved parties to comply with control principles and objectives.
- The Bank aims to fully avoid losses from internal fraud and losses related to all forms of corruption, including fraud, bribery, market abuse or manipulation, and the use of the institution for money laundering or terrorist financing purposes. In this context, the Bank has implemented appropriate measures and policies to prevent such practices and to safeguard its reputation in relation to business ethics, financial integrity, and staff reliability. The continuous alignment of its human resources with the code of ethics and conduct, as well as with the principles of corporate governance and the internal operational regulations, is necessary to avoid such losses.
- The Bank has zero tolerance for incidents with reputational impact and influence on the corporate image. These incidents include loss of life, compromise of the physical integrity or health of clients and employees, non-compliance with the regulatory and supervisory framework, non-compliance with the principles of Corporate and Social Responsibility (society, culture, and environment), or the disruption of business

continuity and/or the operations of information systems.

### **Risk Appetite – Information Security**

- The Bank takes continuous measures to strengthen its defensive capabilities against cyber-attacks, with the aim of preventing incidents and losses arising from cyber-attacks on its systems, through the ongoing enhancement, expansion, and utilization of advanced protection mechanisms, infrastructure, and technical controls for monitoring, prevention, and mitigation of related risks.
- The Bank seeks to avoid incidents that result in the unavailability of systems supporting its critical business functions and aims to minimize the time required to recover critical operations, as defined by the identified and agreed Recovery Time Objectives (RTOs).
- The Bank seeks to avoid incidents related to information systems that are generated by poor change implementation practices, while remaining open to new technologies to enhance effectiveness and productivity, aiming to harmonize digital innovation with information security.

### **Risk Appetite – Compliance**

- The Bank is committed to combating financial crime and ensuring that accounts held with the Bank are not misused for money laundering or terrorist financing purposes.

- Tirana Bank does not accept and does not tolerate knowing and willing involvement in practices related to Money Laundering, Bribery, and Corruption, or non-compliance with Sanctions and Embargoes, as well as non-compliance with applicable rules, regulations, laws, and policies. It aims to keep updated its policies and procedures related to Anti-Money Laundering, sanctions and embargoes, Anti-Bribery and Corruption Policies, as well as Anti-Fraud Programs, in accordance with laws and regulations.
- Tirana Bank conducts ongoing training and monitoring in order to carry out, whenever necessary, customer due diligence and know-your-customer analysis, enhanced due diligence, and monitoring of suspicious and prohibited transactions, and maintains an appropriate system for monitoring these activities.
- The Bank will never knowingly offer products or services to parties involved in money laundering, terrorist financing, support to sanctioned parties or regimes subject to government sanctions, as prohibited by law or through special restrictions based on country risk, or to those seeking to use Tirana Bank's banking services to facilitate illegal activities, including bribery, corruption, or tax evasion.
- Banka mbetet plotësisht e përkushtuar ndaj respektimit të kuartrit ligjor dhe rregullator në fuqi, duke e trajtuar përputhshmërinë jo vetëm si një detyrim ligjor, por si një komponent thelbësor të qeverisjes së mirë dhe integritetit institucional. Funkzioni i përputhshmërisë është i pozicionuar strategjikisht për të identifikuar, vlerësuar dhe adresuar risqet që lidhen me mospërputhjen, në përputhje me parimet e linjave të mbrojtjes dhe standardet ndërkombëtare. Gjatë vitit raportues, banka ka vijuar të investojë në forcimin e kapaciteteve të kontrollit të përputhshmërisë, përmirësimin e politikave të brendshme dhe integrimin e kërkesave të reja rregullatore në praktikat operacionale.
- Qasja e bazuar në rrezik dhe bashkëpunimi i ngushtë funksionet e tjera kyçe të kontrollit kanë mundësuar një menaxhim proaktiv dhe gjithëpërfshirës të rrezikut të përputhshmërisë, duke rritur qendrueshmerine institucionale dhe besimin e aktorëve të jashtëm.
- Banka mbetet e angazhuar në një qasje të kujdesshme ndaj rrezikut të përputhshmërisë, duke ruajtur një oreks të ulët për rrezik gjithashtu edhe në fushat që lidhen me transparencën, sinjalizimin dhe mbrojtjen e të dhënave personale.
- Gjatë periudhës raportuese, janë konsoliduar më tej politikat dhe praktikat që sigurojnë përputhshmëri të vazhdueshme me kërkesat e kuartrit ligjor në fuqi, përfshirë kuadrin e përgjithshëm për Mbrojtjen e të Dhënave personale (GDPR). Transparenca në marrëdhëniet me klientët dhe palët e interesuara mbetet një prioritet i pandryshuar, duke u reflektuar në përmirësimin e njoftimeve të privatësisë, vendimmarrjes së informuar dhe përpunimit të drejtë e të ligjshëm të të dhënave.
- Masat teknike dhe organizative për garantimin e sigurisë së të dhënave janë përditësuar në përputhje me natyrën dhe qëllimin e përpunimeve, ndërsa kapacitetet e stafit janë rritur përmes trajnimeve të strukturuar dhe ndërgjegjësimit të vazhdueshëm
- Në të njëjtën kohë, janë mbajtur në vëmendje të vazhdueshme edhe mekanizmat për raportimin e brendshëm të shkeljeve (sinjalizimi), përmes

krijimit të kanaleve të sigurta dhe respektimit të standardeve të mbrojtjes së sinjalizuesve.

- Këto elementë janë pjesë përbërëse e kulturës së përputhshmërisë së bankës dhe dëshmojnë angazhimin e saj për të vepruar në përputhje me parimet e integritetit, llogaridhënies dhe qeverisjes së mirë.

### **Risk Appetite – ESG Risk**

- The Bank recognizes its environmental impact and is committed to gradually reducing its carbon footprint. It supports the transition to a low-carbon economy, acknowledging the risks and opportunities associated with environmental issues such as climate change, pollution, and the use of natural resources.
- The Bank has a low risk appetite for sectors with high environmental impact, such as fossil fuels, mining, and heavy manufacturing. However, the Bank may support these industries when clients demonstrate a clear and measurable commitment to sustainability practices, such as emission reduction targets or waste minimization.
- Internally, the Bank is committed to basic energy and resource efficiency measures (e.g., reducing paper usage, conserving energy) and remains open to implementing stronger policies as it develops its internal capabilities.
- The Bank has zero tolerance for business practices that violate fundamental human rights. This includes a commitment to avoid clients or business partners involved in forced labor, child labor, or other forms of exploitation.
  - The Bank values diversity and aims to create

an inclusive environment for all employees. It is fully committed to gender balance and equal opportunities.

- The Bank has zero tolerance for unethical or illegal activities, including bribery, corruption, and fraud. It is committed to maintaining sustainable compliance standards, although its ESG governance structure is still under development.
- The Bank is committed to clear and transparent communication on ESG matters with all stakeholders.
- The Bank takes a cautious approach toward sectors most vulnerable to transition risks related to climate change. This includes a willingness to support industries in transition, provided they demonstrate a strategic plan for decarbonization.
- The Bank has a limited risk tolerance for lending to or investing in areas highly vulnerable to climate-related events (e.g., floods, wildfires). It aims to work with clients in these areas to implement risk mitigation strategies and enhance their resilience.
- The Bank recognizes the importance of ESG for its reputation and has a low risk appetite for activities that could negatively impact its standing with clients, investors, or the wider community. This includes exposure to sectors or clients with poor environmental or social records.
- While still under development, the Bank aims to meet the growing expectations of clients for a responsible bank by clearly communicating its ESG objectives and setting additional targets in line with client interests in sustainable finance.
- The Bank has zero tolerance for breaches of personal data and prioritizes compliance with the legal and regulatory framework for personal data protection.

## **B. RISK PROFILE**

Throughout 2024, Tirana Bank has paid special attention to the risks faced by both the banking system and the Bank itself.

### **Capital Adequacy**

The Bank understands the importance of maintaining a strong capital base against the risks undertaken. It has preserved a sound capital base, capable of

supporting business development, its strategic plans, and the smooth continuation of its operations. Capital requirements are calculated for all major risks the Bank undertakes, in full compliance with supervisory regulatory requirements. The capital adequacy ratio exceeded the minimum regulatory requirement, reaching 17.3% at the end of 2024, in line with regulatory demands, thereby ensuring depositor confidence and creating sufficient reserves to withstand economic challenges.

<b>Capital Adequacy (million ALL/%) *</b>	<b>31.12.2024</b>	<b>Compliance with regulatory limits</b>	<b>Compliance with internal limits</b>
Tier 1 Capital	13,894		
Tier 1 Capital	1,192		
Total Capital (Tier 1 + Tier 2)	15,086		
Risk-Weighted Assets	87,432		
Of which:			
Credit Risk	77,073		
Market Risk	0		
Operational Risk	10,358		
Tier 1 Capital Ratio*	15.9%**	✓	✓
Capital Adequacy Ratio**	17.3%**	✓	✓
Compliance with Macro-Prudential Buffers	146.7%**	✓	
Leverage Ratio	8.5%**	✓	✓

\* For indicators not accompanied by a compliance note with limits, there are no applicable regulatory or internal limits.

\*\*The Tier 1 Capital Ratio reaches 17.3% with the certification of the retained earnings for 2024.

\*\*The Capital Adequacy Ratio reaches 18.7% with the certification of the retained earnings for 2024.

\*\*Compliance with macro-prudential buffers reaches 202.9% with the certification of the retained earnings for 2024.

\*\*The Leverage Ratio reaches 9.3% with the certification of the retained earnings for 2024.

Capital management and planning, as a function, ensures the Bank's resilience under normal conditions as well as during economic and financial stress, taking into account the risks to which the Bank is exposed.

The targeted levels of the capital adequacy ratio are intended to provide the necessary stability to protect depositors by maintaining sufficient reserve levels above the minimum regulatory requirements.

Capital management is also an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which aims to assess the capital required in accordance with the Bank's risk profile and strategy. In this context, and for the purpose of assessing capital adequacy, the Bank continuously performs projections of capital needs and available capital, taking into consideration macroeconomic developments, the Bank's current business profile, as well as regulatory changes that may affect capital adequacy in subsequent periods. The aforementioned process is overseen by the Bank's highest-level committees, the Risk Management Committee and the Board of Directors.

## Credit Risk

Tirana Bank closed the year 2024 with a Non-Performing Loan (NPL) Ratio at the level of 3.1%, thus remaining below the banking system average and among the banks with the lowest level of Non-Performing Loans. The Cost of Risk for the Loan Portfolio stood at 50 basis points for 2024, while the Cost of Risk was recorded at a negative level of 24 basis points (recovery in the reserve fund) for the investment portfolio in securities. Coverage of non-performing loans at the end of 2024 was recorded at around 57.8%, and performing loans were covered with provisions at the level of 1.5%. The Bank has generally demonstrated stability in the composition of the loan portfolio by classification across all three main business lines.

<b>Credit Risk (%)*</b>	<b>31.12.2024</b>	<b>Compliance with regulatory limits</b>	<b>Compliance with internal limits</b>
Non-Performing Loan Ratio to Total Loans	3.1%		✓
Provision Coverage of Non-Performing Loans	57.8%		✓
Provision Coverage of Performing Loans	1.5%		
Share of Loans in Class 1	93.1%		
Share of Loans in Class 2	3.4%		
Share of Loans in Class 3	3.5%		
Cost of Risk (bps) – Loans	50		
Cost of Risk (bps) – Securities Portfolio	-7 bps		

\* For indicators not accompanied by a compliance note with limits, there are no applicable regulatory or internal limits.

## Liquidity Risk

The Bank recognizes liquidity risk as one of the main risks that can have a significant impact on its ability to finance business operations and meet its financial obligations. Liquidity management is a key objective of the Bank and encompasses a range of activities, from the careful and continuous monitoring of its liquidity position to the management of funding sources and the use of funds, ensuring that its ability to meet obligations is not compromised.

The Bank has implemented best practices and regulatory requirements and guidelines to assess its liquidity position and the potential effects of adverse changes in the maturity (and non-renewal) of funding sources, as well as the possibility of a reduction in the value of its liquid assets.

It exercises careful monitoring of liquidity cost and has ensured compliance with the regulatory framework for liquidity risk management, while regularly maintaining and reviewing its methodologies, policies, procedures, and systems to ensure effective liquidity risk management.

The Bank has closely monitored liquidity levels, ensuring that they remain above the regulatory minimums.

Customer deposits remain diversified despite the observed increase in business deposits in recent years. The loan-to-deposit ratio remains contained, the Bank demonstrates stability in both accounts and term deposit balances, while the analysis of inflows and outflows, as required by the liquidity coverage ratio regulation compared to the actual figures, indicates the Bank's ability to withstand even highly stressed situations. Key liquidity indicators remain above the minimum regulatory requirements and within the Bank's risk appetite.

Liquidity Risk Indicators*	31.12.2024	Compliance with regulatory limits	Compliance with internal limits
Loans / Deposits	62.9%		✓
Liquid Assets / Short-Term Liabilities – Total	37%	✓	
Liquid Assets / Short-Term Liabilities – Foreign Currencies	28%	✓	
Liquid Assets / Short-Term Liabilities – ALL	47.2%	✓	
LCR – ALL	217.3%		✓
LCR – Main Foreign Currencies	155.6%	✓	✓

LCR Total	202.1%	✓	✓
NSFR – ALL	166.4%		✓
NSFR – Main Foreign Currencies	164.5%	✓	✓
NSFR – Total	167.6%	✓	✓

*\*For indicators not accompanied by a compliance note with limits, there are no applicable regulatory or internal limits.*

### Market Risk

The Bank has implemented appropriate methodologies for measuring, monitoring, and controlling market risk, including interest rate risk in the banking book.

Tirana Bank applies an interest rate risk management policy and adopts valuation techniques based on interest rate gap analysis. It assesses interest rate risk through the “Earnings-at-Risk” indicator, which reflects the potential negative impact on earnings

over a defined period, caused by interest rate changes across all maturities and currencies.

In addition, it evaluates the interest rate risk of the investment securities portfolio by measuring the change in Net Present Value (NPV) resulting from a one basis point change in interest rates. Throughout the year, the Bank maintained its market risk indicators within both regulatory limits and its defined risk appetite.

Market Risk	31.12.2024	Compliance with regulatory limits	Compliance with internal limits
Net Open Foreign Exchange Position / Regulatory Capital	0.7%	✓	✓
Interest Rate Risk Exposure in the Banking Book / Regulatory Capital	8.54%*	✓	✓

*\*Considering the certification of retained earnings for 2024, this ratio decreases to 7.9%.*

### **Operational Risk**

Operational risk has received particular attention through the review of the Bank's processes, aimed at identifying potential improvements to reduce operational losses and negative impacts—whether reputational, regulatory, or otherwise. Careful monitoring of operational losses, key risk indicators, the risk control self-assessment process, and the evaluation of extreme scenarios remain the primary components of the Bank's internal operational risk management framework.

### **Information Security Risk**

The risk from cyberattacks threats faced by the banking system has changed significantly in recent years, with several attacks recorded against critical infrastructure

actors. As a result of the increased volume of attacks, Tirana Bank has undertaken continuous reviews of its security measures to ensure protection against sophisticated threats. The Bank did not record any information security incidents with reputational and/or operational impact during 2024, and its security performance remained at the highest levels.

Tirana Bank has developed and documented an internal risk management framework designed to address cyber and information technology risks. Ongoing awareness for both staff and clients has been considered a priority in strengthening protection. The Bank has continually invested in enhancing its capacity to respond to the growing scale of cyberattacks, further modernizing its infrastructure and implementing the latest technologies.

# TIRANA BANK'S DIGITAL JOURNEY

During 2024, Tirana Bank took significant steps towards building a more innovative, personalized, and efficient financial ecosystem. Digital transformation has become a core pillar of our sustainable and competitive growth.

Digitalization has been the key enabler in:

- Enhancing the customer experience by offering high-quality, personalized, and intuitive financial solutions.
- Achieving operational excellence through automation that reduces costs and accelerates services.
- Driving innovation and sustainable growth by leading the market with innovative digital solutions.

In 2024, we made substantial progress in:

- Organic growth through digital innovation.
- Operational efficiency through automation and process improvement.
- Enhancing customer experience with more intuitive platforms, faster services, and more tailored products.

**In the area of Innovation and Sustainable Growth,** we developed and launched new digital platforms for online banking, providing faster and more secure access for our customers.

**TiStart – Digital Onboarding marked a milestone in positioning Tirana Bank** as a leader in digital banking and improving operational efficiency.

Digital Onboarding is an innovative channel that allows customers to open accounts entirely online, without the need to visit a physical branch. Through this streamlined process, customers can verify their identity, complete the required information, and finalize registration easily and conveniently—anytime, anywhere.

**Digital Onboarding** is faster and more secure thanks to advanced technology for identity verification and data protection. For Tirana Bank, this new platform improves operational efficiency and the overall customer experience, advancing the digital transformation of the banking sector. With this step, we aim to always be closer to our customers, offering a more personalized and innovative service.

**Some of the benefits of Digital Onboarding for Tirana Bank include:**

1. **Faster process:** Customer registration time reduced from 45 minutes in-branch to less than 10 minutes.
2. **Stronger market positioning:** Offering more competitive and advanced digital services.
3. **Enhanced customer experience:** A simplified process that provides a positive onboarding experience for new clients.

4. **Increased customer acquisition:** Ability to attract more customers, especially those preferring digital solutions.
5. **Reduced administrative workload:** Minimizes administrative tasks for bank staff, increasing productivity and allowing greater focus on other key activities that improve customer service.

#### **Benefits of Digital Onboarding for Customers:**

1. **Convenience:** Accessible from anywhere, at any time.
2. **Speed:** The entire process is completed in under 10 minutes.
3. **Ease of use:** A user-friendly and intuitive platform.
4. **Enhanced security:** Highly secure biometric verification.
5. **Immediate access:** Banking services are available immediately after registration.

We continued to simplify and improve our online services by enhancing the TiBank platform with new functionalities for our customers. The upgrade of TiBank towards a new platform enables the provision of a wider range of digital products and services.

**Local Tax Payments** - Providing a convenient solution for local tax payments, ensuring greater user convenience.

**Police Fine Payments** - Implementing an efficient system for the payment of police fines, streamlining the process for customers.

**Utility Bill Payments** - Improving the user experience in managing utility payments.

In 2024, we also integrated into our ATM and POS network the prestigious global card scheme Mastercard. This

partnership has allowed us to offer advanced and secure services to our customers, thereby increasing transaction volumes and strengthening our market position. Moreover, the introduction of the Mastercard World Elite credit card to the Albanian market positions Tirana Bank as the only bank in the region offering this prestigious financial product. This innovative card has been designed exclusively for our elite clients, providing them with a wide range of premium benefits.

#### **Digitalisation and Operational Excellence**

To build operational excellence, we focused on several strategic directions aimed at optimising resources, reducing costs, and enhancing the quality of customer service.

One of the most significant achievements in 2024 was the development of the Loan Origination System (LOS) platform, which automates and streamlines the lending process—from application to the automatic disbursement of funds. Through integration with multiple data sources and the use of decision-making algorithms to assess loan applications in real time, manual processes have been eliminated, and customer waiting times have been significantly reduced. The LOS platform now enables the approval of unsecured consumer loans within 20 minutes.

Impact of the LOS Platform:

- **Enhanced customer experience:** Shorter processing times and faster responses, improving the overall customer journey.
- **Lending process transformation:** The implementation of the LOS platform has fundamentally transformed the lending process at Tirana Bank, streamlining procedures and

enhancing the efficiency of the staff involved in loan origination.

- **Error reduction:** The elimination of manual document completion has minimised human errors, improving accuracy and reliability.
- **Innovation:** The adoption of modern technology has helped Tirana Bank remain competitive and deliver more innovative services.
- **Greater transparency:** The platform provides a clearer and more straightforward process to follow, ensuring transparency at every stage of the lending process.

In 2024, we introduced the first RPA (Robotic Process Automation) robot in the Bank, enabling the automation of insurance policy payment processing. Previously, these payments were handled manually for eight insurance companies, with approximately 600–700 policies per month. To date, the robot has successfully processed 95% of insurance policy payments each month, significantly reducing repetitive manual work in the relevant units.

Key benefits of RPA technology for the Bank:

- Automation of repetitive tasks
- Cost reduction
- Decrease in operational risk
- Standardisation and optimisation of processes

The expansion of our POS fleet with PAX terminals and the replacement of existing devices represents a strategic project that drives business growth, enhances

operational efficiency, and improves the overall customer experience. By investing in modern POS terminal technology, the bank's partner businesses

can thus maintain competitive advantages in the market.

The electronic signature, implemented in the bank for signing all internal documents, helped reduce paper usage, shorten the signing process time, increase productivity, and promote the digitalization of documents.

A strategic partnership between the Group's companies enabled Tirana Bank to launch a new debit card, created specifically for compensating State Police officers. This product aims to simplify the process of making additional payments directly into employees' accounts, enhance financial security, and offer extra benefits from exclusive loyalty programs for State Police employees.

The migration of the credit card personalization system made it possible for card personalization to be carried out faster and in a way more suited to the needs of the bank and its clients. This improved the user experience by reducing waiting time, helping the bank remain competitive in the market, attracting new customers, and retaining existing ones.

### **Organizational Transformation**

During 2024, the bank transitioned from a traditional organization to an agile one, focused on the rapid and sustainable creation of value for customers. Our goal remains to build a structure that adapts, responds, and continuously innovates, by increasing accountability, reducing time-to-market for new products, and improving cross-functional collaboration.

Our organizational transformation focused on the following dimensions:

**Creation of Four Cross-Disciplinary, Autonomous, and Sustainable Squads, which were established to continuously deliver** value within four of our most strategic pillars:

1. Lending Operating System (LOS)
2. Digital Banking
3. Cards
4. Efficiency

**Establishment of a New Way of Working Based on Agile Processes and Methodologies**

- Transition to quarterly planning cycles to ensure alignment between strategic objectives and team backlogs.
- Implementation of Agile methodologies and Agile governance in project management and value delivery.

**Fostering an Innovative Culture and Iterative Mindset**

- We have nurtured a culture that supports:
  - Incremental value delivery.
  - A customer-centric approach to solving real client problems.
  - High iteration frequency (planning, inspection, and adaptation).

SHIFT Initiative (Smart Habits and Ideas for Fostering Thoughtful Efficiency) Created to enhance efficiency in our internal processes by applying Design Thinking—a user-centered approach emphasizing empathy, creativity, and collaboration.

**Positioning Technology as a Driver of Innovation**

**Our focus has** been on modernizing technologies through:

- Agile engineering and architecture.
- An API-first approach for integrations.
- Adoption of cloud technologies to enhance infrastructure resilience.

# CORPORATE SOCIAL RESPONSIBILITY

At Tirana Bank, we believe our role in society goes beyond providing financial services. As part of the BALFIN Group and one of the leading banks in Albania, we are committed to creating long-term value not only for our clients and partners, but also for the communities in which we operate. For us, growth only has meaning when it is inclusive, responsible, and sustainable.

In 2024, our social responsibility efforts were focused on three main pillars: youth education and empowerment, environmental sustainability, and social inclusion. From supporting entrepreneurial education for high school students, to investing in green schools, and

providing financial solutions for vulnerable groups, our aim has been to create a positive impact where it is most needed.

Every initiative we support is driven by a shared goal: to contribute to a better future. Whether through partnerships with non-governmental organizations, collaborations with public institutions, or the voluntary engagement of our employees, we remain dedicated to being an agent of change in the Albanian society.

Below is a summary of the key CSR activities and projects Tirana Bank carried out in 2024, in line with our vision for a responsible bank.

# APRIL 2024

## Voluntary Blood Donation in Collaboration with the Albanian Red Cross

Tirana Bank continued its important tradition of voluntary blood donation this year, in cooperation with the Albanian Red Cross. The initiative aims to raise awareness about the vital need for blood donation and to set a positive example for society. With the active

participation of employees from the head offices and branches across the country, this activity reflects the spirit of solidarity and inclusiveness that characterizes our organizational culture.



# MAY 2024

## Building the Future of Youth Entrepreneurship

For the third consecutive year, Tirana Bank supported the National Festival of Entrepreneurship, organized by Junior Achievement of Albania, with the goal of empowering young people through the development of entrepreneurial and innovative skills. This year's edition, held on May 14–15 at the Pyramid of Tirana, gathered 95 students from 17 cities across the country, representing 19 companies they had created during the "Student Companies" module.



Tirana Bank also supported two regional fairs in Shkodra and Vlora, contributing to a months-long journey that involved over 2,000 students from 52 high schools across Albania. The main award for the best company of the year, "Eco Empathy," was presented by the Chief Executive Officer of Tirana Bank, Mr. Dritan Mustafa, highlighting the bank's commitment to supporting ideas with a positive impact on society and the environment.



# JUNE 2024

## For a Greener Economy: Green Business Competition 2024

For the third consecutive year, Tirana Bank partnered in the **Green**, Business Competition, organized by Partners Albania.

This collaboration represents our dedication to sustainable development by supporting innovative ideas that link environmental preservation with the economic empowerment of local communities.

Through this initiative, Tirana Bank aims to foster corporate philanthropy and promote business models that preserve traditions, improve livelihoods, and align with the principles of the green economy. From the many presentations this year, the jury selected six winners – three in the idea phase and three in the business development phase – who will continue to receive support through dedicated mentoring and monitoring from Partners Albania.



# JUNE 2024

## Support for the 15th International Conference of Information Commissioners (ICIC)

Tirana Bank was one of the main supporters of the 15th edition of the International Conference of Information Commissioners, held under the theme “Empowering Individuals through Access to Information, Transparency, and Inclusion in a Connected World.” By supporting this international platform, we reaffirmed

our belief in the essential role that transparency plays in building a more democratic and informed society. For Tirana Bank, endorsing initiatives that promote the right to information is an integral part of our commitment to social responsibility and civic engagement.



# OCTOBER 2024

## **Tirana Bank Educates for a Greener Future**

In collaboration with the Mane Foundation and the international organization Save the Children Albania, Tirana Bank launched the “Eco-Schools” project, a 12-month initiative aimed at educating and raising awareness among the younger generation on environmental issues. The project began at “Rilindja” School in the city of Vlora and seeks to create sustainable models for engaging young people in the active protection of nature.

During the project’s launch event, members of the Eco Club, teachers, and institutional representatives were introduced to the objectives and specific activities of this initiative, including the practical use of air quality measurement devices. These measurements helped children better understand the impact of pollution on daily life and the importance of preventive actions.

The Branch Manager of Tirana Bank in Vlora, Ms. Klodjana Aliraj, emphasized the importance of environmental education in empowering communities, while the representative of Save the Children, Ms. Anila Meço, praised the project as a way to engage children and citizens in concrete actions for a cleaner and safer environment.

This initiative is a testament to Tirana Bank’s commitment to promoting sustainable development and fostering a new culture of environmental awareness in schools, families, and the community.

# DECEMBER 2024

## **“Gift of Love” for Children in Need**

In the spirit of the year-end holidays, Tirana Bank, in collaboration with the Albanian Red Cross, organized the “Gift of Love” event—a special day of entertainment for 40 children from the Orphans’ Association. The activity took place at the QTU shopping center, where the children enjoyed a screening of the film “Moana” at Cineplexx, participated in games and activities with entertainers, and, at the end of the day, each received a symbolic gift from Jumbo.

This initiative was carried out as part of our commitment to bring joy and promote social inclusion for children in need, demonstrating that solidarity and love for others are values that Tirana Bank always holds close to heart. Thanks to the cooperation with our partners Cineplexx, Jumbo, and QTU, this warm and festive day became an unforgettable memory for the participating children.



# HUMAN RESOURCES

In 2024, Tirana Bank implemented a comprehensive human resources management strategy, built on the principle that human capital is the foundation of the organization's long-term success. In line with market developments and the Bank's growing need for talent, innovation, and efficiency, the Human Resources Department focused its efforts on several key objectives.

Firstly, we intensified our efforts to attract and recruit the most qualified and high-performing professionals in the market to support sustainable business growth and strengthen organizational performance. This was achieved through an in-depth assessment of competencies, combined with the use of modern selection and promotion tools.

In parallel, concrete steps were taken to strengthen employee engagement and ensure talent retention within the Bank. New motivation mechanisms were developed, the employee benefits package was reviewed, and more favorable conditions for sustainable professional development were created—positioning the Bank as an attractive employer in the local market. To support the continuous improvement of benefits and incentive schemes, market benchmarking analyses were conducted, and tailored instruments were developed to better address the needs of different employee profiles. These efforts have helped increase engagement and maintain high levels of job satisfaction.

# DEMOGRAPHIC DATA



## HUMAN CAPITAL



**564** EMPLOYEES



**161** MANAGERS

**403** NON-MANAGERS

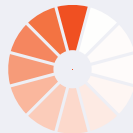


**76% FEMALES**

**24% MALES**

AVERAGE AGE **37 YEARS**

AVERAGE TENURE:  
**7 YEARS**



## Benefits and Rewards

The Remuneration Policy at Tirana Bank is aligned with international standards and the regulations of the Bank of Albania, ensuring an objective, transparent, and fair compensation structure in accordance with current regulatory requirements. The remuneration system complies with applicable regulatory requirements, promotes sound and effective risk management, and does not encourage the assumption of risks beyond the Bank's risk tolerance level. The Remuneration Policy at Tirana Bank is consistent with the business strategy, objectives, values, and long-term interests of both the BALFIN Group and Tirana Bank, and includes measures to prevent conflicts of interest.

The objective of Tirana Bank's remuneration system is to attract and retain a motivated and qualified workforce and to reward employees for managing future challenges in line with sound and effective risk management principles.

Fair and equal treatment is a core principle of the rewards system.

The reward package promotes and recognises sustainable performance and contributions, based on achieved results, behaviour, and conduct across all levels of the organization.

Total remuneration includes all forms of fixed and variable compensation and comprises payments and benefits, monetary or non-monetary, granted directly to personnel by or on behalf of Tirana Bank in exchange for the professional services provided by the staff.

Fixed remuneration should primarily reflect the employee's relevant professional experience and organizational responsibility, as well as provide a stable source of income.

At Tirana Bank, remuneration is considered fixed when the conditions for granting it and its amount:

- Are predetermined;
- Are non-discretionary;
- Are transparent to staff and established in a predefined and objective manner;
- Are permanent;
- Do not provide incentives for risk-taking;
- Are irrevocable;
- Cannot be reduced, suspended, or cancelled by Tirana Bank;
- Are not linked to performance.

**Base salary** is a fixed form of remuneration that does not vary according to company performance and should primarily reflect relevant professional experience and organizational responsibility, as defined in the employee's job description as part of the employment terms.

There may be other/additional elements of remuneration (e.g., overtime compensation, other specific allowances or additional payments, payments that are part of routine employment packages, or expatriate allowances) in accordance with local guidelines/regulations. Such compensation elements may only be granted if all fixed remuneration requirements are met.

**Variable payments** during the financial year may be included in and deducted from the amount of the performance bonus approved for employees entitled

to such payment. At the conclusion of the annual performance appraisal process, employees entitled to a performance bonus receive the remaining amount due.

Classification of Variable Payments Received During the Year and Their Deductibility:

1. Annual incentive schemes for business lines awarded during the year are deductible from the total annual bonus amount.
2. Other bonuses awarded during the year, ad-hoc incentive schemes/projects, are not part of the deductible amount of the Annual Bonus.
3. Bonuses awarded for major bank-wide projects are not part of the deductible amount of the Annual Bonus.

### **Annual Performance Bonus:**

Prerequisites for bonus payment include the Bank's overall profitability (profit before tax) and the positioning of capital and liquidity indicators. As a general rule, no annual bonus is paid if the Bank is not profitable or in the case of extraordinary business/market conditions.

- If the Bank is profitable but has not achieved the budgeted figure, the total amount available for bonuses must be reduced by 10%.

- If the Bank achieves its budgeted profit but the Capital and/or Liquidity indicators do not meet the set risk appetite threshold, the Board of Directors has the authority to decide the total bonus pool to be distributed.

For each job position, within its scope, a bonus value is determined from net profits, expressed as a percentage of the employee's gross annual salary. In

any case, the individual bonus amount cannot exceed 20% of the annual salary for most job positions.

The fixed and variable components of total remuneration must be well balanced and aligned with the directives of the BALFIN Group and the applicable regulatory framework. The target amount of variable compensation should represent a significant portion of total remuneration, without causing unreasonable fluctuations in employee compensation or encouraging excessive risk-taking.

Human Resources determines the structure of mixed remuneration (variable pay as a percentage of base salary) in line with Group directives and regulations, which are subsequently approved by the Board of Directors of Tirana Bank.

In all cases, the target variable compensation must not exceed any mandatory legal or regulatory threshold (i.e., it must fully comply with any provision regarding the maximum allowable amount of the total variable remuneration component), and the allocation and payment of variable compensation for Identified Staff must be carried out in accordance with bonus cap rules.

#### Format dhe elementët e shpërblimit për Këshillin Drejtues (çdo fund viti)

Vlera totale e agreguar e pagesave dhe shpërblimeve për vitin aktual fiskal	E menjëhershme/për periudhën aktuale 2024	Për periudha të kaluara 2023
Elementë të pandryshueshëm të shpërblimit	12,705,247	11,120,922
Cash/bonus	1,858,046	3,425,157
Aksione		
Të tjera		

#### Format dhe elementët e shpërblimit për Drejtuesit Ekzekutivë (çdo fund viti)

Vlera totale e agreguar e pagesave dhe shpërblimeve për vitin aktual fiskal	E menjëhershme/për periudhën aktuale 2024	Për periudha të kaluara 2023
Elementë të pandryshueshëm të shpërblimit	86,991,357	68,399,877
Cash/bonus	31,281,724	21,037,579
Aksione		
Të tjera		

During 2024, incentive schemes for business lines were reviewed and enhanced, boosting cross-sales/referrals between business lines and encouraging central office employees to refer clients to branches.

Tirana Bank employees enjoy access to banking products with preferential rates and conditions, as well as preferentially priced products and services offered by companies within the BALFIN Group.

Benefits Enhanced in 2024 for Tirana Bank Employees:

- Additional leave days for certain categories (seniority, medical check-up, new mothers, birthdays, new fathers).
- Revised interest rates for employees' mortgage loans.

## **Employee Development**

One of the Bank's most strategic priorities this year was the development of digital competencies, in line with the objectives of the Bank's digital transformation. Special programs were organized for leadership development, enabling managers to play a key role in effectively managing change and helping teams adapt to new business dynamics. This investment fostered a culture of innovation and readiness to embrace change.

A key pillar of internal development has been investment in training and learning. In 2024, a total of 3,896 training allocations were completed, amounting to over 92,000 training hours. The training budget increased by 67% compared to the previous year, positioning the Bank in line with international best practices for employee professional development.

The talent identification program, followed by participation in development initiatives such as the Tirana Bank Talent Pool, included 15 employees with the highest potential for professional growth. These participants undertook modules focused on self-leadership and performance in challenging markets.

In parallel, individual development plans were created for executive managers, with an 85% completion rate. These professional development plans included specialized training in strategic management, auditing, digital transformation, and financial risk management, delivered through partnerships with prestigious domestic and international institutions.

To enhance branch involvement and strengthen leadership roles, the Branch Academy provided over 5,000 training hours for 72 participants, covering topics ranging from emotional intelligence to change management.

Additionally, through the Balfin Academy, 94 employees were trained across 24 modules focused on critical skills such as leadership through coaching, decision-making, and stakeholder relationship management.

Furthermore, the Startech program—a new initiative aimed at engaging students with potential in IT and analytics—resulted in the participation of more than 20 young individuals, three of whom were hired into key departments. This program has effectively bridged the gap between theoretical education and the real needs of the labor market.

## **Selection and Recruitment of New Employees**

In 2024, Tirana Bank prioritized attracting talent in

the labor market to support one of the strategic pillars linked to the Bank's growth and expansion. Our recruitment efforts focused on identifying and hiring top-tier talent, resulting in the successful integration of 134 skilled professionals who share our vision for innovation. To support this expansion period, we significantly enhanced our recruitment processes by implementing advanced automation tools, assessment methodologies, and improvements that streamlined the initial stages of candidate selection, screening, and hiring. By fostering a dynamic and inclusive approach, we have positioned Tirana Bank as an employer of choice for individuals seeking to join a bank that focuses on employee development and is oriented towards digitalization and innovation.

### **Internship Program**

Our strategy for talent development from the earliest stages of a professional career is a cornerstone of our success. With a proactive approach to preparing the next generation of leaders, we strengthened our internship program, welcoming around 100 talented students from leading universities into our teams. Through participation in the Tirana Bank Students Hub program, we provide practical experience and mentoring under the "Learn by Doing" philosophy. The structured internship program offers customized training, continuous feedback, and opportunities to build professional relationships, resulting in 7% of interns transitioning into full-time roles.

During the year, we also organized open sessions, seminars, and industry panels to share insights on emerging trends and career paths. These initiatives reinforce our commitment to investing in a dynamic and innovative workforce for the future.

### **Employee Engagement Activities**

Tirana Bank places particular emphasis on fostering internal communities through a rich calendar of over 20 engagement activities during the year, designed to promote collaboration, strengthen employee connections, and enhance well-being. From team-building events to awareness seminars, these initiatives create an inclusive environment and support our workplace culture. In addition, our team remains committed to Corporate Social Responsibility (CSR), actively contributing to CSR-dedicated activities. These initiatives not only align with our values but also strengthen employee engagement in making a meaningful contribution to the communities we serve.

The year 2024 was marked by a strong focus on employee development and growth, as well as improvements in compensation and benefits packages, positioning Tirana Bank as a sought-after and highly competitive employer in the labor market.



**1.4%**

**BABY BOOMERS**  
(born before 1964)



**22.5%**

**GENERATION X**  
(born 1965 – 1979)



**47.2%**

**GENERATION Y**  
(born 1980 – 1994)



**26%**

**GENERATION Z**  
(born 1995 – )

# TRAINING:

Total investment in training:

**80%** Completion rate  
(based on training needs identified in the 2023 PEF assessment)

	Staff	Manager	Total
STAFF PARTICIPANTS	2490	1406	3896
TRAINING HOURS PER EMPLOYEE	8235	3962	12197
TOTAL TRAINING HOURS	29776.65833	62625	92401.65833
TRAINING COST PER EMPLOYEE	ALL 13,904.01		
TRAINING COST FOR MANAGERS	ALL 54,168,605.87		

**2024:**

**Internal / In-bank training:**

- 29 training sessions delivered
- 784 staff members trained in 2024 (topics included LOS, Cash Management, Credit Risk, VISA, SAP, promotions, and onboarding for new hires).

The training budget increased by 67% compared to 2023. Although there is no local benchmark for L&D budgets, global market recommendations suggest allocating 3–5% of annual payroll costs to strengthen staff retention, productivity, and engagement.

**Tirana Bank Talent Pool**

**Participants:**

15 Selected individuals identified through the Talent Identification Process

**Modules:**

Module 1: Leading in a Challenging Environment

Module 2: Achieving Excellence in Demanding Markets

**Executive Leadership Development**

- Customized development plans for each executive.
- 85% fulfilment of 2023 training needs.
  - Strategic Management in Banking
  - Project Management Audit
  - BALFIN Digital Transformation Program
  - Leading Organizations in Times of Turbulence

- University of Oxford Programme: Leadership in Times of Uncertainty and Turbulence
- Financial Risk Manager (FRM®) Certification
- All Web Summit
- Web Summit Lisbon
- Deutsche Bank International Payments and Trade Forum
- Pronovea Banking Summit – Credit Risk Management
- Global Banking Live Summit
- 47th BACEE Conference
- VISA Conference
- Backbase Conference
- Creatio Conference
- Artificial Intelligence and Technology Summit

**BRANCH ACADEMY**

5,184

Hours Training

72

Participants

67

Managers

5

Non Managerial

**Developed Modules:**

- Emotional Intelligence
- Priority Management
- Giving Feedback with NLP
- Change Management
- 360° Competency Workshop
- Team Building

## BTA

94

Participants

24

Modules

### Modules Developed:

- Leadership through Coaching
- Decision-Making
- Relationship Building
- Stakeholder Management
- Critical Thinking
- Problem-Solving

## STARTECH PROGRAM

35

Hours  
Training

7

Modules

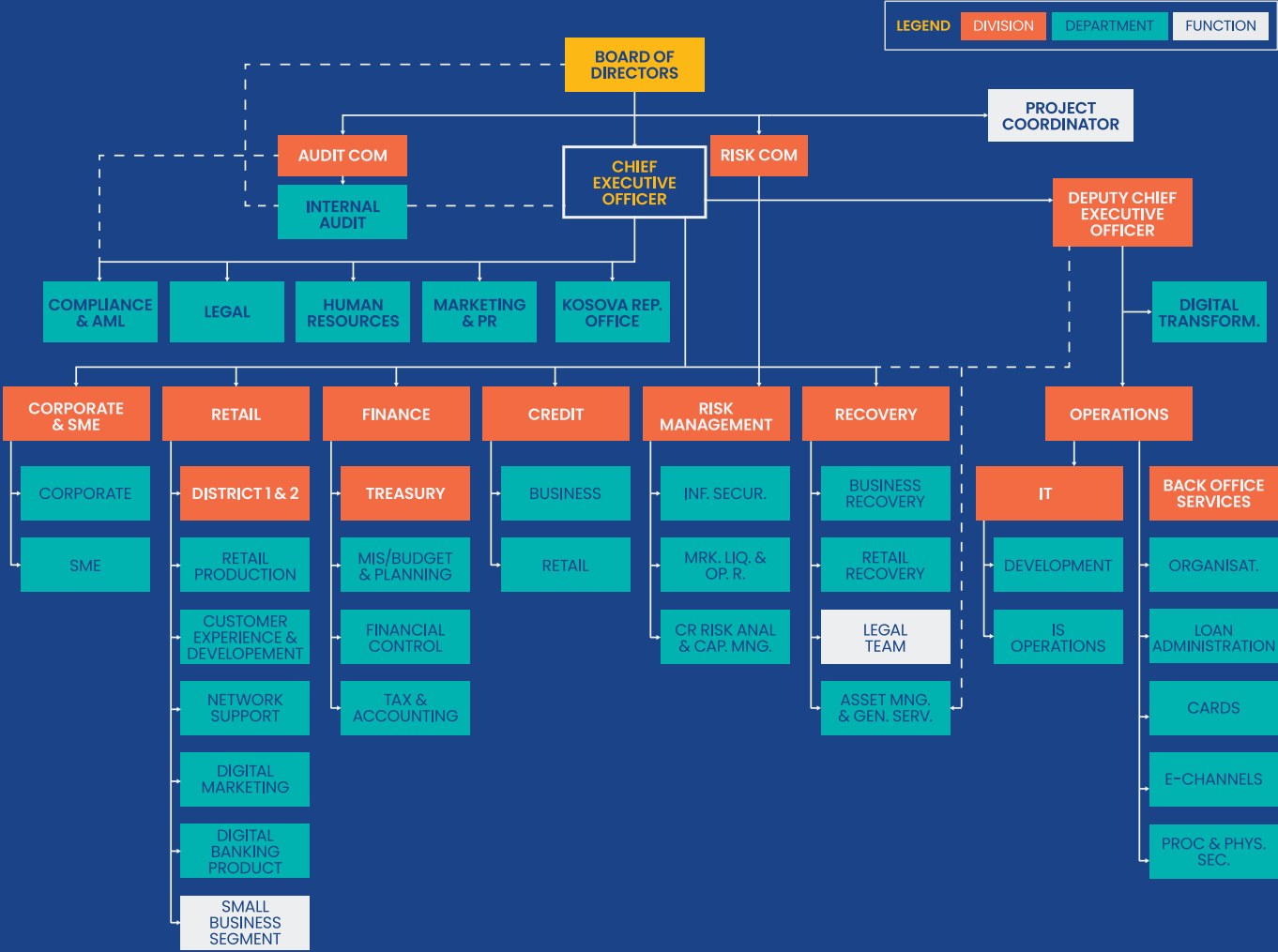
15

Trainers from  
the Bank

### Results:

- 3 interns hired for MIS, Development & IT
- Paid internships
- Flexible working hours
- Clear KPIs set by the department head

# ORGANIZATIONAL STRUCTURE



# **TIRANA BANK SHA**

## INDEPENDENT AUDITOR'S REPORT AND THE FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2024**

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# INDEPENDENT AUDITOR'S REPORT

PËR AKSIONARËT DHE BORDIN DREJTUES  
TË "TIRANA BANK SH.A."

## OPINIONI

Ne kemi audituar pasqyrat financiare të "Tirana Bank sh.a" (këtu e më poshtë referuar "Banka"), të cilat përfshijnë pasqyrën e pozicionit financiar më 31 Dhjetor 2024, pasqyrën e fitimit ose humbjes dhe të ardhurave të tjera gjithëpërfshirëse, pasqyrën e ndryshimeve në kapital dhe pasqyrën e flukseve të parasë për vitin që mbyllet më këtë datë, si edhe shënimet për pasqyrat financiare, përfshirë një përmbledhje të politikave kontabël më të rëndësishme.

Sipas opinionit tonë, pasqyrat financiare bashkëlidhur paraqesin drejt, në të gjitha aspektet materiale, pozicionin financiar të Bankës më 31 Dhjetor 2024, dhe performancën financiare dhe flukset e parasë për vitin që mbyllet në këtë datë, në përputhje me Standardet Ndërkombëtare të Raportimit Financiar (SNRF).

## BAZA PËR OPINIONIN

Ne e kryem auditimin tonë në përputhje me Standardet Ndërkombëtare të Auditimit (SNA-të). Përgjegjësitë tona sipas këtyre standardeve janë përshkruar në mënyrë më të detajuar në seksionin e raportit ku jepen Përgjegjësitë e Audituesit për Auditimin e Pasqyrave Financiare. Ne jemi të pavarur nga Banka në përputhje me Kodin e Etikës të Kontabilistëve Profesionistë të njohur nga Bordi Ndërkombëtar i Standardeve të Etikës për Kontabilistët (IESBA), kërkesat etike që janë të zbatueshme për auditimin e pasqyrave financiare në Shqipëri, si dhe kemi përmbushur përgjegjësitë e tjera etike në përputhje me kodin IESBA. Ne besojmë se evidenca e auditimit që kemi siguruar është e mjaftueshme dhe e përshtatshme për të dhënë një bazë për opinionin tonë.

## INFORMACIONE TË TJERA TË PËRFSHIRA NË RAPORTIN VJETOR TË TIRANA BANK SH.A

Informacionet e tjera përbëhen nga informacioni i përfshirë në Raportin Vjetor të Bankës, të përgatitur në përputhje me nenet 17 dhe 19 të Ligjit nr. 25/2018 “Për Kontabilitetin dhe Pasqyrat Financiare”, përveç pasqyrave financiare dhe raportit tonë të auditimit për to. Përgjegjësia për informacionin tjetër i takon Menaxhimit. Raporti Vjetor i Bankës për vitin 2024 pritet të na vihet në dispozicion pas datës së këtij raporti të auditimit.

Opinionin ynë mbi pasqyrat financiare nuk mbulon informacionin tjetër dhe ne nuk do të shprehim asnjë formë opinionin për të.

Në lidhje me auditimin tonë të pasqyrave financiare, përgjegjësia jonë është të lexojmë informacionin tjetër të identifikuar më sipër kur ai të bëhet i disponueshëm dhe, gjatë kësaj, të shqyrtojmë nëse ai është në kundërshtim material me pasqyrat financiare, ose me njohuritë që kemi marrë gjatë auditimit.

## PËRGJEGJËSITË E DREJTIMIT DHE TË PERSONAVE TË NGARKUAR ME QEVERISJEN NË LIDHJE ME PASQYRAT FINANCIARE

Drejtimi është përgjegjës për përgatitjen dhe paraqitjen e drejtë të pasqyrave financiare në përputhje me SNRF-të, dhe për ato kontrole të brendshme që drejtimi i gjykon të nevojshme për të bërë të mundur përgatitjen e pasqyrave financiare që nuk përmbajnë anomali materiale, qoftë për shkak të mashtrimit apo gabimit.

Në përgatitjen e pasqyrave financiare, drejtimi është përgjegjës për të vlerësuar aftësinë e Bankës për të vazhduar në vijimësi, duke dhënë informacion, nëse është e zbatueshme, për çështjet që kanë të bëjnë me vijimësinë dhe duke përdorur parimin kontabël të vijimësisë përveç se në rastin kur drejtimi synon ta likuidojë Bankën ose të ndërpresë aktivitetet, ose nëse nuk ka alternativë tjetër reale përveç sa më sipër.

Ata që janë të ngarkuar me qeverisjen janë përgjegjës për mbikëqyrjen e procesit të raportimit financiar të Bankës.

## PËRGJEGJËSITË E AUDITUESIT PËR AUDITIMIN E PASQYRAVE FINANCIARE

Objektivat tona janë që të arrijmë një siguri të arsyeshme lidhur me faktin nëse pasqyrat financiare në tërësi nuk kanë anomali materiale, për shkak të mashtrimit apo gabimit, dhe të lëshojmë një raport auditimi që përfshin opinionin tonë. Siguria e arsyeshme është një siguri e nivelit të lartë, por nuk është një garanci që një auditim i kryer sipas SNA-ve do të identifikojë gjithmonë një anomali materiale kur ajo ekziston.

Anomalitë mund të vijnë si rezultat i gabimit ose i mashtrimit dhe konsiderohen materiale nëse, individualisht ose të marra së bashku, pritet që në mënyrë të arsyeshme të influencojnë vendimet ekonomike të përdoruesve, të marra bazuar në këto pasqyra financiare.

Si pjesë e një auditimi në përputhje me SNA-të, ne ushtrojmë gjykim dhe skepticizëm profesional gjatë procesit të auditimit.

Ne gjithashtu:

- Identifikojmë dhe vlerësojmë rreziqet e anomalive materiale në pasqyrat financiare, për shkak të gabimeve ose mashtrimeve, projekteve dhe zbatimeve procedura auditimi të cilat u përgjigjen këtyre rreziqeve, si edhe marrim evidencë auditimi të plota dhe të mjaftueshme për të krijuar bazat e opinionit tonë. Rreziku i moszbulimit të një gabimi material që vjen si rezultat i një mashtrimi, është më i lartë se ai që vjen nga një gabim, pasi mashtrimi mund të përfshijë marrëveshje të fshehta, falsifikime, mosveprime të qëllimshme, keqinterpretime, ose shkelje të kontrolleve të brendshme.
- Marrim një kuptueshmëri të kontrollit të brendshëm në lidhje me auditimin, për të planifikuar procedurën të përshtatshme në varësi të rrethanave, dhe jo për të shprehur një opinionin mbi efektshmërinë e kontrolleve të brendshme të entitetit.
- Vlerësojmë konformitetin e politikave kontabël të përdorura dhe arsyeshmërinë e vlerësimeve kontabël dhe informacioneve shpjeguese të bëra nga drejtimi.
- Konkludojmë mbi përdorimin e duhur të parimit kontabël të vijimësisë nga drejtimi si dhe, bazuar në evidencat e marra gjatë auditimit, konkludojmë nëse ekziston një pasiguri materiale e lidhur me ngjarje ose kushte të cilat mund të sjellin dyshime në aftësinë e entitetit për të vazhduar në vijimësi. Nëse konkludojmë që ekziston një pasiguri materiale, ne duhet të tërheqim vëmendjen në raportin tonë të auditimit për informacionet shpjeguese përkatëse në pasqyrat financiare

ose, nëse këto informacione shpjeguese janë të pamjaftueshme, të modifikojmë opinionin tonë. Përfundimet tona janë të bazuara në evidencat e auditimit të marra deri në ditën e raportit tonë të audituesit. Megjithatë, ngjarjet ose kushtet e ardhshme mund të jenë shkak që entiteti të ndalojë së vazhduari në vijimësi.

- Vlerësojmë paraqitjen e përgjithshme, strukturën dhe përmbajtjen e pasqyrave financiare, përfshirë dhënien e informacioneve shpjeguese, dhe nëse pasqyrat financiare përfaqësojnë transaksionet dhe ngjarjet në atë mënyrë që arrijnë paraqitje të drejtë.

Ne komunikojmë me ata të cilët janë të ngarkuar me qeverisjen, midis çështjesh të tjera, për qëllimin dhe kohën e planifikuar të auditimit, gjetjet e rëndësishme gjatë auditimit, përfshirë çdo mangësi të theksuar në kontrollin e brendshëm të cilat ne identifikojmë gjatë procesit të auditimit.

**Grant Thornton sh.p.k.**

Tiranë, Shqipëri

19 Maj 2025



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ending on 31 December 2024

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Interest and similar income	10	7,596,127	6,128,816
Interest and similar expense	11	(1,679,641)	(1,063,078)
<b>Net interest income</b>		<b>5,916,486</b>	<b>5,065,738</b>
Fee and commission income	12	833,803	680,337
Fee and commission expense	12	(178,134)	(45,118)
<b>Net fee and commission income</b>		<b>655,669</b>	<b>635,219</b>
Expected credit losses from loans and advances to customers	20	(435,030)	(436,040)
Expected credit losses from advances to Banks, Securities and Off-balance sheet items	13	159,206	(3,917)
<b>Total expected credit losses</b>		<b>(275,824)</b>	<b>(439,957)</b>
Other income, net	17	150,578	30,283
Foreign exchange (losses)/gains		228,724	(103,268)
Personnel expenses	14	(1,369,179)	(1,068,275)
Impairment of repossessed assets	23	(95,991)	(138,764)
Other Provisions		(50,000)	(20,500)
Amortization of intangible assets	24	(88,781)	(89,402)
Depreciation of property, equipment and right-of-use assets	25	(344,639)	(321,261)
Other operating expenses	15	(1,307,237)	(1,204,832)
		<b>(2,876,525)</b>	<b>(2,916,019)</b>
<b>Profit before income tax</b>		<b>3,419,806</b>	<b>2,344,981</b>
Income tax expense	16	(551,270)	(403,638)
<b>Profit for the year</b>		<b>2,868,536</b>	<b>1,941,343</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit/loss:</b>			
Net fair value loss on FVOCI financial assets	21	669,205	1,365,364
Deferred tax related to fair value gain recorded directly in other comprehensive income	16	(100,381)	(204,805)
<b>Other comprehensive expense for the year</b>		<b>568,824</b>	<b>1,160,559</b>
<b>Total comprehensive income for the year</b>		<b>3,437,360</b>	<b>3,101,902</b>

The financial statements were approved by the Bank's Management on March 18, 2025 and signed on its behalf by:

\_\_\_\_\_  
Dritan Mustafa  
Chief Executive Officer

\_\_\_\_\_  
Elvira Kapoli  
Chief Financial Officer

The accompanying notes on pages 70 to 176 form an integral part of these financial statements.

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### STATEMENT OF FINANCIAL POSITION

For the year ending on 31 December 2024

	Notes	December 31, 2024	December 31, 2023
<b>ASSETS</b>			
Cash and balances with the Central Bank	18	14,266,671	11,366,257
Due from banks	19	7,087,704	8,167,673
Loans and advances to customers,	20	75,565,904	56,368,260
Financial assets at fair value through other comprehensive income	21	27,737,012	29,752,158
Financial assets at amortized cost	22	31,815,372	21,661,396
Repossessed assets	23	707,300	917,575
Other assets	26	1,024,116	813,178
Intangible assets	24	446,456	342,235
Property, equipment and right-of-use assets	25	1,006,442	862,215
Deferred tax assets	16	82,358	186,193
<b>TOTAL ASSETS</b>		<b>159,739,335</b>	<b>130,437,140</b>
<b>LIABILITIES</b>			
Due to banks	27	15,737,734	6,949,364
Due to customers	28	123,380,294	107,079,094
Subordinated Debt	29	1,418,277	1,501,077
Other liabilities	30	2,587,960	1,724,225
Provisions	31	299,230	304,901
<b>TOTAL LIABILITIES</b>		<b>143,423,495</b>	<b>117,558,661</b>
<b>Equity</b>			
Paid-in capital	32	5,917,986	5,917,986
Share premium	32	1,735,603	1,735,603
Reserves	32	1,586,695	920,803
Retained earnings		7,075,556	4,304,087
<b>TOTAL EQUITY</b>		<b>16,315,840</b>	<b>12,878,479</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>159,739,335</b>	<b>130,437,140</b>

The financial statements were approved by the Bank's Management on March 18, 2025 and signed on its behalf by:

\_\_\_\_\_  
Dritan Mustafa  
Chief Executive Officer

\_\_\_\_\_  
Elvira Kapoli  
Chief Financial Officer

The accompanying notes on pages 70 to 176 form an integral part of these financial statements.

(All amounts are in thousands Albanian Lek unless otherwise stated)

## STATEMENT OF CHANGES IN EQUITY

For the year ending on 31 December 2024

	Paid-in capital	Share premium	Legal and other reserves	Fair value reserve	Retained Earnings	Total Equity
<b>As at January 1, 2023</b>	<b>5,917,986</b>	<b>1,735,603</b>	<b>1,469,956</b>	<b>(1,762,274)</b>	<b>2,415,309</b>	<b>9,776,580</b>
<b>Transaction with owners recorded directly in equity</b>						
Appropriation of retained profit to legal reserves	-	-	52,562	-	(52,562)	-
	<b>5,917,986</b>	<b>1,735,603</b>	<b>1,522,518</b>	<b>(1,762,274)</b>	<b>2,362,747</b>	<b>9,776,580</b>
<b>Comprehensive income for the year</b>						
Profit of the year	-	-	-	-	1,941,340	<b>1,941,340</b>
Net change in Reserves for Financial Assets at FVOCI	-	-	-	1,160,559	-	<b>1,160,559</b>
<b>Total comprehensive income for the year</b>				<b>1,160,559</b>	<b>1,941,340</b>	<b>3,101,899</b>
<b>As at December 31, 2023</b>	<b>5,917,986</b>	<b>1,735,603</b>	<b>1,522,518</b>	<b>(601,715)</b>	<b>4,304,087</b>	<b>12,878,479</b>
<b>Transaction with owners recorded directly in equity</b>						
Appropriation of retained profit to legal reserves	-	-	97,067	-	(97,067)	-
	<b>5,917,986</b>	<b>1,735,603</b>	<b>1,619,585</b>	<b>(601,715)</b>	<b>4,207,020</b>	<b>12,878,479</b>
<b>Comprehensive income for the year</b>						
Profit of the year	-	-	-	-	2,868,536	<b>2,868,536</b>
Net change in Reserves for Financial Assets at FVOCI	-	-	-	568,825	-	<b>568,825</b>
<b>Total comprehensive income for the year</b>				<b>568,825</b>	<b>2,868,536</b>	<b>3,437,361</b>
<b>As at December 31, 2024</b>	<b>5,917,986</b>	<b>1,735,603</b>	<b>1,619,585</b>	<b>(32,889)</b>	<b>7,075,556</b>	<b>16,315,840</b>

The financial statements were approved by the Bank's Management on March 18, 2025 and signed on its behalf by:

\_\_\_\_\_  
Dritan Mustafa  
Chief Executive Officer

\_\_\_\_\_  
Elvira Kapoli  
Chief Financial Officer

The accompanying notes on pages 70 to 176 form an integral part of these financial statements.

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***STATEMENT OF CASH FLOWS**

For the year ending on 31 December 2024

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
<b>OPERATING ACTIVITIES:</b>			
Profit before tax		3,419,806	2,344,981
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation expense	24,25	433,420	410,663
Impairment of repossessed properties	23	31,739	53,141
Charge for loan loss provisions	20	435,030	436,040
Charge of provisions for Banks, Securities, Off- balance sheet and other		(109,206)	24,417
Interest Income	10	(7,596,127)	(6,128,816)
Interest expenses	11	1,679,641	1,063,078
<b>Changes in operating assets and liabilities</b>			
Compulsory reserve		(428,262)	(679,737)
Loans and advances banks		(2,242)	1,911
Loans and advances to customers		(19,632,675)	(4,031,272)
Other assets		(210,927)	(63,037)
Repossessed assets		178,536	186,031
Due to banks		8,798,343	3,020,360
Due to customers		16,247,584	9,127,166
Other liabilities		645,205	175,390
Interest received		7,635,635	5,615,242
Interest paid		(1,636,287)	(766,283)
Income tax paid		(651,270)	(403,638)
<b>Net cash from operating activities</b>		<b>9,337,943</b>	<b>10,385,637</b>
<b>INVESTING ACTIVITIES:</b>			
Purchase of investment securities		(55,795,236)	(67,549,360)
Proceeds from maturity/sale of securities		48,317,995	57,440,664
Proceeds from sale of PPE and Intangible assets		105,337	435
Purchases of intangible assets		(236,107)	(78,943)
Purchases of property and equipment		(551,110)	(428,155)
<b>Net cash used in investing activities</b>		<b>(8,159,121)</b>	<b>(10,615,361)</b>
<b>FINANCING ACTIVITIES:</b>			
Issuance of subordinated debt	33	-	-
Repayment of principal portion of lease liabilities	25	212,860	160,531
<b>Net cash for financing activities</b>		<b>212,860</b>	<b>160,531</b>
<b>Net decrease in cash and cash equivalents</b>		<b>1,391,686</b>	<b>(69,191)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>10,734,389</b>	<b>10,803,580</b>
<b>Cash and cash equivalents, end of year</b>	33	<b>12,126,075</b>	<b>10,734,389</b>

The financial statements were approved by the Bank's Management on March 18, 2025 and signed on its behalf by:

\_\_\_\_\_  
Dritan Mustafa  
Chief Executive Officer

\_\_\_\_\_  
Elvira Kapoli  
Chief Financial Officer

The accompanying notes on pages 70 to 176 form an integral part of these financial statements.

## I. CORPORATE INFORMATION

Tirana Bank SHA (the “Bank”) was founded in 1996 to operate as a bank in all fields of commercial and retail banking activity in Albania. According to article 4 of its Statute, the scope of work of the Bank is to execute, on its behalf or on behalf of third parties, any and every operation acknowledged or delegated by law to banks. Principal activity of the Bank consists in banking and financial activities under a full operating banking licence issued by the Bank of Albania.

Licence was given in accordance with Law No. 8365, “On Banks in the Republic of Albania”, dated 2 July 1998, which was subsequently replaced by Law No. 9662 dated 18 December 2006 “On Banks in the Republic of Albania”, as amended. The Bank is also subject to Law No. 9901 dated 14 April 2008, “On entrepreneurs and commercial companies”, as amended, as well as other relevant laws.

As at December 31, 2024 and 2023 Tirana Bank SHA ownership structure is presented below:

Shareholder	Shares	In %
Balfin sh.p.k	501,975	100%
<b>Total</b>	<b>501,975</b>	<b>100%</b>

As at December 31, 2024 the Bank has 33 branches (2023: 32) within the Republic of Albania and has no overseas operations.

The Bank’s registered address is Ibrahim Rugova Street, P.O. Box 2400/1, Tirana, Albania. At December 31, 2024 the Bank had 564 employees (as at December 31, 2023: 508 employees).

As at December 31, 2024 and 2023 the Executive Committee is comprised as follows:

<b>Dritan Mustafa</b>	Chief Executive Director
<b>Oliver Baur</b>	Vice Chief Executive Director
<b>Elvira Kapoli</b>	Chief Financial Officer
<b>Brisilda Bala</b>	Chief Risk Officer
<b>Eralda Tafaj</b>	Chief Operation Officer
<b>Elona Gjipali</b>	Head of Recovery Division
<b>Manjola Capo</b>	Chief Credit Officer
<b>Lila Canaj</b>	Chief Retail Officer
<b>Glenda Kurti</b>	Head of Corporate Division

### *Principal activity*

The Bank’s principal business activity is commercial and retail banking operations within the Republic of Albania. The Bank has been operating under a full banking license issued by the Central Bank of the Republic of Albania (“Bank of Albania” or “BoA”) since 1996.

## 2. STATEMENT OF COMPLIANCE

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

## 2. STATEMENT OF COMPLIANCE (continued)

The accounting policies adopted are consistent with those of the previous financial year.

## 3. PRESENTATION OF FINANCIAL STATEMENTS

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

## 4. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for fair value through other comprehensive income ("FVOCI") financial investments that have been measured at fair value and repossessed collaterals which are measured at the lower of cost and net realizable value. The financial statements are presented in Albanian Lek and all values are rounded to the nearest thousand (ALL '000) except when otherwise indicated.

### *Going concern*

Management prepared these financial statements on a going concern basis. In making this judgement management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources.

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern.

Bank of Albania has requested specifically that Tirana Bank maintains a minimum capital adequacy ratio of 13.5%.

The Bank is also monitoring the current situation with the Russia – Ukraine conflict and its impact on the economy particularly in inflationary terms. The Bank has no direct investment exposed to these countries and no large lending clients that have significant business concentrations with them, thus there are no direct risks other than the general economic environment. The Bank has responded with a cautious approach towards exposure in credit losses, and increased alertness towards monitoring of loan portfolios.

The Bank has recognized and prepared itself for the possible negative effects that the last years' developments may present and considered the challenges faced with the required attention.

Since the earthquake of 2019, the pandemic of 2020 and the worldwide effects of the Russia-Ukraine war materialized in high inflation and turbulence in the markets, the Bank has been constantly stress testing its loans and securities portfolios and increase provisions coverage in anticipation of possible increases in defaults.

As a result, the coverage of provision for stage 2 loans

#### 4. BASIS OF PREPARATION (continued)

has increased from Dec'19: 5.9% to Dec'24: 14.1n%, despite the decrease in the share of stage 2 loans over the total portfolio (from Dec'19: 6.3% to Dec'24:3.4%). The strategy is followed with stage 3 exposures for which coverage changed over the last years from Dec'19:36.7% to Dec'24: 54.6% while the share of stage 3 loans decreased over the same time frame (from Dec'19: 11% to Dec'24: 3.5%).

In anticipation of possible increase of defaults due to interest rate increases as result of the restrictive Central Banks' policies in attempt to fight inflation, the Bank continuously performs stress tests and reviews of its exposures to estimate their impact and ensure adequate measures are taken to reduce the possible negative effects of these events. The Bank has realized satisfactory level of profit, and it has sufficient capital and liquidity buffers to stand resilient towards any shock presented.

Therefore, the financial statements continue to be prepared on the going concern basis.

#### 5. CLIMATE-RELATED MATTERS

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

Consistent with the prior year, as at 31 December 2024,

Bank has not identified significant risks induced by climate changes that could negatively and materially affect the Banks's financial statements.

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

### 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 6.1. FOREIGN CURRENCY TRANSLATION

##### *Functional and presentational currency*

The functional and presentation currency of the Bank is Albanian Lek ("Lek"). Lek is the primary currency in the economic environment in which the Bank operates, the Republic of Albania. The amounts presented in these financial statements are rounded to the nearest thousand, unless otherwise stated.

##### *Transactions and balances*

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. The

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.1. FOREIGN CURRENCY TRANSLATION (continued)

foreign currency gains or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at historic cost, are translated using the spot exchange rates as at the date of recognition.

Foreign currency differences arising on translation are generally recognised in profit or loss, except for foreign currency differences arising from the translation of available-for-sale equity instruments, which are recognised in OCI.

The applicable rates of exchange (Lek to foreign currency unit) for the principal currencies as at December 31, 2024 and 2023 were as follows:

	December 31, 2024	December 31, 2023
USD	94.26	93.94
EUR	98.15	103.88

### 6.2. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following

specific recognition criteria must also be met before revenue is recognised.

#### a) Interest and similar income and expense

Interest and similar income include coupons earned on fixed income investments, any discount and premium on zero coupon treasury bills recognised using in profit or loss the effective interest rate method and interest income on loans and advances. For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **6.2. REVENUE RECOGNITION** (continued)

#### **a) Interest and similar income and expense** (continued)

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018). The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

#### **b) Fee and commission income**

In accordance with IFRS 15, revenue from contracts with customers is recognised when the Bank has fulfilled its performance obligations by transferring the promised services to the customer. Revenue is recognised at an amount reflecting the consideration expected to be received in return.

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

#### **I. Fee income earned from services that are provided over a certain 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. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

#### **II. Fee income from providing transaction services recognised at a point in time**

These fees and commission include fees from payment and transfer orders of the customers, and other banking services offered. These fees or components of fees that are linked to a certain performance and are recognised as the related services are performed.

- **LENDING FEES**

The fees included here include among other things fees charged for servicing a loan, a letter of credit or bank guarantee.

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.

### **6.3. FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT**

#### **a) Date of recognition**

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **6.3. FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (continued)**

#### ***a) Date of recognition (continued)***

convention in the marketplace. 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.

#### ***b) 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 as described in Note 6.2. Financial instruments are initially measured at fair value, except in the case of financial assets and financial liabilities recorded at FVPL, 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.

#### ***c) Day 1 profit or loss***

When the fair value of the instrument 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 recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

#### ***d) 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 (AC)
- Fair value through other comprehensive income (FVOCI)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading or the fair value designation is applied. See accounting policies 6.3.

#### ***e) Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

#### ***f) Derecognition***

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.3. FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (continued)

#### f) Derecognition (continued)

is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognising). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished. i.e. when the obligation specified in the contract, is discharged, cancelled, or expires.

#### g) Write-offs

The Bank writes off financial assets in their entirety or a portion thereof when it has exhausted all practical recovery efforts and has no reasonable expectations of recovery. Criteria indicating that there is no reasonable expectation of recovery include default period, quality of collateral and different stages of enforcement procedures. The Bank may write-off financial assets that are still subject to enforcement activities, but this does not affect its rights in the enforcement procedures. The Bank still seeks to recover all amounts it is legally entitled to in full. Write-off reduces the gross carrying amount of a financial asset and allowance for the impairment. Any subsequent recoveries are credited to credit loss expense.

### 6.4. DETERMINATION OF FAIR VALUE

In order to show how fair values have been derived, financial instruments are classified based on a

hierarchy of valuation techniques, as summarised below:

- **Level 1 financial instruments** – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions, a significant decrease in the average daily trading volume of all the shares under consideration in country over the last 5 years, etc.
- **Level 2 financial instruments** – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.4. DETERMINATION OF FAIR VALUE (continued)

In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

- **Level 3 financial instruments** – Those that include one or more unobservable input that is significant to the measurement as whole.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

### 6.5. FINANCIAL ASSETS AND LIABILITIES

#### I. Measurement and classification

Financial instruments are classified as per IFRS 9 rules based on the:

- Bank's business model for managing the financial asset and
- Contractual cash flow characteristics (referred as to as the 'SPPI test').

Based on the above criteria, the Bank classifies financial instruments into one of the following three categories:

- a. at Amortized cost
- b. at FVOCI and
- c. at FVTP

A financial asset (i.e. Due from Banks, Loans and advances to customers, and other financial investments securities) is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. FINANCIAL ASSETS AND LIABILITIES (continued)

#### I. Measurement and classification (continued)

to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Bank has no FVTPL instruments as at reporting date.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Bank has finalized its business model as well as the SPPI testing and has concluded as below stated:

- **Government bonds and treasury bills portfolio**

For the Bank's **treasury products** (bonds and T-bills), the identified business models are the **"Hold to collect"** and **"Hold to collect and sell"** that require measurement at fair value through other comprehensive income (FVTOCI) if also the conditions of SPPI test are met.

According to IFRS 9 (4.1.2A), a financial asset shall be

measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### ***Business model assessment***

FVTOCI financial assets 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 financial asset is explained in note 6.5 ii). On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Tirana Bank does not maintain securities portfolio for trading purposes therefore, with the objective of actively buying/selling depending on the assets' fair value.

- **Loans and advances to customers**

For the Bank's loans and advances to customers' portfolio the business model identified is the "Hold to collect" business model and therefore, loans classified in this business model will be measured at amortized cost if also the conditions of SPPI test are met. Any loans that will fail the SPPI test will be measured at fair value through PL.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. FINANCIAL ASSETS AND LIABILITIES (continued)

#### I. Measurement and classification (continued)

##### Loans and advances to customers (continued)

According to the IFRS 9 (4.1.2), a financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank's business model is to originate loans and to collect their contractual cash flows. Any sales of financial assets within this business model are carried out due to the loans' credit deterioration and in order to reduce NPE's and NPL's and does not in any case reflect the initial purpose of the lending activity.

#### ***Assessments whether contractual cash flows are solely payments of principal and interest***

Për qëllime të këtij vlerësimi, "principali" përkufizohet For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank

considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Interest rates on retail loans made by the Bank are based on Internal Rates that are set at the discretion of the Bank. In these cases, the Bank assess whether the SFR set are in line with market rates and provide the Bank with sufficient returns to cover for the:

- time value of money,
- credit risk associated with the principal amount outstanding during a particular period of time, and
- other basic lending risks and costs, as well as a profit margin.

All of the Banks retail loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. FINANCIAL ASSETS AND LIABILITIES (continued)

#### II. Impairment

The Bank has been recording the allowance for expected credit losses for all loans and other financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. This requires estimate over changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

In addition to Financial Assets measured at Amortized Cost, the new impairment model had applied also to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs depending on the assessment of the risk of default in comparison to the moment of initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Bank will recognize loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognized, will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- loans and debt investment securities for which credit risk has not increased significantly since initial recognition hence, they are classified Stage1.

The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Estimating the key inputs into ECL, being probability of default (PD), loss given default (LGD and exposure at default (EAD).
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. FINANCIAL ASSETS AND LIABILITIES (continued)

#### II. Impairment (continued)

flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

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

- **Inputs in the measurement of ECLs**

The main inputs in the measurement of ECLs are likely to be the long-term structure of the following variables: PD, Loss given default (LGD), and Exposure at default (EAD).

These parameters derive from internally developed statistical models and other historical data. They are tailored to reflect future information as described below.

Credit risk levels will be a primary contribution to determining the long-term structure of the PD for exposures. The Bank uses statistical models to analyse the collected data and generate estimates of the remaining PD of the exposures and how these are expected to change over time. This analysis includes identifying and calibrating the relationship between changes in default rates and changes in key macroeconomic factors. For most exposures, key macroeconomic indicators are likely to include GDP growth, interest rates unemployment and exchange rate.

The Bank's approach to the inclusion of future information in this assessment is discussed below

- LGD (Loss given default) is the size of the possible loss if the borrower defaults. The Bank assesses LGD's parameters based on the history of recovery rates of claims against defaulted parties. LGD models consider the structure, collateral, seniority of the claim and the recovery costs of any collateral that is part of the financial asset.
- EAD (Exposure at default) represents the expected exposure in the event of a default. The EAD of a financial asset will be the gross carrying amount in default. For lending commitments and financial guarantees, EAD will consider the amount withdrawn as well as future potential amounts that can be drawn or paid under the contract, which are assessed based on historical observations and future projections.

The Bank measures ECLs taking into account the risk of default for the maximum contractual period (including the borrower's extension options) over which it is exposed to credit risk. The maximum contractual period lasts until the date on which the Bank has the right to request an advance payment or to terminate a commitment or loan guarantee.

For retail overdrafts and credit card facilities and some rotating corporate structures that include both a loan and a component of unmanaged engagement, the Bank may measure ECLs for a longer period than the maximum contractual period if the contractual ability of the Bank to request repayment and cancellation of non-re-computable commitments does not limit the Bank's exposure to credit losses in the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. FINANCIAL ASSETS AND LIABILITIES (continued)

#### II. Impairment (continued)

a collective basis. The Bank may cancel them with immediate effect, but this contractual right does not apply to normal day-to-day management but only when the Bank becomes aware of an increase in credit risk at the facility level. However, this period will be assessed considering the credit risk management actions that the Bank expects to undertake and serve to mitigate ECLs. These includes a reduction in the limits and cancellation of the facility.

When modelling of a parameter is carried out on a collective basis, financial instruments will be grouped on the basis of common risk characteristics that include:

- type of instrument/customer; and
- credit risk classification.

Clusters are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For investment in debt securities in respect of which the Bank has limited historical data, external reference information published by recognized foreign credit rating agencies such as Moody's are used to supplement available data within the country.

#### DEFINITION OF DEFAULT

Under IFRS 9, the Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.

This definition is largely consistent with the definition used for regulatory purposes for loans classified as substandard, doubtful or lost.

The identification of the below characteristics results to default.

- Days past due (DPD). Exposures more than 90 days past due at the reporting date (using the pulling effect of 20% - at debtor level).
- Unlikelihood to Pay (UTP)
- Credit impaired asset as defined in IFRS 9 requirements
- Forborne Non-Performing Exposures (FNPEs)
- Forborne Performing Exposures (FPEs) during the probation period (24 months after cure period) for which either additional forbearance measures are extended, or they have more than 90 days past due.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

#### Credit risk grades

The Bank allocates each business exposure to a credit risk grade based on requirements set forth by Credit Risk Management regulation by using qualitative and quantitative factors that are indicative of the risk of default. In addition to the risk classes introduced for regulatory purposes, the Bank identifies and monitors separately standard loans in past due from standard loans not in past due.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. FINANCIAL ASSETS AND LIABILITIES (continued)

#### II. Impairment (continued)

Each business exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Çdo ekspozim biznesi është shpërndarë në një shkallë të rrezikut të kredisë në njohjen fillestare bazuar në informacionin e disponueshëm në lidhje me huamarrësit. Ekspozimet i nënshtrohen një monitorimi të vazhdueshëm, i cili mund të rezultojë në një ekspozim të zhvendosur në një shkallë të ndryshme të rrezikut të kredisë.

#### • **Determining whether credit risk has increased significantly**

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank considers both quantitative and qualitative criteria in order to assess whether significant increase in credit risk has occurred.

The quantitative element is calculated based on the change in lifetime PDs by comparing:

- the PD as at the reporting date; with
- the PD that was estimated based on facts and circumstances at the time of initial recognition of the exposure

The bank defines criteria for the relative quantitative increases in PD that are indicative of a significant increase in credit risk.

The Bank has set three kinds of indicators:

- a) primary,
- b) secondary and
- c) backstop to demonstrate the priority of indicators used to assess whether significant increase in credit risk has occurred. Despite their priority, all criteria have the same weight in the assessment process for significant increase in credit risk.

Primary or secondary indicators may vary per each portfolio and include but not limited to relative changes in lifetime PD, Internal/external rating changes in notches, maximum days past due during the last 6 months, modification of forbearance, while backstop indicator is present on the following conditions:

- Instruments which are more than 30 days past due

All loans showing significant increase in credit risk are classified in Stage 2.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable; and

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. FINANCIAL ASSETS AND LIABILITIES (continued)

#### II. Impairment (continued)

- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired

#### Forborne and Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the Bank will consider whether the asset's credit risk has increased significantly by analysing quantitative and qualitative factors affecting risk of default.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and business loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of default and credit impairment, and expectations of forbearance are relevant to assessing whether there is a significant increase in credit. Following forbearance, a customer needs to demonstrate consistently good payment behaviour over twenty-four months before the exposure is measured at an amount equal to 12-month ECLs.

#### Forward-looking information

Under IFRS 9, the Bank has incorporated forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Bank has formulated a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organizations such as the European Commission and the International Monetary Fund and selected private sector and academic forecasters.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **6.5. FINANCIAL ASSETS AND LIABILITIES** (continued)

#### **II. Impairment** (continued)

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, aiming at continuously testing the relationships between macroeconomic variables and credit risk and credit losses and reverts to expert judgement decisions only when such relationships are not reliably identified, or past relationships are impaired. The key macroeconomic drivers tested are CPI, FX rates, unemployment rates and GDP forecasts over a time horizon of minimum 5 years.

#### **6.6. REPOSSESSED ASSETS**

In certain circumstances, the collateral is repossessed following the foreclosure on loans that are in default. The Bank's policy is to determine whether a repossessed 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 as inventory ("repossessed assets") at which moment they are measured 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. As inventories, these assets are to be measured at the lowest of cost or net realizable value (IAS 2.9). In order to properly determine whether the net realizable value of these assets has decreased below their cost, the Bank collects various valuation reports from several independent valuers and records the lowest of these valuations for each respective property. Any write-down to net realizable value is recognized as an expense in the period in which write-down occurs. Any reversal is recognized in profit and loss statement in the period in which reversal occurs.

#### **6.7. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash on hand, current accounts with Central Bank and amounts due from other banks on demand and with an 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. The statutory reserve with the Central Bank is not available for the Bank's day-to-day operations and is not included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortised cost. Further details of what cash and cash equivalents comprises can be found in Note 33.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.8. 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, including accrued interest, is recognised in the statement of financial position as a “Due to Banks”, reflecting its 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 the agreement using the effective interest rate method. Conversely, securities purchased under agreements to resell at a specified future date (‘reverse repos’) are recorded as due from other banks or loans and advances to customers, as appropriate. The corresponding cash paid, including accrued interest, is recognised in the statement of financial position as “Due from Banks”. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

### 6.9. LEASES

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### I. Bank as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 24 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank’s policy as described in Note 6.10 Impairment of non-financial assets.

#### *Lease liabilities*

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5. LEASES (continued)

#### I. Bank as a Lessee (continued)

payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

#### II. Bank as a Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### 6.10. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSET

Property and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Right-of-use assets are presented together with property and equipment in the statement of financial position – refer to the accounting policy in Note 6.10. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depreciation is calculated using the straight-line method to write down the cost of property and

equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Own Buildings: up to 20 years
- Furniture and other equipment: 5 years
- Vehicles: 5 years
- Computer hardware: 4 years
- Leasehold improvements: the shorter of useful life and lease term

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" or "Other operating expenses" in profit or loss in the year the asset is derecognised.

#### 6.11. 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

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.12. 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.

### 6.13. FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a

specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in profit or loss the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to profit or loss under other operating expenses.

Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight - line basis over the life of the commitment.

### 6.14. DEBT ISSUED AND OTHER BORROWED FUNDS

Subordinated debt issued is recognized initially on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. The Bank recognizes subordinated bond liabilities when funds are transferred to the Bank. After initial measurement, subordinated debt issued is subsequently measured at amortised cost.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **6.14. DEBT ISSUED AND OTHER BORROWED FUNDS** (continued)

Transaction costs are recognized in profit or loss when they occur. Interest expense is calculated at the nominal interest rate and recognized in profit or loss when calculated. Interest accrued but not due is transferred to the income account and is recognized as an asset or liability in the “accrued interest” account.

### **6.15. EMPLOYEE BENEFITS**

The Bank contributes to its employee’s post-retirement plans as prescribed by the domestic social security legislation. Bank’s pension obligations relate only to defined contribution plans. Defined contribution plans, based on salaries, are made to the state administered institution (i.e. Social Security Institute) responsible for the payment of pensions. Once the contributions have been paid, the Bank has no further payment obligations. The contributions constitute net periodic costs for the year in which they are due and as such they are included in “Personnel expenses” in the statement of comprehensive income. The bank does not have any pension plans in scope of IAS 19.

### **6.16. PROVISIONS**

A provision is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is

determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### **6.17. INCOME TAX**

Income taxes have been provided for in the financial statements in accordance with Albanian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income except if it is recognised in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income.

#### ***Current tax***

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date 2023:15% (2022: 15%).

#### ***Deferred tax***

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **6.17. INCOME TAX** (continued)

financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the

tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

### **6.18. EQUITY**

Elements of Equity are share capital, share premium and reserves. Reserves include legal and general reserve (Note 32), merger reserve and fair value reserve. Fair value reserves comprise the cumulative net change in the fair value of debt instruments classified at FVOCI, less the allowance for ECL. Movements of the equity elements are disclosed in the Note 22.

## **7. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### **7.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

The Bank has not early adopted any new standards, interpretation or amendments that have been issued but are not yet effective in these financial statements.

## 7. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

### 7.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Other amendments and interpretations apply for the first time in 2023, but do not have an impact on the Bank's financial statements, briefly described below:

- **IFRS 17: Insurance Contracts** - This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts. The Bank does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the Bank's financial performance, financial position or cash flows.
- **Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)**
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)** - The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how Bank should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to

the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendment may have an impact on lease accounting by the bank where the recognition of lease liability and right of use assets typically give rise to temporary differences that are almost equal.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**. The amendment introduces new guidance on application of materiality concept and in particular amends the requirement to disclose material accounting policies in place of current requirement to disclose significant accounting policies. The amendment may lead to removal of disclosure of non-material accounting policies.
- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**. The amendment has introduced certain clarifications related to classification in cases of rights to defer settlement or compliance with covenants. The Bank presents its assets and liabilities in order of liquidity however it does provide current vs non-current disclosures in the notes. As a result, the impact of the amendment is expected to be limited.

## 7. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

### 7.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The effect of these amendments is subject to the nature of future changes in policies and estimates.

- **International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)**

The following amendments are effective for the periods after 31 December 2023 and are not expected to have a material impact on the Bank.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

## 8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### **a) Impairment losses on financial assets**

The measurement of impairment losses both under IFRS 9 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 internal credit grading model, which assigns PDs to the individual grades.
- 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.

## 8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### a) *Impairment losses on financial assets (continued)*

- 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.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- LGD of government securities is determined from specific LGD referring to defaults of sovereign debts belonging to governments having similar rating to the governments which the securities of the Bank belong to;
- specific counterparty-related PDs reflects the risk of the counterparty.
- LGD of other non-sovereign papers represents LGD of the specific security.

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

It was noted that the FLI for year 2024 was not materialized to the expected extent in increases of the probability of default and the quality of the loan's portfolio has been kept at good levels. The Bank has performed its estimations considering the existing geo-political tensions, inflation and the interest rate environment and expectations, as well as other potential crises, more country specific. Such estimations have been factored into

the FLI expectations for 2025. Estimation of possible performance has been based both on individual level and collective assessments, identifying customers who may be more sensible to the macroeconomic changes including interest rate evolutions, and their impact on the overall loans portfolio quality. The Bank considers that the implemented FLIs for year 2025 cover bank's expectations in the baseline and more adverse scenario.

### b) *Fair value of financial instrument*

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 6.4 and Note 9.4.

### c) *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

## 8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### c) Tax Exposures (continued)

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.

#### d) Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

#### e) Litigation 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 defence strategies against resulting actions. Each action and corresponding risk are assessed on its merits and the underlying constructive or legal obligation and the estimate of cash outflows considered payable. Management believes that existing or potential future litigation are remote, however due to causes beyond

legal background and framework further risks might be triggered.

#### f) Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

#### g) Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar

## 8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### g) *Estimating the incremental borrowing rate (continued)*

economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

## 9. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by an independent risk division in the Bank under policies approved by

the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as, credit risk, foreign exchange risk, interest rate risk and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The Bank is exposed to credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk. It is also subject to country risk and various operating and business risks.

### 9.1. CREDIT RISK

Credit risk is the risk of loss for the Bank, arising from the potential failure of counterparty to meet its contractual obligations. Tirana Bank analysis the full spectrum of credit risk including its sub-categories such as lending risk, counterparty risk, issuer risk, settlement risk, concentration risk, foreign currency lending risk, sovereign risk and residual risk. Such assessment is translated into the internal evaluation of the capital need for credit risk. Credit risk is the most material risk for the bank requiring the major part of the minimum capital and it mainly derives from lending activities (loans and advances) to customers and investments in debt securities as presented in its structure of the balance sheet. On and off-balance sheet exposures are analysed in terms of the possible loss they can produce and provisioned accordingly as per the documented provisioning methodologies approved by the Board of Directors.

The Bank's Corporate Governance principles ensure proper allocation of responsibility and accountability based on the risk origination, aiming to align the

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

risk-taking process with the risk appetite. The Bank's exposure to credit risk is regularly monitored in relation to the approved risk appetite ensuring that the risk profile of the Bank stays within the acceptable levels. Deviations, if any, from the risk appetite are escalated according to the Board Risk Committee and the Board of Directors.

The main targets of the Bank's Credit Risk Management are to:

1. Set centralized policies in compliance with Central Bank requirements.
2. Monitor the Bank's portfolio exposed to credit risk.
3. Managing risk pro-actively to identify and analyse risk at an early stage
4. Create risk management function independent of commercial lines of the business
5. Integrate the risk management function into the organizational business process
6. Report on risk across the organization

The Audit Committee and Internal Auditing Department follow up the compliance with policies and procedures.

#### 9.1.1. Credit risk measurement

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived

from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The procedures described below relate to credit risk measurements for operational purpose as well as for reporting under local regulatory and legislative requirements. Impairment losses on loans and advances for financial reporting are determined based on the procedures described in Note 9.1.3.

#### **a) Loans and advances**

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components

- I. the 'probability of default' by the client or counterparty on its contractual obligations;
- II. current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and
- III. the likely recovery ratio on the defaulted obligations (the 'loss given default').

The Bank assesses the probability of default of individual business counterparties through analysis of defaults within groups with similar characteristics.

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.1. Credit risk measurement (continued)

##### a) Loans and advances (continued)

Therefore, the Bank utilizes an internal grading for Business customers which are grouped in five bigger categories. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. With reference to exposures towards Banks and Governments, the Bank uses mainly the ratings produced by external rating agencies, specifically Moody's, and therefore the specific probability of default of the counterparty as retrieved from Moody's assessments.

Bank's internal grading groups:

- Excellent
- Satisfactory
- Weak
- Special Mention
- Default

##### *EXCELLENT GROUP:*

I referohet kompanive që paraqesin performancë të shkëlqyer sipas kritereve të mëposhtme:

- struktura dhe cilësia e aktiveve
- baza e kapitalit dhe kapaciteti i fortë për të mbledhur kapital shtesë
- përfitueshmëri e qëndrueshme dhe e përsëritur
- gjenerimi i likuiditetit dhe rrjedhës së parasë
- aftësia dhe efektiviteti i administrimit
- pozicioni dominues në një industri që shfaq perspektiva pozitive afatmesme
- Vlerësohet se aftësia e kompanisë për të respektuar

detyrimet afatshkurtra do të dëmtohet minimalisht nga çdo kusht i përkohshëm i pafavorshëm në mjedisin ekonomik dhe të biznesit.

##### *EXCELLENT GROUP:*

Refers to companies that present excellent performance to the following criteria:

- structure and quality of assets
- equity base and strong capacity to raise additional capital
- stable and recurring profitability
- liquidity and cash flow generation
- capable and effective management
- dominant position in an industry manifesting positive medium-term prospects

It is estimated that the company's ability to honour short-term obligations will be minimally impaired by any temporary adverse conditions in the economic and business environment.

##### *SATISFACTORY GROUP:*

It includes three internal ratings specifically: Strong, Good and Satisfactory. This group refers to companies that present strong, good and satisfactory performance to the following criteria:

- structure and quality of assets
- equity base and capacity to raise additional capital
- recurring profitability
- liquidity and cash flow generation
- management
- position in an industry and medium-term prospects

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.1. Credit risk measurement (continued)

##### **a) Loans and advances (continued)**

It is estimated that the company's ability to honour short-term obligations will be impaired to a small/controllable degree by any temporary adverse conditions in the economic and business environment..

##### *WEAK GROUP:*

It includes three internal ratings specifically: Adequate, Weak and Poor. This group refers to companies that present adequate, weak and poor performance to the following criteria:

- structure and quality of assets
- equity base (probably impaired capacity to raise additional capital, weak or negative net worth)
- marginal, non-recurring profitability
- deteriorated or restricted liquidity and cash flow generation
- managerial weaknesses
- Participation in an industry manifesting fluctuation or with deteriorating conditions and prospects.

It is estimated that any temporary adverse conditions in the economic and business environment, will probably lead to conditional honouring of obligations or the customer has relatively high probability of default / inability to honour obligations.

##### *SPECIAL MENTION GROUP:*

Refers to companies that present.

- material deterioration of financials

- material adverse conditions towards the industry to which they participate
- undesirable changes in shareholder or management structure or serious managerial problems
- events requiring special attention (fire, flood, strikes, forced auction of assets, reduction on security value etc.)
- high probability of default / inability to honour obligations
- Early delinquency (up to 90 days) Interest-accruing claim

##### *DEFAULT GROUP*

It includes three internal ratings specifically: Distressed Restructuring, Substandard and Doubtful/Lost.

##### ***Distressed restructuring internal rating***

Usually refers to borrowers with facilities already categorized as Temporarily Delinquent over ninety (90) days (Substandard) and of Permanently Delinquent (Doubtful / Loss), which are subsequently restructured by Bank's decision or Ministerial Decree or Law. Also, refers to companies whose credit facilities, even if not classified as Temporarily Delinquent over ninety (90) days (Substandard) or Permanently Delinquent (Doubtful / Loss), have been restructured in such a way that the restructuring leads to a reduction of the economic value of the Bank's exposure (distressed restructuring).

Indicatively, the following cases of distressed restructuring are mentioned:

- Restructuring of debt repayment terms (i.e. interest rate reduction, extension of tenor) to a level that the Bank, under usual circumstances, would not

## 9. FINANCIAL RISK MANAGEMENT (continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.1. Credit risk measurement (continued)

##### **a) Loans and advances (continued)**

grant to customers with similar creditworthiness.

- Reduction of the amount of the Bank's receivable with simultaneous recognition of loss or corresponding specific provision.

Within the framework of a debt restructuring and on special occasions, the authorized approving body may consider additional financing. Interest-accruing or non-interest-accruing claim, according to the Bank's decision.

##### ***Substandard internal rating***

Refers to companies that manifest delinquency over ninety (90) days, expected to be settled in a short period of time, without recourse to judicial actions.

Companies can be also classified as Substandard if they manifest high probability of default / inability to comply with their obligations (subjective criteria); still the Bank does not need to rely on judicial actions.

The full settlement of debt obligation is under question, while further downgrading is possible Interest-accruing or non-interest-accruing claim, according to the Bank's decision.

##### ***Doubtful/Lost internal rating***

Refers to companies that manifest i) delinquency over 90 days judged to be permanent with judicial action deemed necessary and ii) companies that even if they have not yet defaulted on their debt obligations,

it is considered certain that they will do so in the near future, while liquidation of any exposure is expected through legal action by liquidating all kinds of collateral/ security that the Bank has in its possession including the bankruptcy of the debtor.

High probability of partial recovery of claim due to non-existence of adequate sources of repayment or partial coverage from the existing collateral / security, or total loss of it. Non-interest accruing claim.

##### ***b) Debt securities and other bills***

For debt securities and other bills, the risk department for managing of the credit risk exposures uses ratings depending on the issuer. The investments in investments in Albanian Government Bonds and Treasury Bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

#### **9.1.2. Risk limit control and mitigation policies**

The Bank manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Such limits are approved by the Board of Directors. For concentration by industry is disclosed in Note 20.

As at 31 December 2024, the top - 20 groups of clients of

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.2. Risk limit control and mitigation policies (continued)

the Bank have an exposure of Lek 27,559 million (2023: Lek 21,579 million) which represents 35% of the gross portfolio (2023: 37%), with the largest single exposure representing 3.8% (2022: 4.5%).

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

#### I. Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Cash, banks and first-class companies' guarantees;
- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Loans to corporate entities and individuals are generally secured; over drafts and credit cards issued

to individuals are secured mostly by cash deposits and collateral in cases of credit customers at the full amount of principal, interest and other charges. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Refer to note 9.1.6.

Debt securities, treasury and other eligible bills are generally unsecured.

#### II. Credit-related contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans and are secured with same collateral as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.2. Risk limit control and mitigation policies (continued)

##### II. Credit-related contingencies (continued)

specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Refer to note 9.1.5 and note 37.

#### 9.1.3. Impairment and provisioning policies

The Bank shall recognize a loss allowance for expected credit losses on a financial asset, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

The financial assets which are subject to impairment calculation are the following:

- financial assets measured at amortised cost (Note 22)
- financial assets measured at fair value through other comprehensive income (Note 21)
- lease receivables (Note 22)
- loan commitments to provide a loan at a below-market interest rate financial guarantee contracts (Note 37)

The Bank is required to measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the Bank expects to be paid in full but later than when contractually due.

##### 9.1.3.1. Significant Increase in Credit Risk

At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, a comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition should be done and reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition should be considered.

The credit risk on a financial instrument is considered

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.3. Significant Increase in Credit Risk (continued)

low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. Financial instruments are not considered to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank's other financial instruments or relative to the credit risk of the jurisdiction within which the Bank operates.

If reasonable and supportable forward-looking information is available without undue cost or effort, the Bank cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Bank may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which a Bank assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly

since initial recognition when contractual payments are more than 30 days past due. The Bank can rebut this presumption if it has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When it determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

#### 9.1.3.2. Timing of Expected Credit Losses measurement

At each reporting date, the Bank measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

In case, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses should be measured.

#### 9.1.3.3. Issues related to Expected Credit Losses calculation

##### 9.1.3.3.1. Derecognition

Before evaluating whether, and to what extent, derecognition is appropriate, the Bank determines whether derecognition should be applied to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets) in its entirety, as follows:

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.3. Impairment and provisioning policies (continued)

##### 9.1.3.3. Issues related to Expected Credit Losses calculation (continued)

###### 9.1.3.3.1. Derecognition (continued)

a. Derecognition is applied to a part of a financial asset (or a part of a group of similar financial assets) if, and only if, the part being considered for derecognition meets one of the following three conditions.

- The part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets).
- The part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets).
- The part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

b. In all other cases, derecognition is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

The Bank shall derecognize a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset and the transfer qualifies for derecognition

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognised and the part that is derecognised, on the basis of the relative fair values of those parts on the date of the transfer. For this purpose, a retained servicing asset shall be treated as a part that continues to be recognised. The difference between:

- the carrying amount (measured at the date of derecognition) allocated to the part derecognised and
- the consideration received for the part derecognised (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

###### 9.1.3.3.2. POCI (purchased or originated credit-impaired financial assets)

For purchased or originated credit-impaired financial assets, expected credit losses shall be discounted using the credit-adjusted effective interest rate determined at initial recognition.

At the reporting date, the Bank shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

## 9. FINANCIAL RISK MANAGEMENT

(continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.3. Impairment and provisioning policies (continued)

##### 9.1.3.3. Issues related to Expected Credit Losses calculation (continued)

###### 9.1.3.3.2. POCI (purchased or originated credit-impaired financial assets) (continued)

At each reporting date, the Bank shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Bank recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

###### 9.1.3.3.3. Credit Impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

###### 9.1.3.3.4. Collectively vs individually

In order to meet the objective of recognizing lifetime expected credit losses for significant increases in credit risk since initial recognition, it may be necessary to perform the assessment of significant increases in credit risk on a collective basis by considering information that is indicative of significant increases in credit risk on, for example, a group or sub-group of financial instruments. This is to ensure that the Bank meets the objective of recognizing lifetime expected credit losses when there are significant increases in credit risk, even if evidence of such significant increases in credit risk at the individual instrument level is not yet available.

Lifetime expected credit losses are generally expected to be recognized before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking

## **9. FINANCIAL RISK MANAGEMENT**

(continued)

### **9.1. CREDIT RISK (continued)**

#### **9.1.3. Impairment and provisioning policies (continued)**

##### **9.1.3.3. Issues related to Expected Credit Losses calculation (continued)**

###### **9.1.3.3.4. Collectively vs individually (continued)**

than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

However, depending on the nature of the financial instruments and the credit risk information available for particular groups of financial instruments, the Bank may not be able to identify significant changes in credit risk for individual financial instruments before the financial instrument becomes past due. This may be the case for financial instruments such as retail loans for which there is little or no updated credit risk information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms. If changes in the credit risk for individual financial instruments are not captured before they become past due, a loss allowance based only on credit information at an individual financial instrument level would not faithfully represent the changes in credit risk since initial recognition.

In some circumstances the Bank does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime expected credit losses on an individual instrument basis. In that case, lifetime expected credit losses shall be recognized on a collective basis that

considers comprehensive credit risk information. This comprehensive credit risk information must incorporate not only past due information but also all relevant credit information, including forward-looking macroeconomic information, in order to approximate the result of recognizing lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition on an individual instrument level.

For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, the Bank groups the financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The Bank should not obscure this information by grouping financial instruments with different risk characteristics.

###### **9.1.3.3.5. Probability-weighted outcome**

The purpose of estimating expected credit losses is neither to estimate a worst-case scenario nor to estimate the best-case scenario. Instead, an estimate of expected credit losses shall always reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss.

(All amounts are in thousands Albanian Lek unless otherwise stated)

**9. FINANCIAL RISK MANAGEMENT (continued)****9.1. CREDIT RISK (continued)****9.1.4. Credit Quality (continued)**

The below tables show information about the credit quality of Financial Assets measured at Amortized Cost:

*i. Cash and Balances with Central Bank*

Internal rating grade	As at December 31, 2024				Total
	Stage 1	Stage 2	Stage 3	POCI	
Standard	11,658,424	-	-	-	11,658,424
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Gross Balances</b>	<b>11,658,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,658,424</b>
Standard	-	-	-	-	-
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balances Net of Impairment</b>	<b>11,658,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,658,424</b>

Internal rating grade	As at December 31, 2023				Total
	Stage1	Stage2	Stage3	POCI	
Standard	9,598,398	-	-	-	9,598,398
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Gross Balances</b>	<b>9,598,398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,598,398</b>
Standard	53	-	-	-	53
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Allowance</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>
<b>Balances Net of Impairment</b>	<b>9,598,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,598,345</b>

*ii. Due from banks*

Internal rating grade	As at December 31, 2024				Total
	Stage 1	Stage 2	Stage 3	POCI	
Standard	7,087,761	-	-	-	7,087,761
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Gross Balances</b>	<b>7,087,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,087,761</b>
Standard	57	-	-	-	57
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Allowance</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57</b>
<b>Balances Net of Impairment</b>	<b>7,087,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,087,704</b>

Internal rating grade	As at December 31, 2023				Total
	Stage 1	Stage 2	Stage 3	POCI	
Standard	8,167,688	-	-	-	8,167,688
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Gross Balances</b>	<b>8,167,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,167,688</b>
Standard	15	-	-	-	15
Special monitoring, substandard Doubtful and Lost	-	-	-	-	-
<b>Total Allowance</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>
<b>Balances Net of Impairment</b>	<b>8,167,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,167,673</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.1. CREDIT RISK (continued)

##### 9.1.4. Credit Quality (continued)

###### iii. Loans and advances to Customers

Internal rating grade	Stage 1	Stage 2	Stage 3	As at December 31, 2024	
				POCI	Total
Standard (only Retail)	24,167,695	483,428	59,811	-	24,710,934
Excellent	2,910,105	9,803	-	-	2,919,908
Satisfactory	36,242,586	663,274	7,405	-	36,913,265
Weak	9,401,442	881,123	-	-	10,282,565
Special mention	68,276	589,196	238,568	-	896,040
Default	-	-	2,434,012	-	2,434,012
<b>Total Gross Balances</b>	<b>72,790,104</b>	<b>2,626,824</b>	<b>2,739,796</b>	<b>-</b>	<b>78,156,724</b>
Standard (only Retail)	191,509	133,309	13,345	-	338,163
Excellent	22,016	66	-	-	22,082
Satisfactory	222,126	5,695	7,405	-	235,226
Weak	275,901	70,311	-	-	346,212
Special mention	5,121	163,023	68,533	-	236,677
Default	-	-	1,412,460	-	1,412,460
<b>Total Allowance</b>	<b>716,673</b>	<b>372,404</b>	<b>1,501,743</b>	<b>-</b>	<b>2,590,820</b>
<b>Balances Net of Impairment</b>	<b>72,073,431</b>	<b>2,254,420</b>	<b>1,238,053</b>	<b>-</b>	<b>75,565,904</b>

Internal rating grade	Stage 1	Stage 2	Stage 3	As at December 31, 2023	
				POCI	Total
Standard (only Retail)	18,348,525	297,091	50,830	-	18,696,446
Excellent	8,390,739	92,453	-	-	8,483,192
Satisfactory	22,733,933	1,525,772	-	-	24,259,705
Weak	3,320,738	233,299	19,875	-	3,573,912
Special mention	25,714	937,861	183,939	-	1,147,514
Default	-	-	2,445,804	-	2,445,804
<b>Total Gross Balances</b>	<b>52,819,649</b>	<b>3,086,476</b>	<b>2,700,448</b>	<b>-</b>	<b>58,606,573</b>
Standard (only Retail)	86,172	60,575	13,645	-	160,392
Excellent	59,153	455	-	-	59,608
Satisfactory	308,566	49,745	-	-	358,311
Weak	131,690	7,536	11,301	-	150,527
Special mention	240	171,745	65,232	-	237,217
Default	-	-	1,272,258	-	1,272,258
<b>Total Allowance</b>	<b>585,821</b>	<b>290,056</b>	<b>1,362,436</b>	<b>-</b>	<b>2,238,313</b>
<b>Balances Net of Impairment</b>	<b>52,233,828</b>	<b>2,796,420</b>	<b>1,338,012</b>	<b>-</b>	<b>56,368,260</b>

The internal rating systems described in Note 9.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities. The impairment provision shown in the balance sheet at year-end is derived from each of the six internal rating grades. However, the majority of the impairment provision

comes from two grades, Standard and Satisfactory. The table below shows the percentage of the Bank's on-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

(All amounts are in thousands Albanian Lek unless otherwise stated)

**9. FINANCIAL RISK MANAGEMENT (continued)****9.1. CREDIT RISK (continued)****9.1.4. Credit Quality (continued)**

Bank's internal rating	2024		2023	
	Loans and advances (%)	Impairment provision level (%)	Loans and advances (%)	Impairment provision level (%)
Standard (only Retail)	32%	1%	32%	1%
Excellent	4%	1%	14%	1%
Satisfactory	47%	1%	41%	1%
Weak	13%	3%	6%	4%
Special mention	1%	26%	2%	21%
Default	3%	58%	4%	52%
<b>Total</b>	<b>100</b>		<b>100</b>	

**9.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements**

	Maximum exposure	
	2024	2023
<b>Credit risk exposures relating to on-balance sheet assets are as follows:</b>		
Balances with Central Bank	11,658,424	9,598,398
Due from banks	7,087,704	8,167,673
Loans and advances to customers:		
Loans to individuals		
- Consumer/Overdrafts	5,821,518	3,351,863
- Credit cards	280,317	249,539
- Mortgages	16,696,165	14,857,745
	<b>22,798,000</b>	<b>18,459,147</b>
Loans to corporate entities:		
- Large corporate customers	41,676,764	29,930,607
- Small and medium size enterprises (SMEs)	11,091,140	7,978,506
	<b>52,767,904</b>	<b>37,909,113</b>
<b>Total loans and advances to customers</b>	<b>75,565,904</b>	<b>56,368,260</b>
Financial assets at fair value through OCI	27,737,012	29,752,158
Financial assets at amortized cost	31,815,372	21,661,396
Other financial assets (Note 35)	252,695	244,779
<b>Credit risk exposures relating to off-balance sheet items are as follows:</b>		
Loans Commitment	7,210,867	7,999,021
Letters of Guarantees	4,271,971	3,757,429
<b>At 31 December</b>	<b>165,599,949</b>	<b>137,549,114</b>

The above table represents a worst-case scenario of credit risk exposure to the Bank at December 31, 2024 and 2023, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 91.98% of the loans and advances portfolio is categorized in the top two grades of the internal rating system (2023: 93.39%);

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.1. CREDIT RISK (continued)

##### 9.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

- Loans to SMEs, which represents the biggest group in the portfolio, are backed by collateral; process upon granting loans and advances.
- 85.99% of the loans and advances portfolio are considered to be neither past due nor impaired (2023: 83.00%); and Changes and movement between risk categories are further detailed in Note 20.
- The Bank has introduced a more stringent selection Loans and advances are summarized as follows:

	December 31, 2024		December 31, 2023	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Performing	66,790,598	7,087,761	48,022,653	8,167,688
Past due but not impaired	8,782,870		8,066,344	
Individually impaired	2,583,256		2,517,576	
<b>Gross</b>	<b>78,156,724</b>	<b>7,087,761</b>	<b>58,606,573</b>	<b>8,167,688</b>
Less: allowance for impairment	(2,590,820)	(57)	(2,238,313)	(15)
<b>Carrying amount</b>	<b>75,565,904</b>	<b>7,087,704</b>	<b>56,368,260</b>	<b>8,167,673</b>

Further information of the allowance for impairment of Due from banks and Loans and advances to customers is provided in Notes 19 and 20.

#### 9.1.6 Loans and advances

##### a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired (classified as

standard) as at 31 December 2024 and 31 December 2023 can be assessed by reference to the internal rating system adopted by the Bank, as follows:

(All amounts are in thousands Albanian Lek unless otherwise stated)

## 9. FINANCIAL RISK MANAGEMENT (continued)

### 9.1. CREDIT RISK (continued)

#### 9.1.6 Loans and advances (continued)

##### a) Loans and advances neither past due nor impaired (continued)

	December 31, 2024						
	Loans and advances to customers						
	Consumer/ Overdrafts	Individual (retail customers)		Large corporate customers	Corporate entities		Total Loans and advances to customers
		Credit cards	Mortgages		SMEs		Due to Banks
Gross carrying amount	5,184,138	247,955	14,518,125	38,091,156	8,749,449	66,790,823	7,087,761
Less: allowance for impairment	(134,977)	(8,888)	(82,058)	(375,078)	(122,922)	(723,923)	(57)
<b>Net carrying amount</b>	<b>5,049,161</b>	<b>239,067</b>	<b>14,436,067</b>	<b>37,716,078</b>	<b>8,626,527</b>	<b>66,066,900</b>	<b>7,087,704</b>

	December 31, 2023						
	Loans and advances to customers						
	Consumer/ Overdrafts	Individual (retail customers)		Large corporate customers	Corporate entities		Total Loans and advances to customers
		Credit cards	Mortgages		SMEs		Due to Banks
Gross carrying amount	2,817,273	218,464	12,210,379	26,562,293	6,214,049	48,022,458	8,167,688
Less: allowance for impairment	(59,863)	(8,353)	(31,413)	(375,210)	(81,975)	(556,814)	(15)
<b>Net carrying amount</b>	<b>2,757,410</b>	<b>210,111</b>	<b>12,178,966</b>	<b>26,187,083</b>	<b>6,132,074</b>	<b>47,465,644</b>	<b>8,167,673</b>

Loans and advances in the Weak and Special mention grades were considered not to be impaired after taking into consideration the recoverability from collateral for retail customer mortgage and consumer loans.

Past due but not impaired loans refer to loans that show past dues, but they are not material enough to be classified as impaired neither in terms of days past due nor in amounts.

##### b) Loans and advances past due but not impaired

Gross amount of loans and advances that are past due but not impaired:

	Corporate and SMEs	
	December 31, 2024	December 31, 2023
Past due 1 up to 30 days	5,586,677	4,242,250
Past due 31-90 days	108,303	552,874
Past due > 90 days	4,867	808
<b>Total</b>	<b>5,699,847</b>	<b>4,795,932</b>
<b>Fair value of collateral</b>	<b>2,249,536</b>	<b>1,625,211</b>
<b>Total loans and advances past due but not impaired at December 31</b>	<b>8,782,870</b>	<b>8,066,344</b>

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***9. FINANCIAL RISK MANAGEMENT (continued)****9.1. CREDIT RISK (continued)****9.1.6 Loans and advances (continued)****b) Loans and advances past due but not impaired (continued)**

	December 31, 2024			
		<u>Individual (retail customers)</u>		
	Consumer/ Overdrafts	Mortgages	Visa Card	Total
Past due 1 up to 30 days	598,351	1,809,212	41,834	2,449,397
Past due 31-90 days	132,075	486,943	3,549	622,567
Past due > 90 days	-	11,059	-	11,059
<b>Total</b>	<b>730,426</b>	<b>2,307,214</b>	<b>45,383</b>	<b>3,083,023</b>
<b>Fair value of collateral</b>	<b>284,317</b>	<b>1,456,616</b>	<b>3,727</b>	<b>1,744,660</b>

	December 31, 2023			
		<u>Individual (retail customers)</u>		
	Consumer/ Overdrafts	Mortgages	Visa Card	Total
Past due 1 up to 30 days	447,888	2,262,917	37,548	2,748,353
Past due 31-90 days	117,893	396,558	2,989	517,440
Past due > 90 days	-	4,619	-	4,619
<b>Total</b>	<b>565,781</b>	<b>2,664,094</b>	<b>40,537</b>	<b>3,270,412</b>
<b>Fair value of collateral</b>	<b>325,563</b>	<b>1,688,615</b>	<b>-</b>	<b>2,014,178</b>

There are no loans and advances to banks as at December 31, 2024 and 2023, which are past due but not impaired.

**c) Loans and advances impaired**

The breakdown of the gross amount of individually impaired loans and advances by class, along with

the fair value of related collateral held by the Bank as security, are as follows:

(All amounts are in thousands Albanian Lek unless otherwise stated)

**9. FINANCIAL RISK MANAGEMENT (continued)****9.1. CREDIT RISK (continued)****9.1.6 Loans and advances (continued)****c) Loans and advances impaired (continued)**

	Consumer and Visa Cards	Mortgage	Corporate and SMEs	Total
<b>December 31, 2024</b>				
Individually impaired loans	60,103	63,349	1,598,369	1,721,821
<b>Fair value of collateral</b>	-	-	-	-
<b>December 31, 2023</b>				
Individually impaired loans	66,196	-	1,622,312	1,688,508
<b>Fair value of collateral</b>	-	-	-	-

The breakdown of the gross amount of collectively impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	Consumer and Visa Cards	Mortgage	Corporate and SMEs	Total
<b>December 31, 2024</b>				
Collectively impaired loans	324,033	208,783	328,618	861,434
<b>Fair value of collateral</b>	<b>65,725</b>	<b>187,089</b>	<b>239,472</b>	<b>492,286</b>
<b>December 31, 2023</b>				
Collectively impaired loans	278,876	254,888	295,304	829,068
<b>Fair value of collateral</b>	<b>90,665</b>	<b>235,375</b>	<b>215,192</b>	<b>541,232</b>

The disclosed fair value of collateral is determined by local certified valuers and represents value realizable by the legal owners of the assets. Management considers the loans covered by collateral on corporate loans as impaired because experience shows that a significant proportion of the collateral on corporate loans cannot be enforced due to administrative and legal difficulties such as decrease of collateral value at auctions administered by bailiff office, time necessary for collaterals to be enforced.

The impairment provisions reflect the probability that management will not be able to enforce its rights and repossess collateral on defaulted loans. Despite difficulties in enforcing repossession of collateral, the Bank's management will vigorously pursue the outstanding debts with all possible means at their disposal.

There are not individually impaired due from banks as at December 31, 2024 and 2023.

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.1. CREDIT RISK (continued)

##### 9.1.6 Loans and advances (continued)

##### c) Loans and advances impaired (continued)

##### i) Analysis of stage 2 loans reflecting the criteria for inclusion in stage 2

An analysis of stage 2 balances at the reporting date reflecting the reasons for inclusion in stage 2 by class of loans and advances to customers (gross carrying amount and corresponding ECL) is presented below. For the purposes of this analysis, where balances satisfy more than one criterion for determining a significant increase in credit risk, the corresponding gross carrying

amount and ECL have been assigned in the order of the categories presented, for example, accounts with PD deterioration may also trigger backstops, but are only reported under "PD movement" The indicators of significant increases in credit risk (SICR) are explained in Note 6.5. ii)

31 December 2024	Corporate lending		SME		Consumer lending		Mortgage		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than 30dpd	1,107,812	20,908	281,580	7,959	90,327	31,967	328,387	80,795	1,808,106	141,629
- PD movement	530,218	13,822	124,130	3,349	-	-	-	-	654,348	17,171
- Forbearance support provided	-	-	-	-	3,231	1,326	7,908	1,005	11,139	2,331
- Other qualitative reasons	577,594	7,086	157,450	4,610	87,096	30,641	320,479	79,790	1,142,619	122,127
More than 30 dpd	240,459	52,580	82,812	2,314	141,094	59,924	427,551	122,109	891,916	236,927
<b>Total</b>	<b>1,348,271</b>	<b>73,488</b>	<b>364,392</b>	<b>10,273</b>	<b>231,421</b>	<b>91,891</b>	<b>755,938</b>	<b>202,904</b>	<b>2,700,022</b>	<b>378,556</b>

31 December 2023	Corporate lending		SME		Consumer lending		Mortgage		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than 30dpd	2,138,764	110,302	475,220	4,941	66,296	24,188	212,565	33,119	2,892,845	172,550
PD movement	1,043,447	94,258	123,808	544	-	-	-	-	1,167,255	94,802
- Forbearance support provided	28,679	1,365	76,676	197	8,118	2,094	28,845	2,770	142,318	6,426
- Other qualitative reasons	1,066,638	14,679	274,736	4,199	58,178	22,095	183,720	30,349	1,583,272	71,322
More than 30 dpd	318,060	33,475	152,374	10,779	82,143	26,085	335,080	58,641	887,657	128,980
<b>Total</b>	<b>2,456,824</b>	<b>143,777</b>	<b>627,594</b>	<b>15,719</b>	<b>148,439</b>	<b>50,274</b>	<b>547,645</b>	<b>91,760</b>	<b>3,780,502</b>	<b>301,530</b>

##### ii) Analysis of Stage 3 Loans

An analysis of stage 3 loans is presented below. The table shows loans less than 90 dpd and loans greater than 90 dpd by portfolio and by stage, thus presenting the loans classified as stage 3 due to ageing and those identified at an earlier stage due to other criteria. Stage

3 exposures are further analyzed to indicate those which are no longer credit impaired but in cure period that precedes a transfer back to stage 2. Analysis of stage 3 loans is presented below as at 31 December 2024 and 31 December 2023.

(All amounts are in thousands Albanian Lek unless otherwise stated)

**9. FINANCIAL RISK MANAGEMENT (continued)****9.1. CREDIT RISK (continued)****9.1.6 Loans and advances (continued)****c) Loans and advances impaired (continued)****ii) Analysis of Stage 3 Loans (continued)**

	Corporate lending			SME			Consumer lending			Mortgage			Total		
	Gross carrying amount	ECL	Coverage	Gross carrying amount	ECL	Coverage	Gross carrying amount	ECL	Coverage	Gross carrying amount	ECL	Coverage	Gross carrying amount	ECL	Coverage
31-Dec-24															
Less than 90 days	1,196,259	599,878	50%	192,901	107,241	56%	92,789	54,762	59%	199,793	93,351	47%	1,681,742	855,232	51%
More than 90 days	171,427	97,420	57%	379,280	227,583	60%	326,234	247,519	76%	181,112	73,988	41%	1,058,053	646,510	61%
<b>Total</b>	<b>1,367,686</b>	<b>697,298</b>	<b>51%</b>	<b>572,181</b>	<b>334,824</b>	<b>59%</b>	<b>419,023</b>	<b>302,281</b>	<b>72%</b>	<b>380,905</b>	<b>167,339</b>	<b>44%</b>	<b>2,739,795</b>	<b>1,501,742</b>	<b>55%</b>
-No longer impaired but in cure period	165,170	-	0%	8,014	7,405	92%	30,293	13,466	44%	93,443	20,249	22%	296,920	41,120	14%
-Other	1,202,516	697,299	58%	564,168	327,419	58%	388,730	288,815	74%	287,463	147,090	51%	2,442,877	1,460,623	60%
31-Dec-23															
Less than 90 days	1,254,720	600,631	48%	205,783	50,470	25%	99,585	57,386	58%	172,322	53,216	31%	1,732,410	761,703	44%
More than 90 days	178,535	95,125	53%	299,458	182,699	61%	289,699	220,937	76%	200,541	101,969	51%	968,233	600,730	62%
<b>Total</b>	<b>1,433,255</b>	<b>695,756</b>	<b>49%</b>	<b>505,241</b>	<b>233,169</b>	<b>46%</b>	<b>389,284</b>	<b>278,323</b>	<b>71%</b>	<b>372,863</b>	<b>155,185</b>	<b>42%</b>	<b>2,700,643</b>	<b>1,362,433</b>	<b>50%</b>
-No longer impaired but in cure period	77,200	30,441	39%	19,875	11,301	57%	43,197	16,061	37%	106,313	29,437	28%	246,585	87,240	35%
-Other	1,356,055	665,315	49%	485,365	221,868	46%	346,087	262,262	76%	266,551	125,748	47%	2,454,058	1,275,193	52%

**iii) Sensitivity analysis including consideration for inflation, interest rate and other current economic situation**

The assessment and measurement of ECL is complex and considerably input sensitive during times of high uncertainty and volatility, which especially require careful assessment of the scenarios avoiding overly optimistic and pessimistic extremes, but as well requiring exercising of judgement, in relation to the macroeconomic forecasts used for the estimation of the FLI. The latest receives importance under the circumstances of high uncertainty on the expectations

of the macroeconomic developments over the coming year, and as a result high volatility of such parameters. The modelling and development of statistical relationships between the probability of default and the macroeconomic developments has presented significant challenges, as result of the neutralization effects of measures taken by the government in support of retail and business customers. As such, it has required application of expert judgement in deriving conclusions on a possible plausible FLI.

The Bank has recognized and prepared itself for

## **Tirana Bank SHA**

*(All amounts are in thousands Albanian Lek unless otherwise stated)*

### **9. FINANCIAL RISK MANAGEMENT (continued)**

#### **9.1. CREDIT RISK (continued)**

##### **9.1.6 Loans and advances (continued)**

###### **c) Loans and advances impaired (continued)**

###### **iii) Sensitivity analysis including consideration for inflation, interest rate and other current economic situation (continued)**

the possible negative effects that the last years' developments may present and considered the challenges faced with the required attention. Since the earthquake of 2019, the pandemic of 2020 and the worldwide effects of the Russia-Ukraine war materialized in high inflation and turbulence in the markets, the Bank has been constantly stress testing its loans and securities portfolios and intensified contact with clients to estimate the magnitude of the impact of these possible events and ensure adequate measures are taken to minimize negative effects.

Despite the uncertainties, Tirana Bank increased during the year 2023 its loans portfolio in real terms and its NPLR over the last years decreased from Dec'20:7.2% to Dec'21: 4.9% and further down to Dec'22: 3.8%, continuing with a slight increase Dec'23: 4.3% and 2024 showing decrease with a NPLR of 3.1%, being impacted mostly from the business segment. As it was foreseen but at a much lower magnitude, the retail category showed an increase of its gross non-performing loans. However, as result of combined effects of immaterial NPLs increase and portfolio expansion, the NPLR of the retail portfolio decreased from Dec'21: 3.8% to Dec'22: 3.2% remaining stable in 2023 Dec'23: 3.2% and closing year 2024 with a slight decrease, reaching NPLR of 2.8%. With reference to the business loans segment, the

decrease of non-performing loans and the expansion of the respective portfolio led to a more material improvement of the NPLR over the last years from Dec'21: 5.4% to Dec'22: 4.1%, slight deterioration during 2023 with a NPLR of 4.7% and decrease of NPLR in 2024, reaching the level of 3.2%.

The Bank understands that the proactive management of sensitive customers is the key to the successful management of the possible deterioration of the loan's portfolio, so that their negative effects are foreseen, provisioned, and contained within acceptable levels. Identification of the most sensitive customers is a regular process which aims at concluding through restructuring measures to prevent the further deterioration of the customer, and provisions have been raised accordingly in anticipation of future deterioration.

###### **iv) Sensitivity analysis including consideration as inflation, interest rate and other current economic situation**

Furthermore, the Bank has continuously stressed tested its loans portfolio to identify possible effects of higher inflation and interest rates on the quality of the loans portfolio and its financial standing. However, during

**9. FINANCIAL RISK MANAGEMENT (continued)**

**9.1. CREDIT RISK (continued)**

**9.1.6 Loans and advances (continued)**

*c) Loans and advances impaired (continued)*

**iv) Sensitivity analysis including consideration as inflation, interest rate and other current economic situation (continued)**

2024 it is not noticed any material deterioration of the loans portfolio specifically linked to the mentioned negative developments. Customers financed in foreign currency, mostly Eur, have been supported by the appreciation of Lek vs Eur, which has netted some of the negative effect of the rising interest rates in the last years.

Furthermore, after the sharp increase of the Treasury Bills rates, reaching the level of 3.69%, they have continued in a decreasing trend during 2023 and 2024, therefore further repricing of loans in Lek have shown a more normalized situation for the customers. The Bank is committed to monitor the situation and act accordingly very carefully and constantly for limitation of possible negative effects.

In selecting the FLIs to be used for year 2025, in absence of viable statistical models, the Bank has exercised expired judgement considered both its baseline and adverse expectations, assigning to the adverse expectations a higher probability of occurrence, due to the uncertainties for the following year related to international developments, a possible real estate market crisis and their impact on the local economy. These FLIs are further used in the process of creating reserve funds, in anticipation of possible deteriorations beyond what expected in the baseline scenario.

Expectations for the PDs during year 2025 are as below presented:

PIT quarterly PD	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Average PiT PD 2023	Average PiT PD 2024	Stressed 2024 PiT avg. PD	Stressed FLI*
<b>Business</b>	2.6%	1.7%	1.6%	1.2%	3.4%	1.8%	2.1%	17.1%
<b>Retail</b>	1.7%	1.5%	1.4%	1.4%	1.7%	1.5%	1.9%	23.3%

\*The stressed FLI is considered as final FLI for year 2024 under one unified scenario

**Overview of modified and forbore loans**

The Bank may enter into a forbearance agreement with a borrower who faces or is expected to face financial difficulties in order to ease the contractual obligation for a period of time. A case-by-case approach is

applied for all customers considering client specific facts and circumstances. Typical repayment options offered include distribution over residual tenor, a one-off payment or a tenor extension. Forbearances depend on the economic situation of the client and

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.1. CREDIT RISK (continued)

##### 9.1.6 Loans and advances (continued)

###### c) Loans and advances impaired (continued)

###### iv) Sensitivity analysis including consideration as inflation, interest rate and other current economic situation (continued)

should a forbearance take place, the need for an impairment charge is assessed and if necessary, the loan is recorded as impaired.

The Bank uses the EBA definition of forbearances and non-performing loans.

A forbore exposure may be considered as performing from the date when forbearance measures were extended if either of the following conditions is met:

- this extension has not led the exposure to be classified as non-performing (therefore no risk for non-repayment is evidenced);
- the exposure was not under non-performing status at the date the forbearance measures were extended.
- 1 year from being non-performing has passed, and the loan is not in delay > 30 days.

Unless there is evidence to the contrary, forbore exposures meeting any of the following criteria should be classified as non-performing in any case:

- Non-performing loans at the moment of the restructuring or loans which would be classified as NP in the absence of above measures.
- New loans serving to repayment of non-performing exposures (timely close to the forbearance measures).
- Modifications of contract's clauses providing for debt write off.

Modifications of contract's clauses providing for repayment through realization of collateral or transfer to the Bank

Forborne assets at amortized cost

In '000 Lek	Exposure		ECL	
	2024	2023	2024	2023
Stage 1	-	-	-	-
Stage 2	30,419	141,670	4,649	6,426
Stage 3	1,296,125	1,438,484	645,218	638,095
<b>Total forbore loans</b>	<b>1,326,544</b>	<b>1,580,154</b>	<b>649,867</b>	<b>644,521</b>

**9. FINANCIAL RISK MANAGEMENT (continued)****9.1. CREDIT RISK (continued)****9.1.6 Loans and advances (continued)***c) Loans and advances impaired (continued)***iv) Sensitivity analysis including consideration as inflation, interest rate and other current economic situation (continued)***Overview of modified and forborne loans (continued)*

Development of forborne financial assets at amortized cost

<b>In '000 Lek</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Balance at beginning of period	1,580,154	1,360,756
Classified forborne during the year	60,159	563,705
Transferred to non-forborne during the year (including repayments)	(49,280)	(224,703)
Other movements including exchange rate	(264,490)	(119,604)
<b>Balance at end of period</b>	<b>1,326,543</b>	<b>1,580,154</b>

**9.2. 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) 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. The Market Risk issues are followed up in regular basis by "Asset & Liabilities Management Committee" (ALCO).

**9.2.1 Foreign exchange risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank attempts to manage this risk by closing daily open foreign currency positions and by establishing and monitoring limits on open positions.

Concentrations of currency risk – on and off-balance sheet financial instruments is presented below:

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.2. MARKET RISK (continued)

##### 9.2.1 Foreign exchange risk (continued)

<b>Assets</b>					
Cash and balances with Central Bank	7,199,141	715,805	6,324,434	27,291	<b>14,266,671</b>
Due from banks	5,361,587	1,018,262	-	707,855	<b>7,087,704</b>
Loans and advances to customers	33,637,729	824,107	41,098,499	5,569	<b>75,565,904</b>
Financial assets at FVOCI	16,108,678	746,384	10,881,950	-	<b>27,737,012</b>
Financial assets at AC	3,538,271	195,703	28,081,398	-	<b>31,815,372</b>
Other assets	-	-	252,695	-	<b>252,695</b>
<b>Total financial assets</b>	<b>65,845,406</b>	<b>3,500,261</b>	<b>86,638,976</b>	<b>740,715</b>	<b>156,725,358</b>
<b>Liabilities</b>					
Due to banks	90,284	5,084	15,631,418	10,948	<b>15,737,734</b>
Due to customers	62,966,901	3,508,235	56,171,890	733,268	<b>123,380,294</b>
Subordinated debt	1,418,278	-	-	-	<b>1,418,278</b>
Lease liabilities	530,119	3,700	7,975	-	<b>541,794</b>
<b>Total financial liabilities and equity</b>	<b>65,005,582</b>	<b>3,517,019</b>	<b>71,811,283</b>	<b>744,216</b>	<b>141,078,100</b>
<b>Net on-balance sheet currency position</b>	<b>839,824</b>	<b>(16,758)</b>	<b>14,827,693</b>	<b>(3,501)</b>	<b>15,647,258</b>
<b>Off-balance sheet items</b>	<b>5,984,775</b>	<b>917,122</b>	<b>4,580,907</b>	<b>-</b>	<b>11,482,804</b>

<b>At December 31, 2023</b>	<b>EUR</b>	<b>USD</b>	<b>LEK</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash and balances with Central Bank	7,543,343	729,689	3,068,982	24,243	<b>11,366,257</b>
Due from banks	5,667,174	1,768,672	-	731,827	<b>8,167,673</b>
Loans and advances to customers	26,596,725	940,525	28,823,117	7,893	<b>56,368,260</b>
Financial assets at FVOCI	14,001,782	1,141,956	14,608,420	-	<b>29,752,158</b>
Financial assets at AC	6,338,640	195,609	15,127,147	-	<b>21,661,396</b>
Other assets	-	-	244,780	-	<b>244,780</b>
<b>Total financial assets</b>	<b>60,147,664</b>	<b>4,776,451</b>	<b>61,872,446</b>	<b>763,963</b>	<b>127,560,524</b>

(All amounts are in thousands Albanian Lek unless otherwise stated)

**9. FINANCIAL RISK MANAGEMENT (continued)****9.2. MARKET RISK (continued)****9.2.1 Foreign exchange risk (continued)**

<b>Liabilities and equity</b>					
Due to banks	39,290	16,727	6,881,577	11,770	<b>6,949,364</b>
Due to customers	55,421,522	4,782,612	46,140,428	734,532	<b>107,079,094</b>
Subordinated debt	1,501,077	-	-	-	<b>1,501,077</b>
Lease liabilities	483,887	4,766	15,385		<b>504,038</b>
<b>Total financial liabilities and equity</b>	<b>57,445,776</b>	<b>4,804,105</b>	<b>53,037,390</b>	<b>746,302</b>	<b>116,033,573</b>
<b>Net on-balance sheet currency position</b>	<b>2,701,888</b>	<b>-27,654</b>	<b>8,835,056</b>	<b>17,661</b>	<b>11,526,951</b>
<b>Off-balance sheet items</b>	<b>5,595,363</b>	<b>1,137,724</b>		<b>-</b>	<b>6,733,087</b>

**Sensitivity analysis of currency risk**

The Bank is mainly exposed to EUR and US Dollar (USD). The following table details the Bank's sensitivity to the respective increase and decrease in the value of LEK against the foreign currencies. The percentage used is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange

rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a respective change in foreign currency rates. The Bank has applied a 10% increase or decrease to the currency exchange rates. A positive number below indicates an increase in profit and other equity where the LEK strengthens with respective percentages against the relevant currency.

		31-Dec-24		31-Dec-23	
	Increase/(Decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
EURO	+/- 100	102,628	(102,628)	284,211	(284,211)
USD	+/- 100	(1,699)	1,699	(2,688)	2,688
Other	+/- 100	(350)	350	1,766	(1,766)

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.2. MARKET RISK (continued)

##### 9.2.2. Interest rate risk

The Bank's financial income and expenses are subject to the risk of fluctuations to the extent that income-earning assets and income-bearing liabilities mature or re-price at different times or in differing amounts. The Bank attempts to mitigate this risk by monitoring the re-pricing dates of its assets and liabilities. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within re-pricing periods and among currencies.

Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes.

In decreasing interest rate environments, margins earned will narrow as liabilities interest rates will decrease with a lower percentage compared to assets interest rates. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The Bank attempts to mitigate this interest rate risk by monitoring the reprising dates of its assets and liabilities and setting product reprising terms in order to manage gain / loss from changes in market base rates. In addition, the Bank has contractual rights to revise the interest rates on a major part of its loan portfolio on a quarterly basis. The following table presents the interest rate reprising dates for the Bank's assets and liabilities. Variable-rate assets and liabilities have been reported according to their next rate change date. Fixed-rate assets and liabilities have been reported according to their scheduled principal repayment dates:

As at December 31, 2024	Less than one month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Non-interest bearing	Total
<b>Assets</b>						
Cash and balances with the Central Bank	11,350,284	-	-	-	2,916,387	14,266,671
Loans and advances to banks	7,087,704	-	-	-	-	7,087,704
Loans and advances to customers, net	6,699,377	10,426,282	21,865,757	36,574,488	-	75,565,904
Financial assets at FVOCI	3,278,080	7,753,814	926,901	15,778,217	-	27,737,012
Financial assets at AC	619,696	586,284	910,940	29,698,452	-	31,815,372
Other assets	-	-	-	-	252,695	252,695
<b>Total financial assets</b>	<b>29,035,141</b>	<b>18,766,380</b>	<b>23,703,598</b>	<b>82,051,157</b>	<b>3,169,082</b>	<b>156,725,358</b>
<b>Liabilities</b>						
Due to banks	15,737,734	-	-	-	-	15,737,734
Due to customers	57,815,499	7,804,005	36,487,846	17,670,749	3,602,195	123,380,294
Subordinated debt	-	-	-	1,418,278	-	1,418,278
Lease liabilities	-	-	200,851	340,943	-	541,794
<b>Total financial liabilities</b>	<b>73,553,233</b>	<b>7,804,005</b>	<b>36,688,697</b>	<b>19,429,970</b>	<b>3,602,195</b>	<b>141,078,100</b>
<b>Interest sensitivity gap</b>	<b>(44,518,092)</b>	<b>10,962,375</b>	<b>(12,985,099)</b>	<b>62,621,187</b>	<b>(433,113)</b>	<b>15,647,258</b>

*(All amounts are in thousands Albanian Lek unless otherwise stated)***9. FINANCIAL RISK MANAGEMENT (continued)****9.2. MARKET RISK (continued)****9.2.2. Interest rate risk (continued)**

The following table presents re-pricing dates for the Bank's assets and liabilities as at December 31, 2023.

As at December 31, 2023	Less than one month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Non-interest bearing	Total
<b>Assets</b>						
Cash and balances with the Central Bank	8,799,556	-	-	-	2,566,701	11,366,257
Loans and advances to banks	8,167,673	-	-	-	-	8,167,673
Loans and advances to customers, net	4,628,260	7,191,453	42,584,963	1,963,584	-	56,368,260
Financial assets at FVOCI	9,463,322	3,715,553	1,533,534	15,039,749	-	29,752,158
Financial assets at AC	240,979	-	789,181	20,631,236	-	21,661,396
Other assets	-	-	-	-	244,780	244,780
<b>Total financial assets</b>	<b>31,299,790</b>	<b>10,907,006</b>	<b>44,907,678</b>	<b>37,634,569</b>	<b>2,811,481</b>	<b>127,560,524</b>
<b>Liabilities</b>						
Due to banks	6,949,364	-	-	-	-	6,949,364
Due to customers	15,349,703	9,594,377	37,769,526	41,935,057	2,430,431	107,079,094
Subordinated debt	-	-	-	1,501,077	-	1,501,077
Lease liabilities	-	-	175,065	328,973	-	504,038
<b>Total financial liabilities</b>	<b>22,299,067</b>	<b>9,594,377</b>	<b>37,944,591</b>	<b>43,765,107</b>	<b>2,430,431</b>	<b>116,033,573</b>
<b>Interest sensitivity gap</b>	<b>9,000,723</b>	<b>1,312,629</b>	<b>6,963,087</b>	<b>(6,130,538)</b>	<b>381,050</b>	<b>11,526,951</b>

Due to specifics of Albanian market, a large amount of customer deposits has a maturity of less than one month. However, the potential negative effect of adverse evolution in interest rates is significantly reduced due to low interest rates set by the Bank on customer demand deposits.

The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. At December 31, 2023, if interest

rates had been 100 basis points higher/lower with all other variables were held constant, the Bank's pre-tax profit for the twelve-month period ended December 31, 2024 would respectively increase/decrease by approximately Lek 129,094 thousand (2023: Lek 91,010 thousand).

Interest rate sensitivity analysis by currency is presented below.

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.2. MARKET RISK (continued)

##### 9.2.2. Interest rate risk (continued)

	EUR	USD	Other currencies	LEK	Total
<b>At December 31, 2024</b>					
Total interest-bearing financial assets	64,614,028	3,262,654	713,423	85,218,865	153,808,970
Total interest-bearing financial liabilities	64,819,124	3,517,255	744,216	71,818,997	140,899,592
Interest sensitivity gap	(205,096)	(254,601)	(30,793)	13,399,868	12,909,378
<b>Sensitivity if interest rates increase by 100 bp</b>	<b>(2,051)</b>	<b>(2,546)</b>	<b>(308)</b>	<b>133,999</b>	<b>129,094</b>
<b>Sensitivity if interest rates decrease by 100 bp</b>	<b>2,051</b>	<b>2,546</b>	<b>308</b>	<b>(133,999)</b>	<b>(129,094)</b>

	EUR	USD	Other currencies	LEK	Total
<b>At December 31, 2023</b>					
Total interest-bearing financial assets	58,678,087	4,567,498	739,721	61,008,517	124,993,823
Total interest-bearing financial liabilities	57,305,550	4,803,275	746,302	53,037,693	115,892,820
Interest sensitivity gap	1,372,537	(235,777)	(6,581)	7,970,824	9,101,003
<b>Sensitivity if interest rates increase by 100 bp</b>	<b>13,725</b>	<b>(2,358)</b>	<b>(66)</b>	<b>79,708</b>	<b>91,009</b>
<b>Sensitivity if interest rates decrease by 100 bp</b>	<b>(13,725)</b>	<b>2,358</b>	<b>66</b>	<b>(79,708)</b>	<b>(91,009)</b>

#### 9.3. LIQUIDITY RISK

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

Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, and share capital. The Bank makes its best efforts to maintain a balance between continuity of funding and flexibility using liabilities with a range of maturity. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting

business goals and targets set in terms of the overall Bank strategy, while regularly performing liquidity risk stress testing presented to the Board of Directors.

In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy. The levels of these indicators are communicated on a daily basis to the persons in charge of the Bank's departments, and the comments, as well as the respective estimates, are included in the reporting package for the members of the Assets and Liabilities Management Committee ("ALCO").

ALCO has the responsibility to define the strategy for the development of assets and liabilities, depending

## **9. FINANCIAL RISK MANAGEMENT (continued)**

### **9.3. LIQUIDITY RISK (continued)**

on the qualitative and quantitative data of the organization and developments in the market; Ensure a high level of competition and effective organization; Maintain risks at defined limits; Manage assets and liabilities by applying price policies to products and services at the same time.

For liquidity purposes, the Bank classifies demand and saving deposits as due on demand and maturing within one month. As a result, the remaining maturity liquidity gap of up to twelve months is increased. However, the bank performs various stress tests to confirm the ability to cover with liquidity any possible severe situation of deposits withdrawal. Furthermore, it has high level of liquid assets and a very diversified funding base with very low concentration which further lowers the liquidity risk.

The Bank is maintaining a portfolio of highly marketable financial assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. The management of the Bank is monitoring liquidity ratios against internal and regulatory requirements on a daily basis. As a result, Management believes that the Bank can respond properly to possible cash outflows over short term.

#### **9.3.1. Liquidity risk management process**

The management of liquidity risk is a key objective of the Bank and evolves a broad set of activities spanning from the close monitoring of its liquidity position to the management of its funding sources and the uses of funds, in a way that does not compromise the ability of the Bank to meet its obligations.

The Bank has adopted best practices and regulatory/supervisory guidelines in depicting the Bank's liquidity position and the potential effects of adverse changes arising from the maturity (and non-renewal) of its funding sources as well as potential reduction in the value of its liquid assets. It exercises close monitoring of the cost of liquidity and it has ensured compliance with the regulatory liquidity risk framework while maintaining and regularly reviewing methodologies, policies, procedures and systems so as to effectively manage liquidity risk.

The bank has maintained under careful monitoring its liquidity levels ensuring they remain above the regulatory minimums and internal limits. Frequent stress tests are applied varying from sensitivity analysis to cash flow scenario analysis. The Bank has in place a contingency funding plan, well defined recovery plans and regularly updated internal regulatory framework covering the liquidity risk management.

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### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.3. LIQUIDITY RISK (continued)

##### 9.3.1. Liquidity risk management process (continued)

The table below analyses financial assets and liabilities into relevant time periods based on the remaining period at reporting date to the contractual maturity date. Assets and liabilities in foreign currency are converted into LEK using FX rates as at the year end. The assumptions made are that scheduled payments to the bank are honoured in full and on time and in

addition, all contractual payments are discharged in full – e.g. that depositors will withdraw their money rather than roll it over on maturity. Those assets and liabilities lacking actual maturities (e.g. open accounts, demand deposits, or savings accounts) are assigned to the time band less than one month.

As at December 31, 2024	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 Years	Total
<b>Assets liquidity</b>						
Cash and balances with the Central Bank	14,266,671	-	-	-	-	14,266,671
Due from banks	7,087,704	-	-	-	-	7,087,704
Loans and advances to customers, net	4,392,645	5,453,866	24,878,218	19,925,914	20,915,261	75,565,904
Financial assets at FVOCI	3,278,080	7,753,814	926,900	10,833,342	4,944,876	27,737,012
Financial assets at AC	619,696	586,284	910,940	19,170,824	10,527,628	31,815,372
Other assets	252,695	-	-	-	-	252,695
<b>Total financial assets</b>	<b>29,897,491</b>	<b>13,793,964</b>	<b>26,716,058</b>	<b>49,930,080</b>	<b>36,387,765</b>	<b>156,725,358</b>
<b>Liabilities liquidity</b>						
Due to banks	15,737,734	-	-	-	-	15,737,734
Due to customers	56,669,033	6,985,499	41,406,380	17,969,535	349,847	123,380,294
Subordinated debt	-	-	-	-	1,418,278	1,418,278
Other Liabilities	2,010,059	-	175,065	328,973	-	2,514,097
Loan commitments	3,054,668	-	4,156,182	-	-	7,210,850
Letters of Guarantees	173,920	196,662	982,638	2,918,751	-	4,271,971
<b>Total financial liabilities</b>	<b>77,645,414</b>	<b>7,182,161</b>	<b>46,720,265</b>	<b>21,217,259</b>	<b>1,768,125</b>	<b>154,533,224</b>
<b>Net liquidity gap</b>	<b>(47,747,923)</b>	<b>6,611,803</b>	<b>(20,004,207)</b>	<b>28,712,821</b>	<b>34,619,640</b>	<b>2,192,134</b>

All Bank's customer current accounts are included in liabilities maturing less than one month. Current accounts do represent balances that have a history and a deviation in amounts which is measured by the Bank and is far less than the shown negative gap on tenors less than one month. Any issue arising from

liquidity mismatch is managed through inter-bank activity (borrowing, lending) within the pre-approved credit lines. Based on regulatory liquidity ratios it is presumed that at least 80% of customer deposits will be rolled over.

(All amounts are in thousands Albanian Lek unless otherwise stated)

**9. FINANCIAL RISK MANAGEMENT (continued)****9.3. LIQUIDITY RISK (continued)****9.3.1. Liquidity risk management process (continued)**

The following table shows the Bank's assets and liabilities by remaining contractual maturity at December 31, 2023:

As at December 31, 2023	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 Years	Total
<b>Assets liquidity</b>						
Cash and balances with the Central Bank	11,366,257	-	-	-	-	11,366,257
Due from banks	8,167,673	-	-	-	-	8,167,673
Loans and advances to customers, net	2,114,441	5,522,922	17,896,214	14,454,629	16,380,054	56,368,260
Financial assets at FVOCI	9,463,322	3,715,553	1,533,534	9,160,705	5,879,044	29,752,158
Financial assets at AC	240,979	-	789,181	10,966,872	9,664,364	21,661,396
Other assets	244,780	-	-	-	-	244,780
<b>Total financial assets</b>	<b>31,597,452</b>	<b>9,238,475</b>	<b>20,218,929</b>	<b>34,582,206</b>	<b>31,923,462</b>	<b>127,560,524</b>
<b>Liabilities liquidity</b>						
Due to banks	6,949,364	-	-	-	-	6,949,364
Due to customers	45,308,236	9,466,647	34,044,402	17,924,058	335,751	107,079,094
Subordinated debt	-	-	-	-	1,501,077	1,501,077
Other Liabilities	1,324,126	-	132,151	231,133	-	1,687,410
Loan commitments	2,599,515	-	5,384,676	14,757	-	7,998,948
Letters of Guarantees	236,200	266,055	3,255,174	-	-	3,757,429
<b>Total financial liabilities</b>	<b>56,417,441</b>	<b>9,732,702</b>	<b>42,816,403</b>	<b>18,169,948</b>	<b>1,836,828</b>	<b>128,973,322</b>
<b>Net liquidity gap</b>	<b>(24,819,989)</b>	<b>(494,227)</b>	<b>(22,597,474)</b>	<b>16,412,258</b>	<b>30,086,634</b>	<b>(1,412,798)</b>

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.

**9.4. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES****9.4.1 Valuation principles**

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.

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*(All amounts are in thousands Albanian Lek unless otherwise stated)*

### **9. FINANCIAL RISK MANAGEMENT (continued)**

#### **9.4. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)**

##### **9.4.1. Valuation principles (continued)**

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 6.4

##### **9.4.2 Valuation governance**

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line divisions.

Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the independent price verification team within Finance which reports to the Chief Financial officer.

The independent price verification (IPV) team validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters

The team also challenges the model calibration on at least a quarterly basis or when significant events in the relevant markets occur.

The IPV team works together with the Finance function's accounting policy team and is responsible for ensuring that the final reported fair value figures are in compliance with IFRS and will propose adjustments when needed.

When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs), the independent price verification team is also responsible for:

- Verifying and challenging the approved list of providers
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements

Valuation techniques and specific considerations for Level 3 inputs are further explained in note 9.4.4

**9. FINANCIAL RISK MANAGEMENT (continued)****9.4. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)****9.4.3 Financial instruments carried at amortized cost**

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been based on management assumptions according to the profile of the asset and liability base.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

	Carrying value		Fair value	
	2024	2023	2024	2023
<b>Financial assets</b>				
Cash and balances with the Central Bank	14,266,671	11,366,257	14,266,671	11,366,257
Due from banks	7,087,704	8,167,673	7,087,704	8,167,673
Loans and advances to customers	75,565,904	56,368,260	79,925,772	60,452,105
Financial assets at AC	31,815,372	21,661,396	33,158,772	21,596,547
<b>Financial liabilities</b>				
Due to customers	123,380,294	107,079,094	124,464,155	117,824,653
Due to banks	15,737,734	6,949,364	15,737,734	6,949,364
Subordinated debt	1,418,278	1,501,077	1,418,278	1,501,077

**a) Cash and balances with the Central Bank, Due from banks**

The fair value of cash and balances with the Central Bank is approximately equal to the carrying value, because of their short-term maturity. Loans and advances to banks include inter-bank placements. The fair value of fixed rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest - bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. With respect to deposits to banks, these are short-term deposits, for which the

carrying interest rate does not significantly differ from the market interest rate as at 31 December 2024 and 2023. These contracts are generally Level 2 unless adjustments to yield curves or credit spreads are based on significant non-observable inputs, in which case they are classified as Level 3.

**b) Loans and advances to customers**

Loans and advances are net of allowances for impairment. For year 2024, the fair value of loans and advances to customers is approximately equal to their carrying value due to fact that the main part of the loan portfolio carries floating interest rates which

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.4. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

##### 9.4.3 Financial instruments carried at amortized cost (continued)

reflect the changes in the market conditions. The fair value of loans and advances to customers is their expected cash flow discounted at current market rates. Current market rates are interest rates the Bank would charge at the moment (year-end). Loans and advances to customer are classified as Level 3.

##### c) *Financial assets at AC*

Financial assets at amortized cost include bonds issued by Albanian Government in LEK, and bonds issued by foreign banks and financial institutions in EUR which are bought with the intention to hold till maturity. Quoted prices in active markets were not available for government bonds issued in LEK. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs.

Therefore, whenever the quoted prices exist, the securities are included in the Level 1 of the fair value hierarchy (i.e. foreign government bonds and corporate bonds) – use of the quoted price in an active market for that instrument).

With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Bank classifies Albanian government securities as Level 2 financial instruments when no unobservable inputs are used for their valuation, or the unobservable inputs used are not significant to the measurement (as a whole).

##### d) *Due to banks and customers*

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. At year-end 2024 and 2023, management estimates the due to customer's fair value approximates the carrying value, because during the year 2024 the Bank has issued interest rates for the customer deposits similar to market.

Due to banks mainly refers to market borrowing with a maturity of one month from the date of the balances sheet and therefore their fair value is considered to approximate the carrying value.

##### e) *Subordinated Debt*

The fair value of subordinated debt approximates the par value of the debt. Subordinated debt is used a level 3 input in the fair value hierarchy.

#### 9.4.4 Financial instruments measured at fair value

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- **Level 1:** are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities.

**9. FINANCIAL RISK MANAGEMENT (continued)****9.4. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)****9.4.4 Financial instruments measured at fair value**

- **Level 2:** measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- **Level 3:** measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that

require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety. Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The Bank has no Level 3 financial instruments measured at fair value. Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	Carrying Amount	December 31, 2024		
		Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
Cash and balances with the Central Bank	14,266,671	-	9,228,357	5,038,314
Due from Banks	7,087,704	-	-	7,087,704
Loans and advances to customers	75,565,904	-	-	75,565,904
Investment Securities at FVOCI	27,737,012	16,855,062	10,881,950	-
Financial assets at amortized cost	31,815,372	3,733,974	28,081,398	-
<b>FINANCIAL LIABILITIES</b>				
Customer accounts	123,380,294	-	-	124,464,155
Due to banks	15,737,734	-	-	15,737,734
Subordinated Debt	1,418,278	-	-	1,418,278

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### 9.4. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

##### 9.4.4 Financial instruments measured at fair value (continued)

		December 31, 2023		
	Carrying Amount	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
Cash and balances with the Central Bank	11,366,257	-	8,799,556	2,566,701
Due from Banks	8,167,673	-	-	8,167,673
Loans and advances to customers	60,452,105	-	-	60,452,105
Investment Securities at FVOCI	29,752,159	14,135,421	15,616,738	-
Financial assets at amortized cost	21,596,547	6,534,248	15,062,299	-
<b>FINANCIAL LIABILITIES</b>				
Customer accounts	117,824,653	-	-	117,824,653
Due to banks	6,949,364	-	-	6,949,364
Subordinated Debt	1,501,077	-	-	1,501,077

#### 9.5. CAPITAL MANAGEMENT

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- to comply with the capital requirements set by the Bank of Albania.
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by Bank of Albania, for supervisory purposes. The required information is filed with Bank of Albania on a quarterly basis.

The Bank has established internal procedures in compliance with the regulation on "Capital Adequacy Ratio", for the assessment and monitoring of capital requirement and capital adequacy.

Capital management and planning, ensures the Bank's sustainability under normal and stressed conditions of the economic and financial environment, taking into account the risks that the Bank is exposed to. Capital targets are set to ensure sufficient stability to protect depositors, as well as to support on-going business, by keeping a comfort buffer over regulatory requirements. Capital management is also an integral part of the Internal Capital Adequacy Assessment Process which aims to assess capital requirements in alignment with the Bank's risk profile and strategy.

Regulatory capital is the Bank's capital, calculated pursuant to the requirements of the Bank of Albania regulation, to cover credit risk, market risk

*(All amounts are in thousands Albanian Lek unless otherwise stated)*

## 9. FINANCIAL RISK MANAGEMENT (continued)

### 9.5. CAPITAL MANAGEMENT (continued)

and operational risk. The Bank's regulatory capital is divided into two tiers. The Bank calculates the regulatory capital as the sum of Tier 1 capital and Tier 2 capital, considering the deductions pursuant to the requirements prescribed in the Bank of Albania regulations.

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

a. Items of exposures and possible exposures weighted for the credit, or counterparty risk

b. Capital requirements for market risks; and  
c. Capital requirement for operational risk.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended December 31, 2024 and 2023. The Bank's capital adequacy is managed by its Risk Department. During these two years, the Bank complied with all of the externally imposed capital requirements.

	2024	2023
Common Equity Tier 1 capital	13,894,349	11,402,605
Tier 2 capital instruments	<b>1,191,794</b>	1,431,036
<b>Regulatory capital</b>	<b>15,086,143</b>	<b>12,833,641</b>
<b>Risk-weighted assets</b>	<b>87,431,512</b>	<b>72,696,051</b>
<b>CAR ratio</b>	<b>17.25%</b>	<b>17.65%</b>

The current year profit is included as an element of Common Equity Tier 1 after the audited financial statements are certified and reported to the regulator and after any intermediate (partial) dividend paid during the year, taxes and other obligations on the

profit have been deducted. After the inclusion of the current year profit as per Bank of Albania methodology financial statements, management estimates the capital adequacy ratio to become 18.69% as at 31 December 2024 (2023: 18.92%).

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***10. INTEREST AND SIMILAR INCOME**

	Year ended December 31, 2024	Year ended December 31, 2023
Income from loans and advances to customers	4,546,586	3,668,707
Income from financial assets	2,492,113	2,083,491
Income on accounts with banks	373,798	299,715
Interest income on leasing	183,630	76,903
<b>Total interest and similar income</b>	<b>7,596,127</b>	<b>6,128,816</b>

**11. INTEREST EXPENSE**

	Year ended December 31, 2024	Year ended December 31, 2023
Interest expense on due to customers	1,358,468	854,435
Interest expense on due to banks	267,078	152,766
Interest expense on subordinated debt	50,079	54,104
Interest expense on lease liabilities	4,016	1,773
<b>Total Interest and similar expense</b>	<b>1,679,641</b>	<b>1,063,078</b>

**12. NET FEES AND COMMISSION INCOME**

	Year ended December 31, 2024	Year ended December 31, 2023
<i>Fee income earned from services that are provided over a certain period of time</i>		
Account maintenance fee	191,445	176,237
Other Banking Services	250,329	176,016
Commission from ATM and POS	201,255	157,710
<i>Fee income from providing financial services and earned on the execution of a transaction</i>		
Transfer and payments	123,665	111,179
Banking operations	15,342	16,555
Letters of Credit and other	51,767	42,640
<b>Total fees and commission income</b>	<b>833,803</b>	<b>680,337</b>

*(All amounts are in thousands Albanian Lek unless otherwise stated)***12. NET FEES AND COMMISSION INCOME (continued)**

ATM and POS	(166,774)	(35,474)
Banking services	(2,433)	(1,492)
Correspondent banks	(8,927)	(8,152)
<b>Total fees and commission expense</b>	<b>(178,134)</b>	<b>(45,118)</b>
<b>Net fee and commission income</b>	<b>655,669</b>	<b>635,219</b>

**13. EXPECTED CREDIT LOSSES FROM ADVANCES TO BANKS, SECURITIES AND OFF-BALANCE SHEET ITEMS**

	Year ended December 31, 2024	Year ended December 31, 2023
Banks	(9)	(46)
Financial assets at FVOCI	20,825	(17,323)
Financial assets at amortized cost	(151,346)	(14,216)
Off-balance sheet	(28,676)	35,502
<b>Total</b>	<b>(159,206)</b>	<b>3,917</b>

**14. PERSONNEL EXPENSES**

	Year ended December 31, 2024	Year ended December 31, 2023
Wages and salaries	1,168,315	920,842
Contributions to state pension funds	136,787	107,732
Other staff costs	64,077	39,701
	<b>1,369,179</b>	<b>1,068,275</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 15. OTHER OPERATING EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Maintenance and security expenses	376,930	289,764
Fees for Deposit Insurance ASD	276,902	252,665
Other expenses	109,102	74,314
Advertising and marketing	92,092	78,815
Telecommunication expense	83,104	69,533
Card related expenses	79,453	170,446
Bank resolution fund	60,886	48,414
Expenses to third parties	47,904	37,931
Consultancy and other similar expenses	40,764	44,906
Utility expense	28,630	26,059
Fee and other related expenses	26,093	23,718
Stationaries and consumables	22,806	21,998
Taxes (excluding income tax)	17,400	17,848
Travel Expenses	17,123	11,960
Legal expenses	14,247	17,691
Other insurance expenses	9,656	14,464
Auditors fee	4,145	4,306
<b>Total</b>	<b>1,307,237</b>	<b>1,204,832</b>

### 16. INCOME TAX EXPENSE

The components of income tax expense for the years ended December 31, 2024 and 2023 are:

	Year ended December 31, 2024	Year ended December 31, 2023
<i>Current tax</i>		
Current tax expense	(547,816)	(405,530)
<i>Deferred tax</i>		
Relating to origination and reversal of temporary Differences	(3,454)	1,892
<b>Income tax expense reported in profit or loss</b>	<b>(551,270)</b>	<b>(403,638)</b>

(All amounts are in thousands Albanian Lek unless otherwise stated)

## 16. INCOME TAX EXPENSE (continued)

Reconciliation between the tax expense and the accounting profit multiplied by Albania's domestic tax rate for the years ended December 31, 2024 and 2023 is as follows:

The effective income tax rate for 2024 is 17.21% (2023: 17.21%).

Corporate income tax (receivable)/payable	2024	2023
<b>Income tax (receivable)/payable (as at 1 January)</b>	<b>(24,369)</b>	<b>(15,441)</b>
Income tax paid (due as at the end of previous period)		
Income tax prepaid to Tax Office	(519,922)	(414,458)
Current Income tax	547,816	405,530
<b>Income tax receivable (as at 31 December) (Note 26)</b>	<b>3,525</b>	<b>(24,369)</b>

The deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

	2024			
	Deferred tax Assets	Deferred tax Liabilities	Income Statement (Dr)/Cr	Financial assets available for sale Reserve (Dr)/Cr
Financial assets through FVOCI	5,804	-	-	269,333
Other deferred tax items	76,553	-	(3,454)	-
<b>Total</b>	<b>82,358</b>	<b>-</b>	<b>(3,454)</b>	<b>269,333</b>
<b>Deferred tax asset, net</b>	<b>82,358</b>			

	2023			
	Deferred tax Assets	Deferred tax Liabilities	Income statement (Dr)/Cr	Financial assets available for sale Reserve (Dr)/Cr
Financial assets through FVOCI	106,185	-	-	(263,528)
Other deferred tax items	80,008	-	1,892	-
<b>Total</b>	<b>186,193</b>	<b>-</b>	<b>1,892</b>	<b>(263,528)</b>
<b>Deferred tax assets, net</b>	<b>186,193</b>			

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 16. INCOME TAX EXPENSE (continued)

As at December 31, 2024 and 2023, other deferred tax items, include deferred tax assets/liabilities as a result of temporary differences between the carrying amount

and tax base at the balance sheet date of Property, plant and equipment's and loan commissions.

### 17. OTHER INCOME, NET

	Year ended December 31, 2024	Year ended December 31, 2023
Recoveries from previously written off loans	12,216	17,751
Gain from sale of repossessed collaterals, net	(1,635)	3,856
Other income	139,997	8,676
<b>Total</b>	<b>150,578</b>	<b>30,283</b>

### 18. CASH AND BALANCES WITH THE CENTRAL BANK

	As at December 31, 2024	As at December 31, 2023
<b>Cash on hand</b>		
Notes and coins in LEK	1,420,110	863,983
Notes and coins in foreign currency	1,188,137	903,876
	<b>2,608,247</b>	<b>1,767,859</b>
<b>Balances with the Central Bank</b>		
<b>Current account</b>		
in LEK	2,121,927	798,842
in foreign currency	308,140	-
	<b>2,430,067</b>	<b>798,842</b>

**18. CASH AND BALANCES WITH THE CENTRAL BANK (continued)**

<b>Compulsory reserves</b>		
in LEK	2,780,929	2,204,072
in foreign currency	6,445,961	6,594,556
	<b>9,226,890</b>	<b>8,798,628</b>
Accrued interest	1,467	981
Expected credit losses	-	(53)
<b>Total balances with Central Bank</b>	<b>11,658,424</b>	<b>9,598,398</b>
<b>Total cash and balances with Central Bank</b>	<b>14,266,671</b>	<b>11,366,257</b>

Included in balances with the Central Bank is the statutory reserve for liquidity purposes, which represents a minimum reserve deposit, required by the Central Bank of Albania. Statutory reserves were calculated as follows:

The reserve ratio in LEK is:

- 7.5% for the liabilities included in the reserve base and with a maturity term up to 12 months.
- 5.0% for the liabilities included in the reserve base and with an initial maturity term of over 12 months to 2 years.

The reserve ratio in foreign currency is:

- 12.5% for the liabilities included in the reserve base, when the ratio of "liabilities in the relevant currency / the total of liabilities" of the Bank is up to 50 (fifty) per cent".
- 20% for the liabilities included in the reserve base, when the ratio of "liabilities in the relevant currency / the total of liabilities" of the Bank is higher than 50 (fifty) per cent".

The Bank must hold its minimum reserves in the reserve accounts at the Bank of Albania. During the maintenance period, the Bank may use only the minimum reserve in LEK, provided that the average of the reserve balance on the last day of the maintenance period does not fall below the required reserve level. The level of reserves used on daily basis by the Bank is expressed as a percentage and it is decided by the Bank of Albania's Supervisory Council. Starting from February 24th, 2018, the ratio is 70 per cent of the minimum required reserves.

Cash and balances with Central Bank, excluding cash on hand, is included in the analysis of the maximum exposure to credit risk (Note 9.1.5).

Interest on statutory reserve in the Central Bank is calculated as follows:

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***18. CASH AND BALANCES WITH THE CENTRAL BANK (continued)**

<b>2024</b>			
<b>Currency</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Calculating method</b>
LEK	2.75%	2.75%	100% of base lending rate
EUR	4.00%	4.00%	ECB interest rate on the deposit
<b>2023</b>			
<b>Currency</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Calculating method</b>
LEK	2.75%	3.25%	100% of base lending rate
EUR	4.00%	4.00%	ECB interest rate on the deposit

**19. DUE FROM BANKS**

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
<b>Current accounts</b>		
Nostro and demand deposits with banks	508,399	2,228,238
<b>Total current accounts</b>	<b>508,399</b>	<b>2,228,238</b>
<b>Placements</b>		
Placements – non-resident	6,578,500	5,936,835
Accrued Interest	861	2,615
<b>Total placements</b>	<b>6,579,361</b>	<b>5,939,450</b>
<b>Impairment on loans and advances to banks</b>	<b>(56)</b>	<b>(15)</b>
<b>Total loans and advances to banks</b>	<b>7,087,704</b>	<b>8,167,673</b>

The interest rates for nostros and demand deposits are floating. Nostro and demand deposits are detailed in the following table.

	<b>S&amp;P LT/ST</b>	<b>As at December 31, 2024</b>	<b>S&amp;P LT/ST</b>	<b>As at December 31, 2023</b>
<b>Nostro and demand deposits with banks</b>				
Raiffeisen Bank International AG	A-	356,735	A-	265,618
Deutsche Bank AG	A-	101,129	A-	1,822,100
Deutsche Bank Trust Bank Americas	A-	22,181	A-	98,232
Piraeus Bank SA	B-	28,354	B-	42,288
<b>Total</b>		<b>508,399</b>		<b>2,228,238</b>

*(All amounts are in thousands Albanian Lek unless otherwise stated)*
**19. DUE FROM BANKS (continued)**

<b>December 31, 2024</b>	<b>S&amp;P LT/ST</b>	<b>Currency</b>	<b>Original Currency</b>	<b>In Lek '000</b>
ALFA BANK GREECE	BB+	EUR	6,500,000	637,975
BBVA	A	EUR	19,800,000	1,943,370
BBVA	A	USD	10,000,000	942,600
SANPAOLO DI TOR	BBB	EUR	23,500,000	2,306,525
SANPAOLO DI TOR	BBB	GBP	5,500,000	649,880
ARABE-ISLAM.TIR	BB-	EUR	1,000,000	98,150
Accrued Interest				861
<b>Total</b>				<b>6,579,361</b>
<b>December 31, 2023</b>	<b>S&amp;P LT/ST</b>	<b>Currency</b>	<b>Original Currency</b>	<b>In Lek '000</b>
ALFA BANK GREECE	B	EUR	9,000,000	934,920
BBVA	A	EUR	8,000,000	831,040
BBVA	A	USD	17,500,000	1,643,950
SANPAOLO DI TORINO	BBB	EUR	18,000,000	1,869,840
SANPAOLO DI TORINO	BBB	GBP	5,500,000	657,085
Accrued Interest				2,615
<b>Total</b>				<b>5,939,450</b>

The table below shows the changes in the loss allowance of Due from Banks and the reasons for those changes during year 2024:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Loss allowance as at January 1, 2024</b>	<b>15</b>	-	-	-	<b>15</b>
<b>Movements with profit or loss impact:</b>					
Transfer between Stages	-	-	-	-	-
New financial assets originated or purchased	133	-	-	-	<b>133</b>
Changes in PDs/LGDs/EADs	(89)	-	-	-	<b>(89)</b>
Changes to model assumptions and methodologies/modification/write offs/FX, other	-	-	-	-	-
<b>Total net profit or loss charge during the period</b>	<b>44</b>	-	-	-	<b>44</b>
<b>Other movements with no profit or loss impact</b>	<b>(2)</b>	-	-	-	<b>(3)</b>
Financial assets derecognized during the period	-	-	-	-	-
<b>Loss allowance as at December 31, 2024</b>	<b>57</b>	-	-	-	<b>56</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 19. DUE FROM BANKS (continued)

The table below shows the changes in the loss allowance for Due from Banks and the reasons for those changes during year 2023:

	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loss allowance as at January 1, 2023</b>	<b>47</b>	-	-	-	<b>47</b>
<b>Movements with profit or loss impact:</b>					
Transfer between Stages	-	-	-	-	-
New financial assets originated or purchased	47	-	-	-	<b>47</b>
Changes in PDs/LGDs/EADs	(99)	-	-	-	<b>(99)</b>
Changes to model assumptions and methodologies/modification/write offs/FX, other	-	-	-	-	-
<b>Total net profit or loss charge during the period</b>	<b>(52)</b>	-	-	-	<b>(52)</b>
<b>Other movements with no profit or loss impact</b>	<b>20</b>	-	-	-	<b>20</b>
Financial assets derecognized during the period	-	-	-	-	-
<b>Loss allowance as at December 31, 2023</b>	<b>15</b>	-	-	-	<b>15</b>

Changes in the gross carrying amount of Due from Banks during 2024 that have contributed to changes in the loss allowances are presented in the below table:

	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying amount as at January 1, 2024</b>	<b>8,167,688</b>	-	-	-	<b>8,167,688</b>
Transfer between Stages	-	-	-	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	6,579,361	-	-	-	6,579,361
Modification of contractual cash flows of financial assets/changes in accruals/write offs	(7,344,558)	-	-	-	(7,344,558)
FX and other movements	(314,731)	-	-	-	(314,731)
<b>Gross carrying amount as at December 31, 2024</b>	<b>7,087,760</b>	-	-	-	<b>7,087,760</b>

Changes in the gross carrying amount of Due from Banks during the year 2023 that have contributed to changes in the loss allowances are presented in the below table:

(All amounts are in thousands Albanian Lek unless otherwise stated)

**19. DUE FROM BANKS (continued)**

	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying amount as of January 1, 2023</b>	<b>4,369,534</b>	-	-	-	<b>4,369,534</b>
Transfer between Stages	-	-	-	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	4,033,226	-	-	-	4,033,226
Modification of contractual cash flows of financial assets/changes in accruals/write offs					
FX and other movements	(235,072)		-		(235,072)
<b>Gross carrying amount as at December 31, 2023</b>	<b>8,167,688</b>	-	-	-	<b>8,167,688</b>

**20. LOANS AND ADVANCES TO CUSTOMERS, NET**

	As at December 31, 2024	As at December 31, 2023
Corporate lending	42,827,154	31,179,039
SME lending	11,574,800	8,330,329
<b>Total Corporate and SME lending</b>	<b>54,401,954</b>	<b>39,509,368</b>
Consumer lending	5,884,656	3,222,030
Mortgage	17,098,420	15,126,115
Financial Lease	62,639	21,501
Overdrafts	416,582	465,957
Credit cards	324,077	288,639
Loan commissions deferred through EIR	(357,806)	(251,378)
Accrued interest	326,202	224,341
<b>Gross loans and advances</b>	<b>78,156,724</b>	<b>58,606,573</b>
Less: Allowance for impairment losses	(2,590,820)	(2,238,313)
<b>Total</b>	<b>75,565,904</b>	<b>56,368,260</b>
Current	28,000,720	20,501,464
Non-current	47,565,184	35,866,796

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)**

Financial lease is the new product that the Bank has introduced during 2022. A detailed description of accounting treatment is disclosed in the Note 9. Financial lease portfolio as at 31 December 2024 is as follows:

	<b>31-Dec-24</b>	<b>31-Dec-23</b>
Less than 1 year	4,640	15,459
Between 1 and 2 years	44,717	3,684
Between 2 and 3 years	379,375	78,521
Between 3 and 4 years	807,087	467,801
Between 4 and 5 years	1,088,725	697,212
More than 5 years	319,804	284,799
Accrued interest	9,828	6,852
<b>Gross</b>	<b>2,654,176</b>	<b>1,554,328</b>
Provisions	(23,957)	(34,269)
<b>Total</b>	<b>2,630,219</b>	<b>1,520,059</b>

The table below shows the industry analysis of gross loans (without taking into consideration the “Loan commissions deferred” and “Accrued interest”) granted to corporate and SMEs clients.

	<b>2024</b>	<b>2023</b>
Manufacturing	5,306,390	5,155,652
Electricity	5,540,855	2,710,253
Trade	22,568,030	13,224,159
Construction	7,787,329	6,973,882
Financial intermediation	4,962,545	4,490,312
Other industries	8,236,805	6,955,110
<b>Total gross loans</b>	<b>54,401,954</b>	<b>39,509,368</b>

The interest rates for Loans and advances to customers are floating and are presented as follows:

<b>Currency</b>	<b>2024</b>	<b>2023</b>
LEK	12 months TBILLS + (0.5% - 12%)	12 months TBILLS + (0.5% - 12%)
USD	12 months SOFR + (2% - 4 %)	USD CME Term SOFR Rate 1 Year + (2%-4.6%)
EUR	12 months EURIBOR+ (0.0% -14%)	12 months EURIBOR+ (0.0% -14%)

(All amounts are in thousands Albanian Lek unless otherwise stated)

**20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)**

The movement in allowances (impairment) for losses on loans and advances to customers is as follows:

	2024	2023
<b>ECL allowances as at 1 January</b>	2,238,313	1,986,293
Charge for the year, net of recoveries	435,030	436,040
Write off	(26,316)	(101,620)
Exchange rate effect	(56,207)	(82,400)
<b>ECL allowance as at 31 December</b>	<b>2,590,820</b>	<b>2,238,313</b>
ECL charge for the year	435,030	436,040
Recoveries from previously written off loans (Note 17)	(12,215)	(17,750)
<b>Total net profit or loss charge during the period</b>	<b>422,815</b>	<b>418,290</b>
Individual impairments	976,237	846,818
Collective impairments	1,614,583	1,391,495
	<b>2,590,820</b>	<b>2,238,313</b>

In accordance with IFRS 9 below are presented the changes in the loss allowance for loans and advances to customers and the reasons for those changes during year 2024 and 2023 as per loan category. In the summary table below is presented an explanation of how changes in the gross carrying amount of loans and advances to customers during the period contributed to changes in the loss allowance during the period ended December 31, 2024 and 2023.

	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loss allowance as at January 1, 2024</b>	<b>585,822</b>	<b>290,058</b>	<b>1,362,433</b>	-	<b>2,238,313</b>
<b>Movements with profit or loss impact</b>					-
Transfers:	<b>136,999</b>	<b>(145,433)</b>	<b>8,434</b>	-	-
Transfers from Stage 1 to Stage 2	(23,748)	23,748	-	-	-
Transfers from Stage 1 to Stage 3	(1,572)	-	1,572	-	-
Transfers from Stage 2 to Stage 1	157,636	(157,636)	-	-	-
Transfers from Stage 2 to Stage 3	-	(28,788)	28,788	-	-
Transfers from Stage 3 to Stage 1	4,684	-	(4,684)	-	-
Transfers from Stage 3 to Stage 2	-	17,242	(17,242)	-	-
New financial assets originated or purchased	258,043	61,154	87,172	-	<b>406,369</b>
Changes in PDs/LGDs/EADs	81,473	(57,497)	(21,631)	-	<b>2,345</b>
Write-offs	-	-	14,100	-	<b>14,100</b>
<b>Total net profit or loss charge during the period</b>	<b>476,516</b>	<b>(141,777)</b>	<b>88,075</b>	-	<b>422,814</b>
<b>Other movements with no profit or loss impact</b>	<b>(345,664)</b>	<b>224,123</b>	<b>51,234</b>	-	<b>(70,307)</b>
Derecognized during the period	-	-	-	-	-
<b>Loss allowance as at December 31, 2024</b>	<b>716,674</b>	<b>372,404</b>	<b>1,501,742</b>	-	<b>2,590,820</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loss allowance as at January 1, 2023</b>	<b>435,437</b>	<b>296,578</b>	<b>1,254,278</b>		<b>1,986,293</b>
<b>Movements with profit or loss impact</b>					-
Transfers:	(70,213)	59,832	10,381	-	-
Transfers from Stage 1 to Stage 2	(126,000)	126,000	-	-	-
Transfers from Stage 1 to Stage 3	(5,545)	-	5,545	-	-
Transfers from Stage 2 to Stage 1	58,811	(58,811)	-	-	-
Transfers from Stage 2 to Stage 3	-	(50,614)	50,614	-	-
Transfers from Stage 3 to Stage 1	2,521	-	(2,521)	-	-
Transfers from Stage 3 to Stage 2	-	43,257	(43,257)	-	-
New financial assets originated or purchased	154,270	35,255	82,437	-	<b>271,962</b>
Changes in PDs/LGDs/EADs	71,875	(115,886)	(118,171)	-	<b>(162,182)</b>
Write-offs	-	-	(17,271)	-	<b>(17,271)</b>
<b>Total net profit or loss charge during the period</b>	<b>155,932</b>	<b>(20,799)</b>	<b>(42,624)</b>	-	<b>92,509</b>
<b>Other movements with no profit or loss impact</b>	<b>(5,547)</b>	<b>14,279</b>	<b>150,779</b>		159,511
Derecognized during the period	-	-	-	-	-
<b>Loss allowance as at December 31, 2023</b>	<b>585,822</b>	<b>290,058</b>	<b>1,362,433</b>		<b>2,238,313</b>

There are no POCI loans and derecognized loans during the period 2024 and 2023.

Changes in the gross carrying amount of loans and advances to customers during the period which contributed to changes in the loss allowance is presented in below table:

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at January 1, 2024</b>	<b>52,836,703</b>	<b>3,086,478</b>	<b>2,683,392</b>	<b>58,606,573</b>
Transfers:	<b>(114,671)</b>	<b>(107,936)</b>	<b>222,607</b>	-
Transfer from Stage 1 to Stage 2	(1,746,310)	1,746,310	-	-
Transfer from Stage 1 to Stage 3	(115,416)	-	115,416	-
Transfer from Stage 2 to Stage 1	1,735,846	(1,735,846)	-	-
Transfer from Stage 2 to Stage 3	-	(155,958)	155,958	-
Transfer from Stage 3 to Stage 1	11,209	-	(11,209)	-
Transfer from Stage 3 to Stage 2	-	37,558	(37,558)	-
New assets originated or purchased	28,858,234	407,847	238,866	<b>29,504,947</b>
Increase/(Decrease) due to new disbursement/loan payments	(7,493,271)	(648,200)	(322,778)	<b>(8,464,249)</b>
Write-offs	-	-	(26,316)	<b>(26,316)</b>

(All amounts are in thousands Albanian Lek unless otherwise stated)

**20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)**

FX and other movements	(1,296,892)	(111,364)	(55,974)	<b>(1,464,230)</b>
<b>Gross carrying amount as at December 31, 2024</b>	<b>72,790,103</b>	<b>2,626,825</b>	<b>2,739,797</b>	<b>78,156,725</b>

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at January 1, 2023</b>	<b>49,469,425</b>	<b>2,976,085</b>	<b>2,250,845</b>	<b>54,696,355</b>
Transfers:	<b>(1,352,444)</b>	<b>677,894</b>	<b>674,550</b>	-
Transfer from Stage 1 to Stage 2	(1,744,055)	1,744,055	-	-
Transfer from Stage 1 to Stage 3	(125,722)	-	125,722	-
Transfer from Stage 2 to Stage 1	515,944	(515,944)	-	-
Transfer from Stage 2 to Stage 3	-	(585,858)	585,858	-
Transfer from Stage 3 to Stage 1	1,389	-	(1,389)	-
Transfer from Stage 3 to Stage 2	-	35,641	(35,641)	-
New assets originated or purchased	18,432,950	657,273	216,352	<b>19,306,575</b>
Increase/(Decrease) due to new disbursement/loan payments	(11,281,788)	(851,748)	(457,704)	<b>(12,591,240)</b>
Write-offs	-	-	(101,438)	<b>(101,438)</b>
FX and other movements	(2,431,634)	(163,490)	(108,555)	<b>(2,703,679)</b>
<b>Gross carrying amount as at December 31, 2023</b>	<b>52,836,509</b>	<b>3,296,014</b>	<b>2,474,050</b>	<b>58,606,573</b>

Table of changes in the loss allowance for loans to companies and the reasons for those changes:

**Companies**

	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at January 1, 2024</b>	<b>499,661</b>	<b>152,411</b>	<b>929,048</b>	<b>1,581,120</b>
<b>Movements with profit or loss impact</b>				-
Transfers:	<b>94,664</b>	<b>(103,331)</b>	<b>8,667</b>	-
Transfers from Stage 1 to Stage 2	(19,619)	19,619	-	-
Transfers from Stage 1 to Stage 3	(441)	-	441	-
Transfers from Stage 2 to Stage 1	114,724	(114,724)	-	-
Transfers from Stage 2 to Stage 3	-	(8,226)	8,226	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
New assets originated or purchased	151,923	5,385	25,372	<b>182,680</b>

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)**

Changes in PDs/LGDs/EADs	(135,381)	(11,321)	64,429	<b>(82,273)</b>
Write-offs	-	-	(8,179)	<b>(8,179)</b>
<b>Total net profit or loss charge during the period</b>	<b>111,206</b>	<b>(109,267)</b>	<b>90,289</b>	<b>92,228</b>
Other movements with no profit or loss impact	(89,291)	40,424	12,786	(36,081)
<b>Loss allowance as at December 31, 2024</b>	<b>521,576</b>	<b>83,568</b>	<b>1,032,123</b>	<b>1,637,267</b>

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loss allowance as at January 1, 2023</b>	<b>338,466</b>	<b>179,111</b>	<b>860,676</b>	<b>1,378,253</b>
<b>Movements with profit or loss impact</b>				-
Transfers:	<b>(97,499)</b>	<b>(29,758)</b>	<b>127,257</b>	-
Transfers from Stage 1 to Stage 2	(113,950)	113,950	-	-
Transfers from Stage 1 to Stage 3	(178)	-	178	-
Transfers from Stage 2 to Stage 1	16,629	(16,629)	-	-
Transfers from Stage 2 to Stage 3	-	(127,157)	127,157	-
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 2	-	78	(78)	-
New assets originated or purchased	179,969	40,118	76,258	<b>296,345</b>
Changes in PDs/LGDs/EADs	121,597	57,824	(142,588)	<b>36,833</b>
Write-offs	-	-	(11,053)	<b>(11,053)</b>
<b>Total net profit or loss charge during the period</b>	<b>204,067</b>	<b>68,184</b>	<b>49,874</b>	<b>322,125</b>
Other movements with no profit or loss impact	(43,201)	(94,885)	18,828	(119,258)
<b>Loss allowance as at December 31, 2023</b>	<b>499,332</b>	<b>152,410</b>	<b>929,378</b>	<b>1,581,120</b>

(All amounts are in thousands Albanian Lek unless otherwise stated)

## 20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

Changes in the gross carrying amount of loans and advances to companies during the period which contributed to changes in the loss allowance is presented in below table:

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at January 1, 2024</b>	<b>35,154,236</b>	<b>2,404,242</b>	<b>1,931,795</b>	<b>39,490,273</b>
Transfers:	<b>279,462</b>	<b>(406,577)</b>	<b>127,115</b>	-
Transfer from Stage 1 to Stage 2	(1,199,238)	1,199,238	-	-
Transfer from Stage 1 to Stage 3	(46,588)	-	46,588	-
Transfer from Stage 2 to Stage 1	1,525,288	(1,525,288)	-	-
Transfer from Stage 2 to Stage 3	-	(80,527)	80,527	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New assets originated or purchased	20,970,669	292,869	154,343	21,417,881
Increase/(Decrease) due to new disbursement/loan payments	(4,628,689)	(532,686)	(224,290)	(5,385,665)
Write-offs	-	-	(5)	(5)
FX and other movements	(907,386)	(98,567)	(49,091)	(1,055,044)
<b>Gross carrying amount as at December 31, 2024</b>	<b>50,868,292</b>	<b>1,659,281</b>	<b>1,939,867</b>	<b>54,467,440</b>

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at January 1, 2023</b>	<b>33,133,679</b>	<b>2,004,291</b>	<b>1,741,045</b>	<b>36,879,015</b>
Transfers:	<b>(1,146,357)</b>	<b>635,919</b>	<b>510,438</b>	-
Transfer from Stage 1 to Stage 2	(1,326,652)	1,326,652	-	-
Transfer from Stage 1 to Stage 3	(41,981)	-	41,981	-
Transfer from Stage 2 to Stage 1	222,276	(222,276)	-	-
Transfer from Stage 2 to Stage 3	-	(474,007)	474,007	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	5,550	(5,550)	-
New assets originated or purchased	13,388,058	645,176	186,104	14,219,338
Increase/(Decrease) due to new disbursement/loan payments	(8,506,876)	(748,803)	(357,513)	(9,613,192)
Write-offs	-	-	(69,613)	(69,613)
FX and other movements	(1,714,268)	(132,340)	(78,666)	(1,925,274)
<b>Gross carrying amount as at December 31, 2023</b>	<b>35,154,236</b>	<b>2,404,243</b>	<b>1,931,795</b>	<b>39,490,273</b>

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)**

Table of changes in the loss allowance for consumer loans and the reasons for those changes:

**Consumer**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loss allowance as at January 1, 2024</b>	<b>56,338</b>	<b>38,389</b>	<b>249,783</b>	<b>344,510</b>
<b>Movements with profit or loss impact</b>				-
Transfers:	<b>11,396</b>	<b>(9,464)</b>	<b>(1,932)</b>	-
Transfers from Stage 1 to Stage 2	(1,229)	1,229	-	-
Transfers from Stage 1 to Stage 3	(970)	-	970	-
Transfers from Stage 2 to Stage 1	10,964	(10,964)	-	-
Transfers from Stage 2 to Stage 3	-	(9,100)	9,100	-
Transfers from Stage 3 to Stage 1	2,630	-	(2,630)	-
Transfers from Stage 3 to Stage 2	-	9,371	(9,371)	-
New financial assets originated or purchased	91,225	36,137	26,879	<b>154,241</b>
Changes in PDs/LGDs/EADs	35,851	(16,885)	(28,935)	<b>(9,969)</b>
Write-offs	-	-	(1,635)	<b>(1,635)</b>
<b>Total net profit or loss charge during the period</b>	<b>138,471</b>	<b>9,788</b>	<b>(5,622)</b>	<b>142,637</b>
Other movements with no profit or loss impact	<b>(64,054)</b>	<b>31,437</b>	<b>30,862</b>	<b>(1,755)</b>
<b>Loss allowance as at December 31, 2024</b>	<b>130,755</b>	<b>79,614</b>	<b>275,023</b>	<b>485,392</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loss allowance as at January 1, 2023</b>	<b>77,324</b>	<b>37,740</b>	<b>229,590</b>	<b>344,654</b>
<b>Movements with profit or loss impact</b>				-
Transfers:	<b>8,475</b>	<b>(14,329)</b>	<b>5,854</b>	-
Transfers from Stage 1 to Stage 2	(1,791)	1,791	-	-
Transfers from Stage 1 to Stage 3	(1,330)	-	1,330	-
Transfers from Stage 2 to Stage 1	9,982	(9,982)	-	-
Transfers from Stage 2 to Stage 3	-	(12,713)	12,713	-
Transfers from Stage 3 to Stage 1	1,614	-	(1,614)	-
Transfers from Stage 3 to Stage 2	-	6,575	(6,575)	-
New financial assets originated or purchased	16,811	1,982	11,358	<b>30,151</b>
Changes in PDs/LGDs/EADs	25,663	(9,454)	(20,628)	<b>(4,419)</b>
Write-offs	-	-	(3,505)	<b>(3,505)</b>
<b>Total net profit or loss charge during the period</b>	<b>50,949</b>	<b>(21,801)</b>	<b>(6,921)</b>	<b>22,227</b>
Other movements with no profit or loss impact	<b>(71,909)</b>	<b>22,450</b>	<b>27,087</b>	<b>(22,372)</b>
<b>Loss allowance as at December 31, 2023</b>	<b>56,364</b>	<b>38,389</b>	<b>249,756</b>	<b>344,509</b>

(All amounts are in thousands Albanian Lek unless otherwise stated)

## 20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

Changes in the gross carrying amount of consumer loans during the period which contributed to changes in the loss allowance is presented in below table:

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at January 1, 2024</b>	<b>3,213,646</b>	<b>131,488</b>	<b>349,837</b>	<b>3,694,972</b>
Transfers:	<b>(82,549)</b>	<b>50,879</b>	<b>31,670</b>	-
Transfer from Stage 1 to Stage 2	(88,989)	88,989	-	-
Transfer from Stage 1 to Stage 3	(31,424)	-	31,424	-
Transfer from Stage 2 to Stage 1	31,320	(31,320)	-	-
Transfer from Stage 2 to Stage 3	-	(18,900)	18,900	-
Transfer from Stage 3 to Stage 1	6,543	-	(6,543)	-
Transfer from Stage 3 to Stage 2	-	12,111	(12,111)	-
New originated or purchased	3,612,586	62,249	37,340	<b>3,712,175</b>
Increase/(Decrease) due to new disbursement/loan payments	(1,034,725)	(36,924)	(35,565)	<b>(1,107,214)</b>
Write-offs	-	-	(1,745)	<b>(1,745)</b>
FX and other movements	(36,327)	(83)	6,185	<b>(30,225)</b>
<b>Gross carrying amount as at December 31,2024</b>	<b>5,672,630</b>	<b>207,610</b>	<b>387,722</b>	<b>6,267,962</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at January 1, 2023</b>	<b>3,228,167</b>	<b>119,652</b>	<b>332,880</b>	<b>3,680,699</b>
Transfers:	<b>(101,204)</b>	<b>37,889</b>	<b>63,315</b>	-
Transfer from Stage 1 to Stage 2	(89,613)	89,613	-	-
Transfer from Stage 1 to Stage 3	(37,693)	-	37,693	-
Transfer from Stage 2 to Stage 3	24,713	(24,713)	-	-
Transfer from Stage 3 to Stage 2	-	(35,984)	35,984	-
Transfer from Stage 3 to Stage 1	1,389	-	(1,389)	-
Transfer from Stage 2 to Stage 1	-	8,973	(8,973)	-
New originated or purchased	1,094,256	2,998	15,704	<b>1,112,958</b>
Increase/(Decrease) due to new disbursement/loan payments	(954,595)	(28,168)	(36,784)	<b>(1,019,547)</b>
Write-offs	-	-	(18,929)	<b>(18,929)</b>
FX and other movements	(52,978)	(883)	(6,348)	<b>(60,209)</b>
<b>Gross carrying amount as at December 31, 2023</b>	<b>3,213,646</b>	<b>131,488</b>	<b>349,838</b>	<b>3,694,972</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

Table of changes in the loss allowance for mortgage loans and the reasons for those changes:

#### Mortgage

	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at January 1, 2024</b>	<b>27,458</b>	<b>91,832</b>	<b>155,602</b>	<b>274,892</b>
<b>Movements with profit or loss impact</b>	-	-	-	-
Transfers:	<b>29,846</b>	<b>(31,257)</b>	<b>1,411</b>	-
Transfers from Stage 1 to Stage 2	(2,661)	2,661	-	-
Transfers from Stage 1 to Stage 3	(46)	-	46	-
Transfers from Stage 2 to Stage 1	30,614	(30,614)	-	-
Transfers from Stage 2 to Stage 3	-	(10,580)	10,580	-
Transfers from Stage 3 to Stage 1	1,939	-	(1,939)	-
Transfers from Stage 3 to Stage 2	-	7,276	(7,276)	-
New originated or purchased	13,204	18,388	34,234	<b>65,827</b>
Changes in PDs/LGDs/EADs	168,983	(23,912)	(51,475)	<b>93,596</b>
Write-offs	-	-	24,117	<b>24,117</b>
<b>Total net profit or loss charge during the period</b>	<b>212,033</b>	<b>(36,781)</b>	<b>8,287</b>	<b>183,539</b>
Other movements with no profit or loss impact	(183,788)	147,853	3,450	<b>(32,485)</b>
<b>Loss allowance as at December 31, 2024</b>	<b>55,703</b>	<b>202,904</b>	<b>167,339</b>	<b>425,946</b>

	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at January 1, 2023</b>	<b>15,941</b>	<b>68,371</b>	<b>150,911</b>	<b>235,223</b>
<b>Movements with profit or loss impact</b>	-	-	-	-
Transfers:	<b>30,529</b>	<b>(34,847)</b>	<b>4,318</b>	-
Transfers from Stage 1 to Stage 2	(2,577)	2,577	-	-
Transfers from Stage 1 to Stage 3	(1,143)	-	1,143	-
Transfers from Stage 2 to Stage 1	34,249	(34,249)	-	-
Transfers from Stage 2 to Stage 3	-	(6,449)	6,449	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 2	-	3,274	(3,274)	-
New originated or purchased	6,231	1,998	5,442	<b>13,671</b>
Changes in PDs/LGDs/EADs	69,943	(20,292)	33	<b>49,684</b>
Write-offs	-	-	(1,561)	<b>(1,561)</b>
<b>Total net profit or loss charge during the period</b>	<b>106,703</b>	<b>(53,141)</b>	<b>8,232</b>	<b>61,794</b>
Other movements with no profit or loss impact	(95,186)	76,602	(3,541)	<b>(22,125)</b>
<b>Loss allowance as at December 31, 2023</b>	<b>27,458</b>	<b>91,832</b>	<b>155,602</b>	<b>274,892</b>

*(All amounts are in thousands Albanian Lek unless otherwise stated)*

## 20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

Changes in the gross carrying amount of mortgage loans during the period which contributed to changes in the loss allowance is presented in below table:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at January 1, 2024</b>	<b>14,217,254</b>	<b>543,694</b>	<b>373,245</b>	<b>15,134,194</b>
Transfers:	<b>(303,297)</b>	<b>244,774</b>	<b>58,523</b>	-
Transfer from Stage 1 to Stage 2	(451,895)	451,895	-	-
Transfer from Stage 1 to Stage 3	(33,102)	-	33,102	-
Transfer from Stage 2 to Stage 1	177,034	(177,034)	-	-
Transfer from Stage 2 to Stage 3	-	(55,073)	55,073	-
Transfer from Stage 3 to Stage 1	4,666	-	(4,666)	-
Transfer from Stage 3 to Stage 2	-	24,986	(24,986)	-
New originated or purchased	4,220,045	50,691	46,386	4,317,123
Increase/(Decrease) due to new disbursement/loan payments	(1,818,281)	(76,473)	(59,461)	(1,954,215)
Write-offs	-	-	(24,566)	(24,566)
FX and other movements	(349,186)	(12,658)	(13,222)	(375,066)
<b>Gross carrying amount as at December 31, 2024</b>	<b>15,966,536</b>	<b>750,029</b>	<b>380,905</b>	<b>17,097,470</b>

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at January 1, 2023</b>	<b>12,920,123</b>	<b>619,982</b>	<b>369,912</b>	<b>13,910,017</b>
Transfers:	<b>(109,513)</b>	<b>23,043</b>	<b>86,470</b>	-
Transfer from Stage 1 to Stage 2	(322,471)	322,471	-	-
Transfer from Stage 1 to Stage 3	(43,412)	-	43,412	-
Transfer from Stage 2 to Stage 1	256,370	(256,370)	-	-
Transfer from Stage 2 to Stage 3	-	(63,793)	63,793	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	20,735	(20,735)	-
New originated or purchased	3,905,346	8,567	14,264	3,928,177
Increase/(Decrease) due to new disbursement/loan payments	(1,835,730)	(78,418)	(63,294)	(1,977,442)
Write-offs	-	-	(10,629)	(10,629)
FX and other movements	(662,972)	(29,478)	(23,479)	(715,929)
<b>Gross carrying amount as at December 31, 2023</b>	<b>14,217,254</b>	<b>543,696</b>	<b>373,244</b>	<b>15,134,194</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

Table of changes in the loss allowance for Visa Card and the reasons for those changes:

#### Visa Card

	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at January 1, 2024</b>	<b>8,553</b>	<b>3,738</b>	<b>25,500</b>	<b>37,791</b>
<b>Movements with P&amp;L impact</b>	-	-	-	-
Transfers:	<b>1,093</b>	<b>(1,381)</b>	<b>287</b>	-
Transfers from Stage 1 to Stage 2	(240)	240	-	-
Transfers from Stage 1 to Stage 3	(115)	-	115	-
Transfers from Stage 2 to Stage 1	1,335	(1,335)	-	-
Transfers from Stage 2 to Stage 3	-	(882)	882	-
Transfers from Stage 3 to Stage 1	114	-	(114)	-
Transfers from Stage 3 to Stage 2	-	596	(596)	-
New originated or purchased	1,690	1,243	687	<b>3,621</b>
Changes in PDs/LGDs/EADs	5,833	(1,690)	(3,150)	<b>993</b>
Write-offs	-	-	(203)	<b>(203)</b>
<b>Total net P&amp;L charge during the period</b>	<b>8,617</b>	<b>(1,827)</b>	<b>(2,379)</b>	<b>4,411</b>
Other movements with no P&L impact	(8,531)	4,408	4,137	<b>13</b>
<b>Loss allowance as at December 31, 2024</b>	<b>8,638</b>	<b>6,319</b>	<b>27,259</b>	<b>42,215</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loss allowance as at January 1, 2023</b>	<b>3,707</b>	<b>11,356</b>	<b>13,101</b>	<b>28,164</b>
<b>Movements with P&amp;L impact</b>	-	-	-	-
Transfers:	<b>5,617</b>	<b>(9,865)</b>	<b>4,248</b>	-
Transfers from Stage 1 to Stage 2	(87)	87	-	-
Transfers from Stage 1 to Stage 3	(54)	-	54	-
Transfers from Stage 2 to Stage 1	5,758	(5,758)	-	-
Transfers from Stage 2 to Stage 3	-	(4,526)	4,526	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 2	-	332	(332)	-
New originated or purchased	1,577	288	213	<b>2,078</b>
Changes in PDs/LGDs/EADs	7,662	1,771	519	<b>9,952</b>
Write-offs	-	-	(70)	<b>(70)</b>
<b>Total net P&amp;L charge during the period</b>	<b>14,856</b>	<b>(7,806)</b>	<b>4,910</b>	<b>11,960</b>
Other movements with no P&L impact	(10,008)	188	7,488	<b>(2,332)</b>
<b>Loss allowance as at December 31, 2023</b>	<b>8,555</b>	<b>3,738</b>	<b>25,498</b>	<b>37,792</b>

(All amounts are in thousands Albanian Lek unless otherwise stated)

## 20. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

Changes in the gross carrying amount of Visa Card during the period which contributed to changes in the loss allowance is presented in below table:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at January 1, 2024</b>	<b>251,566</b>	<b>7,053</b>	<b>28,711</b>	<b>287,330</b>
Transfers:	<b>(8,286)</b>	<b>2,987</b>	<b>5,299</b>	-
Transfer from Stage 1 to Stage 2	(6,188)	6,188	-	-
Transfer from Stage 1 to Stage 3	(4,302)	-	4,302	-
Transfer from Stage 2 to Stage 3	2,204	(2,204)	-	-
Transfer from Stage 3 to Stage 2	-	(1,458)	1,458	-
Transfer from Stage 3 to Stage 1	0	-	(0)	-
Transfer from Stage 3 to Stage 2	-	461	(461)	-
New originated or purchased	55,159	2,037	797	57,992
Increase/(Decrease) due to new				
disbursement/loan payments	(11,576)	(2,117)	(3,462)	(17,155)
Write-offs	-	-	-	-
FX and other movements	(3,991)	(56)	(43)	(4,090)
<b>Gross carrying amount as at December 31, 2024</b>	<b>282,871</b>	<b>9,905</b>	<b>31,301</b>	<b>324,077</b>

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at January 1, 2023</b>	<b>189,227</b>	<b>22,623</b>	<b>16,544</b>	<b>228,394</b>
Transfers:	<b>4,630</b>	<b>(18,956)</b>	<b>14,326</b>	-
Transfer from Stage 1 to Stage 2	(5,319)	5,319	-	-
Transfer from Stage 1 to Stage 3	(2,636)	-	2,636	-
Transfer from Stage 2 to Stage 3	12,585	(12,585)	-	-
Transfer from Stage 3 to Stage 2	-	(12,073)	12,073	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	383	(383)	-
New originated or purchased	45,290	533	280	46,103
Increase/(Decrease) due to new				
disbursement/loan payments	15,413	3,642	(113)	18,942
Write-offs	-	-	(2,268)	(2,268)
FX and other movements	(2,995)	(788)	(59)	(3,842)
<b>Gross carrying amount as at December 31, 2023</b>	<b>251,565</b>	<b>7,054</b>	<b>28,710</b>	<b>287,329</b>

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
Bonds and Eurobonds	19,129,243	21,826,309
Albanian Government treasury bills	3,614,077	6,681,983
Foreign treasury bills	4,993,692	1,243,866
	<b>27,737,012</b>	<b>29,752,158</b>

Movements are detailed as below:

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
<b>Bonds and Eurobonds</b>		
<b>As at January 1,</b>	21,826,309	19,189,430
Purchase	4,290,141	6,304,720
Matured	(6,786,561)	(2,829,200)
Loss from change in fair value, net	22,663	14,357
Other (foreign exchange)	(223,310)	(852,997)
<b>As at December 31,</b>	<b>19,129,242</b>	<b>21,826,310</b>

As at 31 December 2024 and 2023 government treasury bills consists in T-bills issued by the Government of Albania with yields 3.3% to 3.79% (2023: 3.30% to 5.29%) and foreign treasury bills. Movements detailed as below:

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
<b>Government treasury bills</b>		
<b>As at January 1,</b>	6,681,983	5,367,837
Purchase	3,631,720	6,704,700
Matured during the year	(6,704,700)	(5,438,960)
Loss from change in fair value, net	5,074	48,406
<b>As at December 31,</b>	<b>3,614,077</b>	<b>6,681,983</b>

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
<b>Foreign treasury bills</b>		
<b>As at January 1,</b>	1,243,866	-
Purchase	4,995,862	1,243,661
Matured during the year	(1,246,560)	-
Gain from change in fair value, net	524	205
<b>As at December 31,</b>	<b>4,993,692</b>	<b>1,243,866</b>

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Table of changes in the loss allowance for financial assets at fair value through other comprehensive income and the reasons for those changes:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
<b>Financial Assets FVOCI</b>				
<b>Loss allowance as at January 1, 2024</b>	<b>8,990</b>	<b>-</b>	<b>-</b>	<b>8,990</b>
<b>Movements with profit or loss impact</b>				
New originated or purchased	21,354			<b>21,354</b>
Changes in PDs/LGDs/EADs	(8,384)			<b>(8,384)</b>
<b>Total net P&amp;L charge during the period</b>	<b>12,970</b>	<b>-</b>	<b>-</b>	<b>12,970</b>
<b>Other movements with no P&amp;L impact</b>	<b>(462)</b>	<b>-</b>	<b>-</b>	<b>(462)</b>
<b>Loss allowance as at December 31, 2024</b>	<b>21,498</b>	<b>-</b>	<b>-</b>	<b>21,498</b>

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
<b>Financial Assets FVOCI</b>				
<b>Loss allowance as at January 1, 2023</b>	<b>45,703</b>	<b>-</b>	<b>-</b>	<b>45,703</b>
<b>Movements with profit or loss impact</b>				
New originated or purchased	1,766			1,766
Changes in PDs/LGDs/EADs	(26,062)			(26,062)
<b>Total net P&amp;L charge during the period</b>	<b>(24,296)</b>	<b>-</b>	<b>-</b>	<b>(24,296)</b>
<b>Other movements with no P&amp;L impact</b>	<b>(3,013)</b>	<b>-</b>	<b>-</b>	<b>(3,013)</b>
<b>Loss allowance as at December 31, 2023</b>	<b>18,394</b>	<b>-</b>	<b>-</b>	<b>18,394</b>

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**  
(continued)

Changes in the gross carrying amount of financial assets at fair value through other comprehensive income during the period which contributed to changes in the loss allowance are presented in below table:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets FVOCI</b>				
<b>Gross carrying amount as at January 1, 2024</b>	<b>29,752,158</b>	-	-	<b>29,752,158</b>
Transfers between stages	-	-	-	-
New originated or purchased	12,004,213			12,004,213
Increase/Decrease of balances for existing Loan Portfolio	(13,250,914)			(13,250,914)
FX and other movements	(768,446)			(768,446)
<b>Gross carrying amount as at December 31, 2024</b>	<b>27,737,012</b>	-	-	<b>27,737,012</b>

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets FVOCI</b>				
<b>Gross carrying amount as at January 1, 2023</b>	<b>24,557,267</b>	-	-	<b>24,557,267</b>
Transfers between stages	-	-	-	-
New originated or purchased	13,368,888			13,368,888
Increase/Decrease of balances for existing Loan Portfolio	(8,014,915)			(8,014,915)
FX and other movements	(159,082)			(159,082)
<b>Gross carrying amount as at December 31, 2023</b>	<b>29,752,158</b>	-	-	<b>29,752,158</b>

## 22. FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2024	31 December 2023
<b>Financial assets at amortized cost</b>		
Corporate bonds	3,733,974	4,753,598
Albanian Government bonds	28,081,398	16,712,189
Foreign Governments bonds and T-bills	-	195,609
<b>Total Financial assets at amortized cost</b>	<b>31,815,372</b>	<b>21,661,396</b>

Information regarding the ECL allowance for debt instruments measured at amortized cost is presented in tables below. More information regarding the valuation methodologies can be found in Note 9.4.

The table below sets out details on debt securities at amortized cost as at 31 December 2024 and 31 December 2023:

31 December 2024							
Issuer	Counterparty 1	Counterparty 2	Counterparty 3	Counterparty 4	Counterparty 5	Counterparty 6	TOTAL
Nominal Value	27,513,700	98,150	1,472,250	1,555,678	294,450	188,520	31,122,748
Accrued Interest	519,202	4,676	49,024	80,032	4,553	5,253	662,740
Remaining Premium/(discount)	56,677	(1,003)	(9,557)	(6,783)	(1,434)	3,176	41,076
Allowance for losses	(8,181)	(359)	(528)	(742)	(136)	(1,246)	(11,192)
	<b>28,081,398</b>	<b>101,464</b>	<b>1,511,189</b>	<b>1,628,185</b>	<b>297,433</b>	<b>195,703</b>	<b>31,815,372</b>

31 December 2023								
Issuer	Counterparty 1	Counterparty 2	Counterparty 3	Counterparty 4	Counterparty 5	Counterparty 6	Counterparty 7	TOTAL
Nominal Value	519,400	1,173,844	1,714,020	727,160	519,400	187,880	16,552,200	21,393,904
Accrued Interest	14,848	44,295	86,463	27,264	2,227	5,235	321,666	501,998
Remaining Premium/(discount)	1,996	62,835	23,174	(64,064)	(63,907)	3,921	(35,926)	(71,971)
Allowance for losses	(3,946)	(8,918)	(13,022)	(5,524)	(3,946)	(1,427)	(125,752)	(162,535)
	<b>532,298</b>	<b>1,272,056</b>	<b>1,810,635</b>	<b>684,836</b>	<b>453,774</b>	<b>195,609</b>	<b>16,712,188</b>	<b>21,661,396</b>

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***22. FINANCIAL ASSETS AT AMORTIZED COST (continued)**

Table of changes in the loss allowance for financial assets at amortized cost and the reasons for those changes are presented in below table:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Loss allowance as at January 1, 2024</b>	<b>162,536</b>	-	-	<b>162,536</b>
<b>Movements with profit or loss impact</b>				
New financial assets originated or purchased	8,619			8,619
Changes in PDs/LGDs/EADs	(152,110)			(152,110)
<b>Total net P&amp;L charge during the period</b>	<b>(143,491)</b>	-	-	<b>(143,491)</b>
Other movements with no P&L impact	(7,853)			(7,853)
<b>Loss allowance as at December 31, 2024</b>	<b>11,192</b>	-	-	<b>11,192</b>

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Loss allowance as at January 1, 2023</b>	<b>176,751</b>	-	-	<b>176,751</b>
<b>Movements with profit or loss impact</b>				
New financial assets originated or purchased	6,216			6,216
Changes in PDs/LGDs/EADs	(12,035)			(12,035)
<b>Total net P&amp;L charge during the period</b>	<b>(5,819)</b>	-	-	<b>(5,819)</b>
Other movements with no P&L impact	(8,397)			(8,397)
<b>Loss allowance as at December 31, 2023</b>	<b>162,535</b>	-	-	<b>162,535</b>

Changes in the gross carrying amount of financial assets at AC during the period which contributed to changes in the loss allowance are presented in below table:

*(All amounts are in thousands Albanian Lek unless otherwise stated)***22. FINANCIAL ASSETS AT AMORTIZED COST (continued)**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total</b>
<b>Gross carrying amount as at January 1, 2024</b>	<b>21,661,396</b>			<b>21,661,396</b>
New financial assets originated or purchased	35,870,384			<b>35,870,384</b>
Increase/Decrease of Balances for existing Loan FX and other movements	(24,957,286)			<b>(24,957,286)</b>
	(759,122)			<b>(759,122)</b>
<b>Gross carrying amount as at December 31, 2024</b>	<b>31,815,372</b>	-	-	<b>31,815,372</b>

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total</b>
<b>Gross carrying amount as at January 1, 2023</b>	<b>15,276,907</b>	-	-	<b>15,276,907</b>
New financial assets originated or purchased	4,803,598	-	-	<b>4,803,598</b>
Increase/Decrease of Balances for existing Loan FX and other movements	1,846,862	-	-	<b>1,846,862</b>
	(265,971)	-	-	<b>(265,971)</b>
<b>Gross carrying amount as at December 31, 2023</b>	<b>21,661,396</b>	-	-	<b>21,661,396</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 23. REPOSSESSED ASSETS

Repossessed assets represent real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale and are classified as inventories in accordance with IAS 2

“Inventories”. The assets were initially recognised at fair value when acquired.

Repossessed assets as at 31 December 2024 and 2023 are detailed as below:

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
<b>Gross value at beginning of year</b>	<b>1,754,751</b>	<b>1,940,782</b>
Acquisitions through legal process for settlement of loans to customers	2,339	26,801
Disposals	(180,875)	(212,832)
<b>Gross value at the end of the year</b>	<b>1,576,215</b>	<b>1,754,751</b>
<b>Impairment fund at beginning of year</b>	<b>(837,176)</b>	<b>(784,035)</b>
Write down to net realizable value	(95,991)	(138,764)
Disposal	64,252	85,623
<b>Impairment fund at the end of the year</b>	<b>(868,915)</b>	<b>(837,176)</b>
<b>Balance at the end of the year, net of allowance for impairment</b>	<b>707,300</b>	<b>917,575</b>

The fair value of the Bank's repossessed assets as at December 31, 2024 and 2023 has been measured on the basis of a valuation carried out on the respective dates by several independent appraisers, outsourced from the Bank. All appraisers are registered and certified in accordance with the Albanian Laws. They have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. All the repossessed assets were classified as Level 2, hence there were no repossessed assets classified as Level 1 or Level 3, nor transfers between levels 1, 2 and 3 during the year.

*(All amounts are in thousands Albanian Lek unless otherwise stated)***24. INTANGIBLE ASSETS**

	<b>Software and licenses</b>	<b>Work in progress</b>	<b>Total</b>
<b>Cost</b>			
<b>At 1 January 2023</b>	<b>1,923,205</b>	<b>9,627</b>	<b>1,932,832</b>
Additions	69,908	9,036	78,944
Disposal	(12)	-	(12)
<b>At December 31, 2023</b>	<b>1,993,101</b>	<b>18,663</b>	<b>2,011,764</b>
Additions	146,690	46,310	<b>193,000</b>
Transfer	43,107	(43,107)	-
<b>At December 31, 2024</b>	<b>2,182,898</b>	<b>21,866</b>	<b>2,204,764</b>
<b>Amortization</b>			
<b>At 1 January 2022</b>	<b>(1,580,138)</b>	-	<b>(1,580,138)</b>
Amortization charge for the year	(89,402)	-	(89,402)
Disposal	12	-	12
<b>At December 31, 2022</b>	<b>(1,669,528)</b>	-	<b>(1,669,528)</b>
Amortization charge for the year	(88,781)	-	<b>(88,781)</b>
Disposal	-	-	-
<b>At December 31, 2023</b>	<b>(1,758,309)</b>	-	<b>(1,758,309)</b>
<b>Carrying amount</b>			
<b>At December 31, 2023</b>	<b>323,573</b>	<b>18,662</b>	<b>342,235</b>
<b>At December 31, 2024</b>	<b>424,589</b>	<b>21,867</b>	<b>446,456</b>

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 25. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Land and buildings	Vehicles	Furniture and electronic equipment	Leasehold improvement	Right of use assets	Total
<b>Cost</b>						
At 1 January 2023	565,192	2,460	1,436,427	848,916	774,876	3,627,870
Additions	245	-	76,203	12,650	339,057	428,158
Disposals	-	-	(101,137)	(11,115)	(26,755)	(139,007)
<b>At December 31, 2023</b>	<b>565,437</b>	<b>2,460</b>	<b>1,411,493</b>	<b>850,451</b>	<b>1,087,178</b>	<b>3,917,021</b>
Additions	13,395	-	172,268	45,994	319,455	551,112
Disposals	(71,099)	-	(54,040)	(1,938)	(80,348)	(207,425)
<b>At December 31, 2024</b>	<b>507,734</b>	<b>2,460</b>	<b>1,529,721</b>	<b>894,507</b>	<b>1,326,284</b>	<b>4,260,706</b>
<b>Depreciation</b>						
At 1 January 2023	(419,523)	(2,181)	(1,278,570)	(796,555)	(375,287)	(2,872,116)
Depreciation charge for the year	(26,500)	(55)	(85,511)	(20,205)	(188,989)	(321,261)
Disposals	-	-	101,134	11,115	26,322	138,571
<b>At December 31, 2023</b>	<b>(446,023)</b>	<b>(2,292)</b>	<b>(1,262,946)</b>	<b>(805,646)</b>	<b>(537,955)</b>	<b>(3,054,806)</b>
Depreciation charge for the year	(12,736)	(56)	(79,650)	(19,763)	(232,434)	(344,639)
Disposals	56,340	-	54,037	172	34,631	145,181
<b>At December 31, 2024</b>	<b>(402,419)</b>	<b>(2,181)</b>	<b>(1,288,559)</b>	<b>(825,237)</b>	<b>(735,758)</b>	<b>(3,254,264)</b>
<b>Carrying amount</b>						
At December 31, 2023	119,415	224	148,547	44,806	549,223	862,215
<b>At December 31, 2024</b>	<b>105,315</b>	<b>168</b>	<b>241,162</b>	<b>69,271</b>	<b>590,013</b>	<b>1,006,442</b>

Property and equipment's are not pledged as collateral to third parties as at December 31, 2024 and 2023.

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 30) and the movements during the period:

	As at December 31, 2024	As at December 31, 2023
<b>As at 1 January</b>	504,037	363,284
Additions	319,455	339,057
Disposal	(43,775)	(437)
Accretion of interest	4,017	1,773
Payments	(212,860)	(160,530)
Revaluation effect	(29,079)	(39,108)
<b>As at 31 December</b>	<b>541,794</b>	<b>504,037</b>

As at December 31, 2024 the Bank had total cash outflows for leases of Lek 212,860 thousand (2023: Lek 160,530 thousand).

*(All amounts are in thousands Albanian Lek unless otherwise stated)***26. OTHER ASSETS**

	As at December 31, 2024	As at December 31, 2023
<b>Other financial assets</b>		
Other receivables from customers	252,024	244,593
Other debtors, net	671	187
<b>Total other financial assets</b>	<b>252,695</b>	<b>244,780</b>
Prepaid expenses	360,906	246,692
Income tax receivable (Note 16)	120,515	24,369
Inventory	11,422	9,607
Advance payments	596	160
Other assets	277,982	287,570

**27. DUE TO BANKS**

	As at December 31, 2024	As at December 31, 2023
<b>Current accounts</b>		
Residents	4,229	395,666
Non residents	106,316	72,017
	<b>110,545</b>	<b>467,683</b>
<b>Borrowings</b>		
Residents	15,620,018	6,479,644
	<b>15,620,018</b>	<b>6,479,644</b>
<b>Accrued interest</b>	7,171	2,037

**28. DUE TO CUSTOMERS**

	As at December 31, 2024	As at December 31, 2023
<b>Corporate customers</b>		
Current accounts	18,029,616	13,958,706
Term deposits	14,750,396	13,662,824
Other deposits	3,432,305	2,179,787
	<b>36,212,317</b>	<b>29,801,317</b>
<b>Retail customers</b>		
Current / Savings accounts	31,742,352	26,609,668
Term deposits	54,487,995	49,878,694
Other deposits	140,559	235,438
	<b>86,370,906</b>	<b>76,723,800</b>
<b>Accrued interest</b>	797,071	553,977
<b>Total</b>	<b>123,380,294</b>	<b>107,079,094</b>

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 28. DUE TO CUSTOMERS (continued)

The below interest rates are applied on Customer Deposits for years 2024 and 2023:

Saving accounts:		2024		2023	
Currency	Minimum	Maximum	Minimum	Maximum	
LEK	0.00%	2.50%	0.00%	0.10%	
USD/EUR	0.00%	0.25%	0.00%	0.25%	

Time Deposits :		2024		2023	
Currency	Minimum	Maximum	Minimum	Maximum	
LEK	0.40%	6.00%	0.40%	5.50%	
USD/EUR	0.05%	4.25%	0.05%	4.00%	

### 29. SUBORDINATED DEBT

	As at December 31, 2024	As at December 31, 2023
Subordinated debt	1,413,360	1,495,872
Accrued expenses	4,918	5,205
<b>Total</b>	<b>1,418,278</b>	<b>1,501,077</b>

Upon approval from Albanian Financial Supervisory Authority ("AMF") on 26 March 2021, Tirana Bank has issued a bond by private offering in the form of subordinated debt. During 2022, the bank has issued subordinated two other bonds amounting in total 9.5 million EUR. The underlying bonds has a maturity of

7-years with a fixed interest rate ranging from 3.30% to 3.8% per annum, payable semi-annually. Bank of Albania has approved the inclusion of subordinated debt as part of Regulatory Capital - Tier 2, while the last trench issued in December 2022 of 4.4 million EUR will be included in Tier 2 on January 2023.

### 30. OTHER LIABILITIES

	As at December 31, 2024	As at December 31, 2023
Other liabilities	1,688,387	951,174
Lease liability (Note 25)	541,794	504,038
Accrued expenses	267,135	183,089
Deferred income	16,781	49,109
Other taxes payable	50,981	20,023
Social insurance payable	19,356	16,792
Income Tax payable	3,525	-
<b>Total</b>	<b>2,587,959</b>	<b>1,724,225</b>

*(All amounts are in thousands Albanian Lek unless otherwise stated)*

### 31. PROVISIONS

	As at December 31, 2024	As at December 31, 2023
Operational risk provisions	240,766	215,295
Provision for off balance sheet items	58,465	89,606
<b>Total</b>	<b>299,231</b>	<b>304,901</b>

Movement in provision for operational risk is detailed below:

	As at December 31, 2024	As at December 31, 2023
At 1 January	215,295	201,997
Charge of the year	50,000	34,000
Reversal	(24,530)	(20,702)
<b>At 31 December</b>	<b>240,765</b>	<b>215,295</b>

Operational risk provisions relate mainly to litigations and other risks as considered by the Bank. Provisions for off balance sheet items include the impact of IFRS 9 application in the off-balance sheet items.

### 32. PAID-IN CAPITAL AND SHARE PREMIUM

	As at December 31, 2024	As at December 31, 2023
Paid in Capital-authorized, issued and fully paid	5,917,986	5,917,986
Share premium	1,735,603	1,735,603
Legal and Other Reserves	1,619,586	1,522,519
Revaluation reserve in financial assets at FVOCI	(32,891)	(601,716)
<b>Total</b>	<b>9,240,284</b>	<b>8,574,392</b>

The general reserves were created based on the decision of the Supervisory Council of the Bank of Albania No. 69, dated 18 December 2014, which states that reserves are created by appropriating 20% of the Bank's net profit for the year, as reported for financial reporting management purposes. Additionally, a legal reserve created, as 5% of the statutory profit is required by Law No. 9901, dated 14 April 2008, "On entrepreneurs

and commercial companies", until the level of 10% of the basic capital was reached. As at 31 December 2024, the Bank has increased the legal reserve by LEK 97,067 thousand (2023: LEK 52,562 thousand).

As at December 31, 2024 and 2023 Tirana Bank SHA ownership structure is presented below:

Shareholder	No. of shares	% of shares
Balfin shpk	501,975	100%
<b>Total</b>	<b>501,975</b>	<b>100%</b>

## Tirana Bank SHA

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 33. ADDITIONAL CASH FLOW INFORMATION

For the purpose of Cash Flow Statement, cash and cash equivalent comprises as follows:

	Notes	As at December 31, 2024	As at December 31, 2023
Cash on hand	18	2,608,247	1,767,859
Current accounts with Central Bank	18	2,430,067	798,842
Nostro and sight accounts with banks	19	508,399	2,228,238
Deposits with maturities with less than 3 months	19	6,579,361	5,939,450
		<b>12,126,074</b>	<b>10,734,389</b>

Changes in subordinated debt arising from financing activities are as following:

	2024	2023
<b>Opening Balance</b>	<b>1,501,077</b>	<b>1,650,635</b>
<i>Cash flow items</i>	<b>(5,205)</b>	<b>(5,723)</b>
Issuances	-	-
Interest paid	(5,205)	(5,723)
<i>Non-cash items</i>	<b>(77,594)</b>	<b>(143,835)</b>
Movement in accrued interest	4,918	5,205
Fx effect	(82,512)	(149,040)
<b>Ending Balance (Note 29)</b>	<b>1,418,278</b>	<b>1,501,077</b>

### 34. RELATED PARTIES

In the course of conducting its banking business, the Bank entered into various business transactions with related parties. Balfin sh.p.k is the sole shareholder of Tirana Bank.

#### Assets and liabilities

Parent, Group companies and individuals	As at December 31, 2024	As at December 31, 2023
Loans and advances	429,872	513,321
Saving accounts	(2,986,982)	(2,280,848)
Time Deposits	(12,499,214)	(11,843,103)
Subordinated debt	(234,855)	(244,109)
Other payable	(7,297)	(1,161)
<b>Total</b>	<b>(15,298,476)</b>	<b>(13,855,900)</b>

*(All amounts are in thousands Albanian Lek unless otherwise stated)*
**34. RELATED PARTIES (continued)**
**Assets and liabilities**

	As at December 31, 2024	As at December 31, 2023
<b>Bank's Management</b>		
Loans and advances	235,050	220,441
Deposits	(45,723)	(30,934)
Subordinated debt	-	-
<b>Total</b>	<b>189,327</b>	<b>189,507</b>

**Income and expenses**

	Year ended December 31, 2024	Year ended December 31, 2023
<b>Parent, Group companies and individuals</b>		
Interest income	33,226	33,486
Interest expense	(260,811)	(158,174)
Commission income	33,494	12,427
Other administrative expenses	(115,922)	(81,092)
<b>Total</b>	<b>(310,013)</b>	<b>(193,353)</b>

**Management's compensation and benefits**

	Year ended December 31, 2024	Year ended December 31, 2023
<b>Short-term benefits</b>		
Salaries	86,991	68,400
Bonuses	31,282	21,038
<b>Total</b>	<b>118,273</b>	<b>89,438</b>

	As at December 31, 2024	As at December 31, 2023
<b>Off Balance Sheet</b>		
<b>Balfin Group's Companies</b>		
Commitments given	(190,875)	(128,920)
<b>Total</b>	<b>(190,875)</b>	<b>(128,920)</b>

**Tirana Bank SHA***(All amounts are in thousands Albanian Lek unless otherwise stated)***35. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY**

The following table provides a reconciliation of classes of financial assets with the measurement categories as of December 31, 2024 and 2023:

<b>As at December 31, 2024</b>	<b>AC</b>	<b>FVOCI</b>	<b>FVTPL</b>	<b>Total</b>
Cash and balances with Central Bank	14,266,671	-	-	14,266,671
Loans and advances to banks	7,087,704	-	-	7,087,704
Loans and advances to customers	75,565,904	-	-	75,565,904
Financial assets at FVOCI	-	27,737,012	-	27,737,012
Financial assets at amortized cost	31,815,372	-	-	31,815,372
<b>Total financial assets</b>				<b>156,472,663</b>
Other financial assets				252,695
<b>Total Financial Assets</b>				<b>156,725,358</b>

<b>As at December 31, 2023</b>	<b>AC</b>	<b>FVOCI</b>	<b>FVTPL</b>	<b>Total</b>
Cash and balances with Central Bank	11,366,310	-	-	11,366,310
Due from Banks	8,167,620	-	-	8,167,620
Loans and advances to customers	56,368,260	-	-	56,368,260
Financial assets at FVOCI	-	29,752,158	-	29,752,158
Financial assets at AC	21,661,396	-	-	21,661,396
<b>Total financial assets</b>				<b>127,315,744</b>
Other financial assets				244,779
<b>Total Financial Assets</b>				<b>127,560,523</b>

As of December 31, 2024, and December 31, 2023 all of the Bank's financial liabilities were carried at amortised cost.

**36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

	<b>As at 31 December 2024</b>		
	<b>Within 12 months</b>	<b>After 12 months</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and balances with the Central Bank	14,266,671	-	14,266,671
Loans and advances to banks	7,087,704	-	7,087,704
Loans and advances to customers, net	34,724,730	40,841,174	75,565,904
Financial assets at fair value through other comprehensive income	11,958,795	15,778,217	27,737,012
Financial Assets at amortized cost	2,116,920	29,698,452	31,815,372
Repossessed assets, net	707,300	-	707,300
Other Assets	-	1,024,116	1,024,116
Intangible assets	-	446,456	446,456
Property and equipment	-	1,006,442	1,006,442
Deferred tax assets	-	82,358	82,358
<b>TOTAL ASSETS</b>	<b>70,862,120</b>	<b>88,877,215</b>	<b>159,739,335</b>
<b>LIABILITIES AND EQUITY</b>			
Due to banks	15,737,734	-	15,737,734
Due to customers	102,107,350	21,272,944	123,380,294
Subordinated debt	-	1,418,278	1,418,278
Other liabilities	2,222,017	365,942	2,587,959
Provisions	299,230	-	299,230
<b>TOTAL LIABILITIES</b>	<b>120,366,331</b>	<b>23,057,164</b>	<b>143,423,495</b>
<b>Net</b>	<b>(49,504,211)</b>	<b>65,820,051</b>	<b>16,315,840</b>

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	As at 31 December 2023		
	Within 12 months	After 12 months	Total
<b>ASSETS</b>			
Cash and balances with the Central Bank	11,366,310	-	11,366,310
Loans and advances to banks	8,167,620	-	8,167,620
Loans and advances to customers, net	25,533,577	30,834,683	56,368,260
Financial assets at fair value through other comprehensive income	14,712,410	15,039,749	29,752,159
Financial Assets at amortized cost	1,030,160	20,631,235	21,661,395
Other Assets	-	813,176	813,176
Repossessed assets, net	917,575	-	917,575
Intangible assets	-	342,235	342,235
Property and equipment	-	862,215	862,215
Deferred tax assets	-	186,193	186,193
<b>TOTAL ASSETS</b>	<b>61,727,652</b>	<b>68,709,486</b>	<b>130,437,138</b>
<b>LIABILITIES AND EQUITY</b>			
Due to banks	6,949,364	-	6,949,364
Due to customers	62,713,607	44,365,487	107,079,094
Subordinated debt	25,825	1,475,252	1,501,077
Other liabilities	1,492,027	232,198	1,724,225
Provisions	304,901	-	304,901
<b>TOTAL LIABILITIES</b>	<b>71,485,724</b>	<b>46,072,937</b>	<b>117,558,661</b>
<b>Net</b>	<b>(9,758,072)</b>	<b>22,636,549</b>	<b>12,878,477</b>

### 37. COMMITMENTS AND CONTINGENCIES

The Bank grants letter of credits and guarantees to its customers, which would require the Bank to make payments if the clients default in settling their liabilities toward third parties. Credit commitments comprise contractual commitments to grant loans and advances up to the set limit within certain time frames

and repayment terms. These are recorded as loans and advances to customers when the Bank disburses the committed funds to the customers.

Contingencies and commitments as at December 31, 2024 and 2023 are composed of the following:

(All amounts are in thousands Albanian Lek unless otherwise stated)

### 37. COMMITMENTS AND CONTINGENCIES (continued)

	As at December 31, 2024	As at December 31, 2023
<i>Granted</i>		
Loan commitments	7,210,867	7,999,021
Letters of Guarantees	4,271,971	3,757,429

Table of changes in the loss allowance for commitments and contingencies and the reasons for those changes:

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
<b>Off balance sheet</b>					
<b>Loss allowance as at January 1, 2024</b>	<b>78,134</b>	<b>11,473</b>	<b>-</b>	<b>-</b>	<b>89,607</b>
<b>Movements with P&amp;L impact</b>	<b>8,848</b>	<b>(9,535)</b>	<b>687</b>		
Transfer from Stage 1 to Stage 2	(276)	276	-	-	-
Transfer from Stage 1 to Stage 3	(106)	-	106	-	-
Transfer from Stage 2 to Stage 1	9,230	(9,230)	-	-	-
Transfer from Stage 2 to Stage 3	-	(581)	581	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New assets originated/purchased	20,675	1,159	23		<b>21,857</b>
Changes in PDs/LGDs/EADs	(42,603)	(8,125)	194	-	<b>(50,534)</b>
<b>Total net P&amp;L charge during the period</b>	<b>(13,080)</b>	<b>(16,501)</b>	<b>904</b>	<b>-</b>	<b>(28,677)</b>
<b>Other movements with no P&amp;L impact</b>	<b>(12,813)</b>	<b>11,180</b>	<b>(831)</b>	<b>-</b>	<b>(2,464)</b>
<b>Loss allowance as at December 31, 2024</b>	<b>52,241</b>	<b>6,152</b>	<b>73</b>	<b>-</b>	<b>58,466</b>

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit- impaired	
<b>Off balance sheet</b>					
<b>Loss allowance as at January 1, 2023</b>	<b>(507,854)</b>	<b>564,083</b>	<b>6</b>	<b>-</b>	<b>56,235</b>
<b>Movements with P&amp;L impact</b>					
Transfer from Stage 1 to Stage 2	(182)	182	-	-	-
Transfer from Stage 1 to Stage 3	(67)	-	67	-	-
Transfer from Stage 2 to Stage 1	5,218	(5,218)	-	-	-

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(All amounts are in thousands Albanian Lek unless otherwise stated)

### 37. COMMITMENTS AND CONTINGENCIES (continued)

Transfer from Stage 2 to Stage 3	-	(6,740)	6,740	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	1	(1)	-	-
New assets originated/purchased	44,578	4,645	-	-	<b>49,223</b>
Changes in PDs/LGDs/EADs	617	(14,385)	47	-	<b>(13,721)</b>
<b>Total net P&amp;L charge during the period</b>	<b>50,164</b>	<b>(21,515)</b>	<b>6,853</b>	-	<b>35,502</b>
<b>Other movements with no P&amp;L impact</b>	<b>(12,769)</b>	<b>17,498</b>	<b>(6,860)</b>	-	<b>(2,131)</b>
<b>Loss allowance as at December 31, 2023</b>	<b>(470,459)</b>	<b>560,066</b>	<b>(1)</b>	-	<b>89,606</b>

Changes in the gross carrying amount of commitment and contingencies during the period which contributed to changes in the loss allowance are presented below:

Off balance sheets	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
<b>Gross carrying amount as at January 1, 2024</b>	<b>11,075,184</b>	<b>681,193</b>	-	<b>11,756,378</b>
Transfers:	517,397	(520,956)	3,558	-
Transfer from Stage 1 to Stage 2	(49,714)	49,714	-	-
Transfer from Stage 1 to Stage 3	(3,253)	-	3,253	-
Transfer from Stage 2 to Stage 1	569,885	(569,885)	-	-
Transfer from Stage 2 to Stage 3	-	(1,084)	1,084	-
Transfer from Stage 3 to Stage 1	479	-	(479)	-
Transfer from Stage 3 to Stage 2	-	299	(299)	-
New financial guarantees originated or purchased	4,750,487	7,176	7,777	4,765,440
Increase/Decrease of Balances for existing Loan	(3,981,022)	(89,795)	13,004	(4,057,813)
FX and other movements	(367,435)	(15,354)	-	(382,789)
<b>Gross carrying amount as at December 31, 2024</b>	<b>11,994,611</b>	<b>62,264</b>	<b>24,340</b>	<b>12,081,215</b>

**37. COMMITMENTS AND CONTINGENCIES** (continued)

Off balance sheets	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Gross carrying amount as at January 1, 2023</b>	<b>7,440,363</b>	<b>55,694</b>	<b>18,956</b>	<b>7,515,013</b>
Transfers:	<b>(295,157)</b>	<b>297,047</b>	<b>(1,890)</b>	<b>-</b>
Transfer from Stage 1 to Stage 2	(304,967)	304,967	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	9,810	(9,810)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 1	-	1,890	(1,890)	-
New financial guarantees originated or purchased	6,231,793	373,245	-	<b>6,605,038</b>
Increase/Decrease of Balances for existing Loan	(1,829,723)	(42,499)	(17,060)	<b>(1,889,282)</b>
FX and other movements	(472,092)	(2,294)	(6)	<b>(474,392)</b>
<b>Gross carrying amount as at December 31, 2023</b>	<b>11,075,184</b>	<b>681,193</b>	<b>-</b>	<b>11,756,377</b>

**Litigation**

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. Litigation provisions arise out of current or potential claims or pursuits alleging non-compliance with contractual or other legal or regulatory responsibilities, which have resulted or may arise in claims from customers, counterparties or other parties in civil litigations.

The Bank has formal controls and policies for managing legal claims. Once professional advice has

been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.

**Lease commitments**

The Bank leases office premises in Tirana, Durrës, Korçë, Vlorë, Lezhë, Elbasan, Gjirokastër, Shkodër, Lushnjë, Pogradec, Berat, Sarandë, Fier etc. In general, these leases are cancellable with three months' notice.

**Tirana Bank SHA**

(All amounts are in thousands Albanian Lek unless otherwise stated)

**37. COMMITMENTS AND CONTINGENCIES** (continued)

Lease commitments are classified as follows:

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
Up to 1 year	271,614	166,997
From 1 to 5 years	925,737	486,119
More than 5 year	454,712	377,606
<b>Total</b>	<b>1,652,063</b>	<b>1,030,722</b>

**38. EVENTS AFTER THE REPORTING DATE**

There are no other material events subsequent to the date of the statement of financial position have occurred which require disclosure in the financial statements.



