Raiffeisen Bank Albania

Annual Report 2023

Contents

Report of the Board of Directors 6
Message from the Executive Director 7
Vision & mission 8
Perspectives and plans for 2024 9
Governing bodies 10
Report of the management board 12
Economic developments 12
Financial results 14
Risk appetite/tolerance statement 17
Segment report 18
Corporate business/segment development 18
Trade finance & bank guarantees 19
Retail banking 20
Customer segment development 20
Product management division 21
Cards business and E-Banking division 23
Customer experience 25
Sales & Distribution Channels - 2023 26
Treasury and investment banking 27
Fixed income 27
Money market 27
Foreign exchange 28
Treasury sales 28
Corporate social responsibility 29
People, Culture and Organisation division 31
Independent auditor's report 42
Raiffeisen Leasing 123
Raiffeisen Invest A.C 125
Raiffeisen Bank International at a glance 128
Raiffeisen Bank sh.a network 129
Addresses 130

Management board
of Raiffeisen Bank Sh.a

Christian Canacaris
Chief Executive Officer

Alexander Zsolnai
Vice-chairman of the MB

Elona Mullahi (Koçi)
Board Member Corporate

Vilma Baçe
Board Member Retail

Erion Serti
Board Member Operacionet dhe TI

Report of the Board of Directors

Ladies and Gentlemen,

Albania's economy in 2023 demonstrated remarkable resilience despite a backdrop of global challenges. Buoyed by a flourishing tourism industry, continued strength in construction, and sustained consumer spending, the nation experienced positive economic growth of 3.4%. These factors paint a picture of an Albanian economy increasingly integrated with global markets. Furthermore, inflationary pressures, a concern for many in the region, have shown signs of abating.

Raiffeisen Bank sh.a. had a remarkable performance, experiencing significant expansion of assets and deposits, while our lending activity saw a healthy, though slightly more moderate, increase. Furthermore, we are proud to announce that with the support of all business lines our net profit in 2023 not only surpassed expectations but also outperformed the overall market average. Importantly, we achieved this incredible growth while maintaining a solid liquidity and capital position, ensuring long-term sustainability and the ability to serve our clients effectively. What truly sets us apart, however, is the deep trust and positive perception we have cultivated with our clientele.

On behalf of the Board of Directors, I would like to express our sincere appreciation for the outstanding results and progress achieved. We are confident that by staying true to our core values, Raiffeisen Bank sh.a. will continue to lead the way in Albania's financial landscape.

During the financial year 2023, the members of the Board of Directors held four meetings. The overall attendance rate for the meetings of the Board of Directors meetings was around 95 per cent.

The Board of Directors regularly and comprehensively monitored the business performance and risk developments at Raiffeisen Bank sh.a. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Board of Directors also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Board of Directors maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Board of Directors with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Board of Directors maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Board of Directors, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Board of Directors passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Board of Directors without delay and to their satisfaction.

The Board of Directors carried out its tasks as defined by the Albanian Banking Law, pursuant to the Articles of Association and in compliance with the Bylaws of the Board of Directors. The Board of Directors discussed important matters relating to the bank, with special consideration in the form of focus topics during the quarterly meetings of the Board of Directors.

I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen Bank sh.a. for their unwavering efforts, and also our customers for their continued trust.

On behalf of the Board of Directors

Peter Lennkh,
Chairman of the Board of Directors

Message from the Executive Director

In 2023, we continued our journey focused on business growth, superior customer experience, digitalization, transformation and of course on our people.

Raiffeisen Bank sh.a. recorded an excellent annual performance. The bank remained well-capitalized and highly liquid. Due to the contribution of all business lines, net profit after tax (IFRS Standard) reached 6.48 bn Lek (or 59.5 mn euros) by the end of 2023, the best result ever. The volume of assets increased 17.8 percent compared to the previous year. The volume of deposits recorded a slighter increase of approximately 4 percent year on year. Raiffeisen Bank sh.a. remains the largest bank in the market for loans granted to individuals with about 20.1 percent of the market share.

In the Retail segment we achieved remarkable results, driven by accelerated digitalization. By the end of the year, loan volumes reached 627 mn euros, positioning Raiffeisen Bank sh.a. as the leader in lending for private individuals. The bank successfully launched iKes (Kredi Flash) for new private individual consumer's loans, becoming the first bank in the market to offer an online end-to-end application with automatic decisions.

On Small and Micro business segment, we expanded the customer base eligible to apply for online business overdrafts with automatic decisions. SME loan outstanding grew by 21.2 percent compared with last year. Moreover, we launched RaiPos, the market's first solution of mobile POS to boost card usage at the same time, for merchants and customers. Our digital platform "Raiffeisen On" has been continuously enhanced with new features and functionalities, further improving customer experience.

The corporate segment also saw impressive achievements, with loans outstanding reaching 569mn euros by the end of 2023, and a 4.7 percent increase from the previous year. New lending volumes accounted for 26 percent of the total outstanding volume. Another remarkable accomplishment is the result of ESG loans standing at 39 mn euros, constituting 7 percent of the total corporate outstanding portfolio as of December 2023.

Another major project that Raiffeisen Bank conducted during 2023 is the cooperation and support of the Albanian Energy Exchange, ALPEX. Through this cooperation, Raiffeisen Bank became the first banking partner in Albania to offer settlement and transaction clearing services to its customers engaged in the energy market.

Raiffeisen Bank continues to stay ahead of market standards. We are the first bank in the local market to comply with MREL requirements, through long-term agreements with our strategic partners EBRD and OPEC Fund.

A joint strategy between Treasury Sales and Corporate Relationship Managers aimed at boosting income, volumes, and customer experience. We are committed to digitization and innovation, investing in IT and digital platforms. Moreover, in this direction, we achieved ISO 27001 certification, demonstrating our dedication to data protection and security.

The year 2023 was successful for our two subsidiaries. Raiffeisen Leasing sh.a. reached the highest profit ever at 0.9mn euros, thanks to the finance lease amount with an achievement of 140 percent. Raiffeisen Leasing sh.a. has maintained a particularly good portfolio quality, with an NPL ratio of 1.51 percent, the lowest in these 18 years of operation in the country.

Raiffeisen Invest closed a very successful year, reaching a double-digit growth of 21.1 percent in assets and 11.3 percent growth in the number of clients. All the funds recorded an impressive net performance, led by Vizion Fund in ALL with 12.2%. Raiffeisen Invest remained the leading company in the Albanian market for investment funds, with a market share of 95 percent. An optimistic development occurred in the Pension Fund industry, with a new law "On private Pension Funds" approved in September 2023, which provides improved fiscal incentives for pension fund members, expected to give a boost to market growth.

We continue with our Cloud migration program. Our Cloud migration team successfully migrated 65 percent of our applications through the cloud acceleration program, with all new applications 100 percent now being Cloud-native.

Over the last years, we have continued the transformation of our new way of working Agile, from enhanced customer experiences to innovative product launches. Agile practices now are extended to more than half of our branches and we are committed to continuing this journey, preserving our agility, and ensuring that we remain at the forefront of the banking industry.

We expect 2024 to be a promising year. Raiffeisen Bank sh.a. has a strong financial position. Despite specific uncertainties happening in the world, our bank is positioned well due to the positive macroeconomic outlook in Albania, fueled by the growth in tourism and infrastructure projects. We remain committed to our strategic pillars, to respond to challenges, make sustainable investments and further advance in digitalization services and technology. Additionally, we will continue to prioritize the personal growth and development of our employees to maintain the highest standards of customer service.

To conclude, on behalf of the Management Board, I sincerely thank our valued customers and business partners for their trust and collaboration in 2023. I also extend my gratitude to our resolute employees for their accountability and passion and for being an integral part of our success. We look forward to continuing our journey towards excellence and meeting the challenges of the future.

Also, we commit to invest more to increase our digital products portfolio in all our banking segments to bring new or improved digital products and enhance our customers' value as innovation stands in our mission statement. We will maintain our commitment to prioritize the quality of customer service across all our business segments. Additionally, we will continue to emphasize the personal growth and development of our employees to ensure that we uphold the highest standards of customer service.

To conclude, on behalf of the Management Board I would like to extend my genuine appreciation to all our valued customers and business partners for their trust and collaboration throughout the year 2023. Also, I would like to express my gratitude towards our hardworking employees, who have shown great commitment, teamwork, and dedication in achieving our business objectives. We are committed to continuing our agile transformation and becoming an adaptable organization that is prepared for the challenges of the future.

Christian CANACARIS
Chief Executive Officer
Chairman of the Management Board

Vision & Mission

Our Vision for 2025

To be the most recommended financial services group.

Mission

Our Mission is to transform continuous innovation into superior customer experience.

Collaboration

When we work with each other, talk to each other, listen to each other, and support each other, we can achieve so much more. We constantly create an environment of mutual understanding, respect, and trust.

Proactivity

We believe in looking ahead. We drive change. Concentrating on the possibilities rather than the impossibilities. Replacing indecision with the decision. Action instead of reaction.

Learning

Learning means personal progress. We learn from experience, education, and sharing. Experimenting and applying new knowledge may involve failure. We consider failure the best teacher to draw lessons from it.

Responsibility

When each of us undertakes responsibility, we can change for the better. Individually and together, we own our decisions. We are accountable for the results of our work.

Perspectives and plans for 2024

In 2024, Raiffeisen Bank stands ready to maintain to sustain its growth momentum and uphold its contributions to the country's economy. At the core of Raiffeisen's mission is a commitment to enhancing customer experiences and supporting clients in their personal and business endeavors. We are also dedicated to introducing new state-of-the-art technologies and expertise, contributing to the continuous improvement of standards within the Albanian finance & banking market.

Digital transformation lies at the heart of our banking operations, positioning us as first movers in constant innovation, thereby pushing the boundaries within our market to maximize the value delivered to our customers.

We are committed to enhancing our digital platforms to uphold our leading position as the most innovative and advanced bank in the country. This will enable us to provide our customers with a seamless and convenient banking experience. As part of this initiative, we aim to enrich our digital platform "Raiffeisen ON" with new features and functionalities to ensure that it remains at the forefront of digital banking excellence. Recognizing the importance of personalized solutions in meeting the diverse requirements of our customer base, we will also be launching additional applications which will cater to their specific needs and preferences.

In tandem with our digital transformation efforts, we remain committed to making strategic investments to modernize and enhance our network of branches, ensuring that our physical locations complement our digital offerings and provide customers with a seamless omnichannel banking experience.

Ensuring exceptional customer service remains a priority across all our business segments, reflecting our commitment to prioritize the needs and satisfaction of every individual and business we serve. This is why we invest in cultivating a customer centric culture within Raiffeisen Bank, fostering an environment where every team member is empowered to go above and beyond to meet customer expectations.

We place a very high importance on developing the skills of Raiffeisen Bank staff. We value expertise and have cultivated a working environment that fosters collaboration, creativity, and an entrepreneurial spirit in which innovative ideas can thrive. Creating a good corporate culture is just as important to us, as it promotes employee engagement and loyalty, encourages a healthy work-life balance, and ensures the overall satisfaction of our employees.

Finally, Raiffeisen Bank is continuously working towards enhancing its focus on sustainable development and responsible banking. Our aim is to offer sustainable financial products and services in a manner that not only meets the needs of our customers, but also supports and steers them in their transformation towards a more sustainable future. RBAL pledges to "act in a socially responsible manner and contribute to the long-term wellbeing of people and companies in our market".

Christian Canacaris
Chief Executive Officer

Chairman of the Management Board

Alexander Zsolnai
Vice-chairman of the MB

Elona Mullahi (Koçi)
Board Member Corporate

Vilma Baçe
Board Member Retail

Erion Serti
Board Member CIO/COO

Governing bodies

Board of directors

The Board of Directors is responsible for approving and controlling the implementation of the policies and strategies of the bank in connection with the business plan, risk management, annual budget; setting out long-term objectives of the bank and monitoring their realization, monitoring the effectiveness of management practices in the bank and effecting appropriate changes for the purposes of improving such practices, etc.

Members of the Board of Directors

Peter Lennkh	Chairman
Heinz Wiedner	Vice-Chairman
Harald Kreuzmair	Member
Thomas Matejka	Member
Petro Merkulov	Member

Audit committee

The Audit Committee audits and supervises accounting procedures and internal control of the bank, including the procedures defined by the Bank of Albania, supervises the implementation of these procedures as well as audits the bank accounts and respective registrations; considers internal audit reports and monitors the way conclusions from such reports are dealt with; evaluates the financial situation of the bank based on the report of the statutory auditor, etc.

Members of the Audit Committee

Heinz Wiedner	Chairman
Ulf Leichsenring	Vice-Chairman
Thomas Matejka	Member

During 2023, the Audit Committee held four meetings.

Risk committee

The Risk Committee shall advise the Management Board and the Board of Directors on the Bank's overall current and future risk appetite and strategy and assist the Management Board and the Board of Directors in overseeing the implementation of that strategy by senior management.

Members of the Risk Committee

Thomas Matejka	Chairman
Harald Kreuzmair	Vice-Chairman
Heinz Wiedner	Member

During 2023, the Risk Committee held two meetings.

Management board

The Management Board organises and manages the activity of the bank continuously. It sets out and delegates the duties to the personnel and supervises the enforcement of delegated responsibilities, in compliance with the adopted policies and procedures; it takes the necessary measures to monitor and manage all the risks the bank is exposed to in line with the adopted strategies, it implements the adopted policies and strategies, and provides that the process on risk management be continuously in compliance with the risk profile of the bank and with the approved business plan.

Members of the Management Board

Christian Canacaris	Chairman/CEO
Alexander Zsolnai	Vice-Chairman/Deputy CEO
Elona Mullahi	Member
Erion Serti	Member
Vilma Baçe	Member

Report of the Management Board

Economic Developments

Albania's economy demonstrated resilience in 2023, achieving a growth rate of 3.44% according to preliminary official estimates. This is a slight moderation due to the robust 4.9% growth observed in 2022, but it marked a positive performance nonetheless in a complex global environment. The main component of GDP, household consumption expanded at a moderate 3.0% year over year in 2023, indicating a 2.1 percentage points of GDP growth. Exports of goods and services displayed impressive dynamism, surging by 10.1% year over year, which mostly highlights tourism's stellar performance. Furthermore, public consumption grew at a commendable 9.2% year-on-year, powered by public investments and higher wages and expenses for local elections, while gross capital formation, a key indicator of investment activity, grew by a healthy 6.4% year over year. This positive indicator is promising for Albania's future economic prospects, potentially establishing a favorable environment for business investment and growth. Import growth, although modest at 1.3% year-on-year, should be subject to monitoring in order to ensure the trade balance sustainability. Looking ahead to 2024, we expect a steady growth driven primarily by domestic demand. External factors such as geopolitical tensions and global economic fluctuations shall remain potential risks. Additionally, addressing structural challenges like gaps in the rule of law and emigration pressures will be crucial for sustained long-term growth, which will ultimately benefit the overall business environment in Albania.

Albania's inflation rate experienced a significant moderation in 2023, dropping to 4.8% from 6.7% in 2022. This decline was driven primarily by a decrease in transportation costs. However, expectations of rising wages across public and potentially private sectors, coupled with a tight labor market, suggest future inflationary pressures domestically. We expect average inflation to hover around 3.4% during 2024. The Bank of Albania has been proactive in combating inflation through a tighter monetary policy. In response to initial surges, the central bank raised the base rate twice throughout 2023, closing the year with a base rate of 3.25%, aiming to return inflation to its target of 3.0% in the second half of 2024. However, we expect that the inflation target will only be achieved in 2025. Despite the dampening impact of the high base effect, the lasting impact of a strong tourist season presents an element of uncertainty regarding the trajectory of inflation. We expect BA to continue raising interest rates in 2024.

Albania's labor market in 2023 experienced positive developments. The unemployment rate decreased to an average of 10.7%, showcasing improvement from about 11% in 2022. Furthermore, the employment rate increased more significantly, averaging 57.2% in 2023 compared to 55.5% in 2022. Employee renumeration also improved, with the average gross monthly wage amounting to ALL 75,025 at the end of 2023, marking a 13.7% increase compared to 2022. However, continued monitoring of youth unemployment, skill gaps, and emigration remains essential for policymakers aiming to further strengthen the Albanian labor market.

Albania's public sector thrived in 2023. Revenue growth soared to 12.3%, outpacing moderate expenditure increases which remained moderate at 3.6%. This robust revenue performance translated into a much lower fiscal deficit than originally budgeted. By the end of 2023, the deficit remained at 1.3% of GDP, showcasing the government's strong commitment to fiscal consolidation. The government's fiscal restraint, along with a stronger ALL, significantly reduced the debt-to-GDP ratio below 60% for the first time in a decade, settling at a commendable 59.2%. This performance was recognized internationally with a sovereign debt rating upgrade by Standard & Poor's in March 2024.

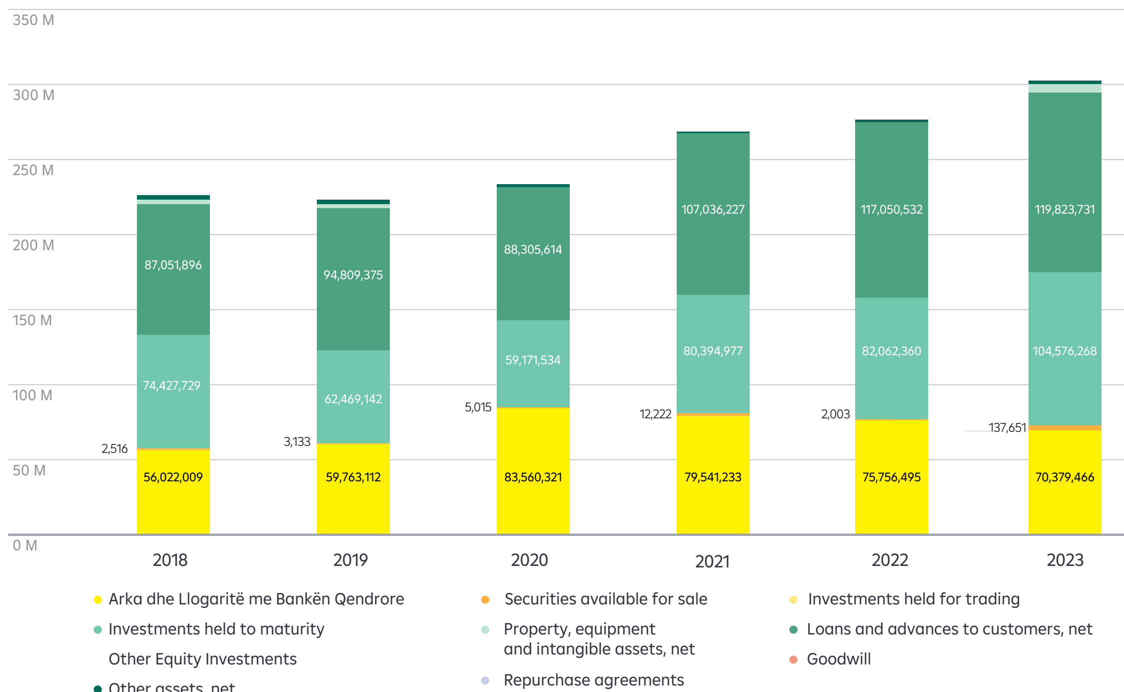
Year 2023 marked a historic low for Albania's current account deficit. The current account deficit shrank by 82.1 % year over year in 2023, driven by a surge in tourism revenue, (up 71.9% year over year). This tourism boom offset a moderate rise in the goods trade deficit (6.3% year over year), showcasing the sector's growing importance for the domestic economy. Remittances of Albanians living abroad also has a positive impact (6.9% year over year), leading to an important secondary income surplus. Thus, current account deficit relative to GDP improved significantly to a remarkably low of 0.9%, from 5.9% of GDP in 2022, indicating a more sustainable path for Albania's trade and financial flows. With tourism predicted to remain strong in 2024, the current account balance is expected to hover around 2% of GDP in the medium term.

The Albanian banking sector experienced positive progress in 2023. Total banking assets amounted to €19.0 billion by year-end, indicating a 4.7% annual increase. This growth was lessened by the appreciation of the Lekë (ALL) compared to Euro (EUR) (9.1% in 2023). Investments in securities constituted the primary driver of asset growth, comprising 74% of the increase in 2023. Loan growth was more modest, amounting to €7.3 billion by year-end with a 3.7% annual rise. Notably, 46% of loans are denominated in foreign currency (primarily EUR), thus the EUR depreciation impacted overall loan growth. Both retail and business loans experienced a 3.7% annual increase. Interestingly, only ALL denominated loans were subject to growth (9.6% year over year), while foreign currency loans declined by 2.4% per year due to currency fluctuations and lower interest rates on ALL loans compared to Euro loans. Deposits amounted to €15.6 billion at the end of 2023, with a 5.4% annual increase. The ALL appreciation contributed to this growth, as over 53% of deposits are in foreign currency. Retail deposits (representing 75.7% of the total) grew by 3.8% annually, while business deposits experienced a faster increase of 10.9%.

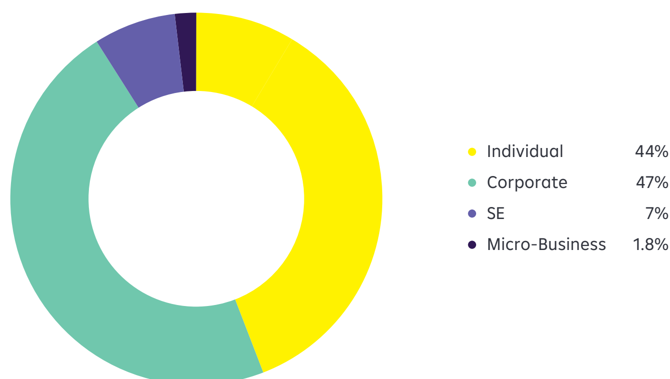
The banking sector marked a positive improvement in NPL ratios, decreasing from 5.0% in 2022 to 4.6% by year-end. The banking sector concluded the year with a strong financial performance, marking a substantial 49.8% increase in net profits compared to 2022.

Financial Results

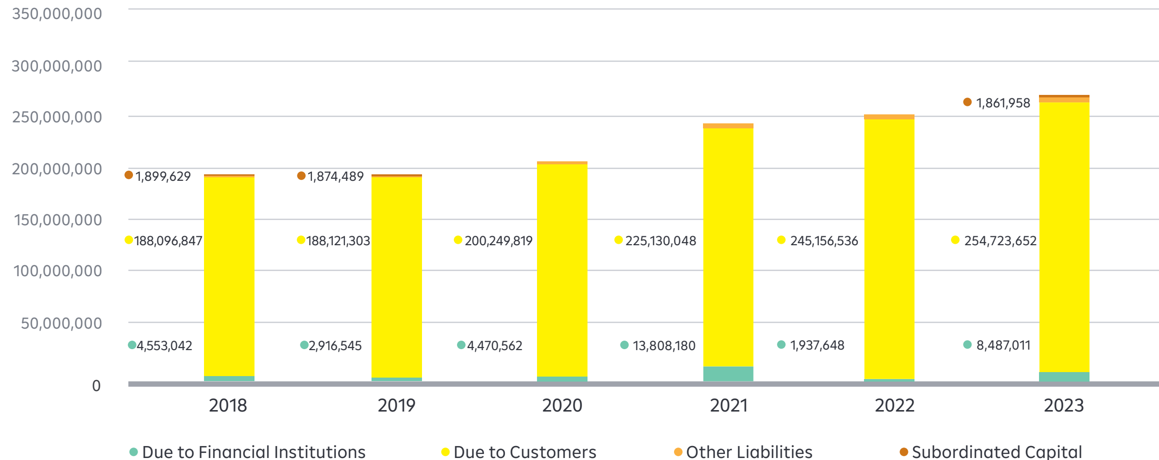
Total assets at the end of 2023 were ALL 302,129 million (2022: ALL 281,959 million). The loan book at the end of 2023 represented 40 percent (2022: 42 percent) of the Bank's total assets. The investments in securities represented nearly 35 percent of it in 2023 (2022: 29 percent). While Cash on hand and balances with banks decreased with 7 percent year on year.



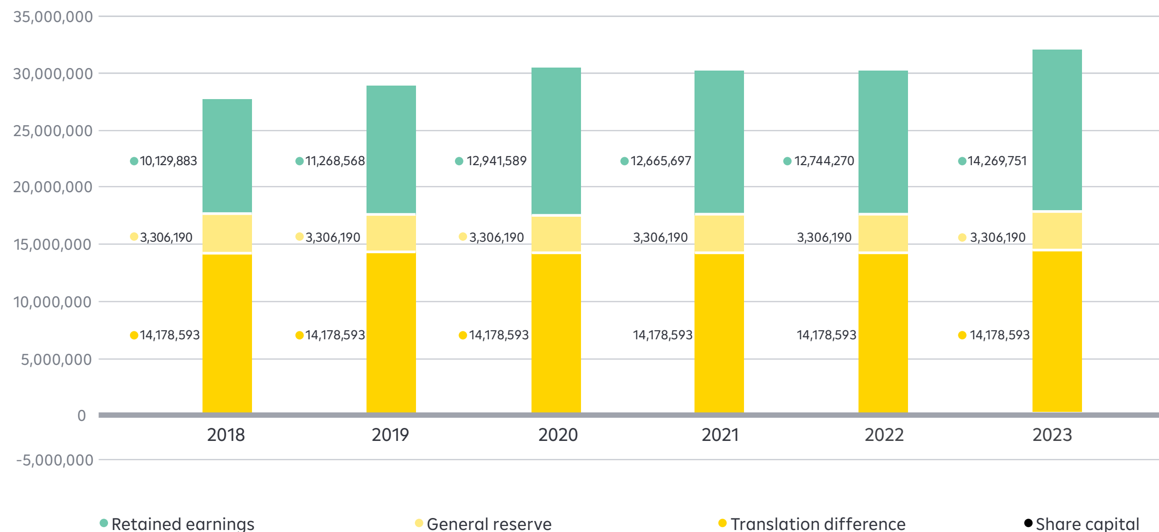
Total gross loans and advances to customers at year end 2023 stand at ALL 128,817 million (2022: ALL 127,426 million) representing a 1 percent increase in lending over the year. Corporate Sector in percentage terms is 47 percent of the loan book and it still represents the highest fraction of the loan portfolio with an outstanding loan book amounting to ALL 60,387 million (2022: ALL 63,679 million). The SE sector remains at the same level as last year, while Micro Business recorded a 5 percent increase yoy and its outstanding loan book amounting to ALL 2,230 million (2022: ALL 2,127 million).



The total liabilities at the end of 2023 were ALL 270,374 million (2022: ALL 251,730 million). In 2023, customer deposits represent nearly 94 percent (2022: 97 percent) of the Bank's liabilities.

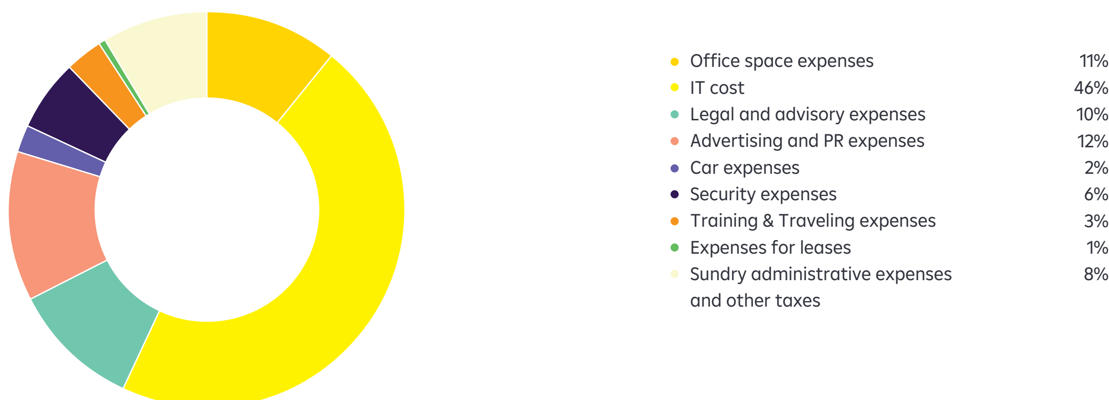


2023 showed a 77 percent increase in net profit after tax over 2022 to ALL 6,555 million (2022: ALL 3,702 million). Dividend declared and paid in 2023 is 5,030 million (2022: ALL 3,623 million). The Group maintains a sound capital profile with Local Capital Adequacy Ratio of 19.82 percent, well above regulatory minimum requirement of 12 percent.



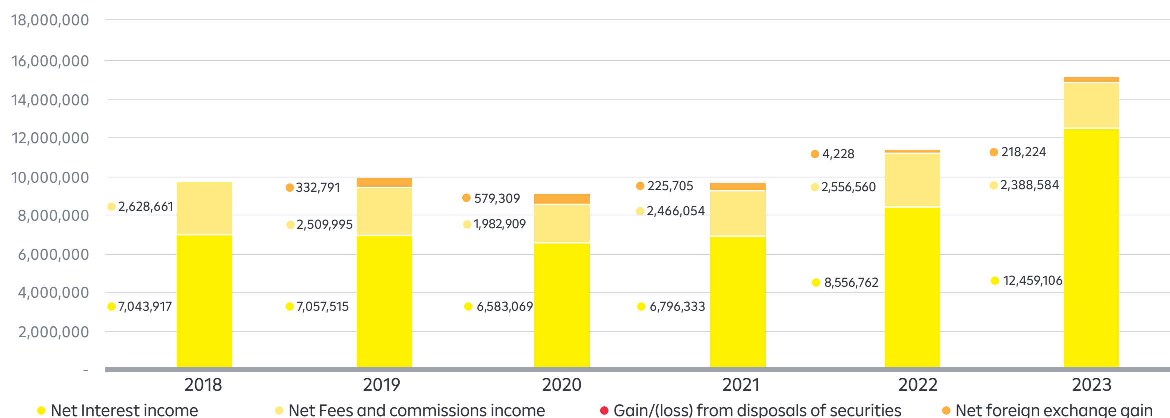
Other Administrative Expenses (excl. Staff cost & depreciation) at year end 2023 were ALL 2,187 million (2022: ALL 2,064 million). In 2023 the cost/income ratio decreased from 50.35 percent to 41.48 percent.

General Administrative Expenses
(in '000 LEK)

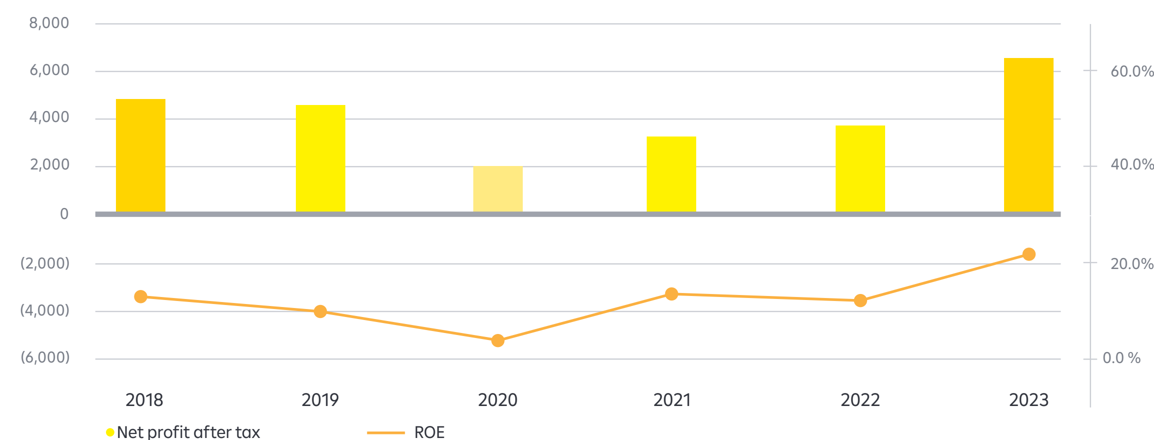


Group net interest income increased with 46 percent in 2023 and Bank's total balance sheet increased (7.2 percent) due to surplus liquidity. Net interest margin (calculated in relation to average balance sheet – total) increased from 3.08 percent in 2022 to 4.27 percent in 2023.

Net Income
(in '000 LEK)



Profit & ROE
(in '000,000 ALL)



Risk appetite/tolerance statement

The Risk Appetite Framework (RAF) aims to provide the management, together with the formulation and approval of a top-down Risk Appetite statement, a tool to set and constrain the level of overall risk the Bank is willing and able to take on, to achieve its strategic and business goals. There is a close interconnection to the Internal Capital Adequacy Assessment Process (ICAAP) as the main objective of the RAF is to align strategic and business targets with the necessity to fulfil minimum regulatory capital requirements in adverse scenarios as well as in the case of large singular risk events, and to ensure that senior creditors do not bear losses in an extreme risk scenario. Bank of Albania requires bank to hold a minimum amount of capital for all their material risks. For so called Pillar 1 risks (i.e. credit, market and operational risk) explicit quantification and assessment procedures are given; adding up those numbers yields the regulatory capital requirement. Risk management in Raiffeisen Bank must ensure that regulatory capital requirements are met. Raiffeisen Bank hold capital more than the regulatory minimum requirement as an extra buffer to avoid regulatory intervention and subsequent reputational losses.

This level of capital is called risk taking capacity ("RTC"), differently stated as Regulatory Capital which is the sum of: Common Equity Tier-1, Additional Tier 1 capital, and Tier-2 capital. The level of capital held by the Bank also contributes to an increased business activity and future growth. Since RTC is mainly based on the surplus of capital over the minimum capital requirement ("MCR"), a definition of the MCR for the RTC concept is needed. Generally, the MCR is the needed regulatory capital requirement for Pillar I risks (namely credit, market, and operational risk). In order to have an optimal level of held capital, when assessing RTC level, shareholders should be aware that besides the level of MCR, the Bank may also face events which might trigger unforeseen and/or unmeasured risks.

These types of risks are assessed under Pillar II capital requirement which consists of requirement for: credit concentration risk, residual risk, risks deriving from any external environmental factors (i.e. stress test) and any risks referred to as other risk types which are estimated annual through the risk assessment process. Given the volatility in financial markets and the economic environment, and the unpredictability of large singular risk events, the Risk Appetite has to be set below the level of Risk Tolerance with a large enough cushion in order to avoid a frequent breaching of targeted RTC warning level. Risk Appetite is defined as the limit of 85 percent of targeted RTC. Risk Tolerance is defined by the limit of 95 percent of Targeted Risk-Taking Capacity. Targets are set in line with the Budget and Mid-Term Planning Process and includes managerial buffer adequate to cover ordinary volatility of market conditions.

Regulatory RWA (in EUR tsd)	**2024**	**2025**	**2026**
Credit Risk	1,134,437.73	1,217,081.00	1,263,551.70
Market Risks	11,519.33	11,789.71	11,811.07
Operational Risk	240,753.86	275,624.88	284,147.14

	December 2023
Regulatory Total Capital Adequacy Ratio	19.82%
Capital Adequacy Ratio in line with local ICAAP methodology	17.99%

Segment report

Corporate business/segment development

In 2023, Raiffeisen Bank Albania continued its strategic focus on enhancing corporate banking services and fostering sustainable growth within the Albanian economy. Total Corporate portfolio as of December 2023 is composed at: 52% by overdrafts, 31% by term loans, 11% by trade finance, 6% by project finance. Year 2023 marked a 4.7% year-on-year growth in the lending portfolio and a 5.2% increase in the active customer base keeping a leading position in the segment level.

Embracing agility as a cultural change, Raiffeisen Bank Albania continued to enhance its operational efficiency and customer experience. The third year after the adoption of cross-functional end-to-end lending teams facilitated the delivery of innovative offerings with high service quality, resulted positive in terms of business volumes and portfolio quality. Close monitoring of lending customers contributed to portfolio quality improvement, ensuring proactive measures were taken to address early signs of distress.

The corporate customers in RBAL are served respectively:

- Mid - market segment
- Large corporate segment
- Central and regional segment

Benefiting from the synergy within the Raiffeisen Group Network, RBAL leveraged its competitive advantage in serving international customers with professionalism and European banking standards. This collaborative approach reinforces the bank's commitment to delivering exceptional service and value across borders.

Raiffeisen Bank Albania continued to strengthen its long-standing cooperation with public sector entities, maintaining its position as the main partner for Central and Local Government Institutions. This year's success was signing of a bilateral agreement with the Ministry of Finance and Economy for soft housing loans to public administration employees exemplifies the bank's commitment to supporting state-owned entities and expanding cross-selling opportunities for various banking products and services.

Project Finance, ESG and agri financing unit

The Project Finance unit demonstrated a strong commitment to providing specialized financing solutions for large-scale development projects. A notable success story in 2023 was the Agri Financing Agreement on Soft Facility (AASF) signed in March 2019 between Raiffeisen Bank Albania, the European Bank for Reconstruction and Development (EBRD), and its subsequent amendment signed in September 2023, referred to as the Agri and Agribusiness Transformation and Sustainability Facility (AATSF), which also included the tourism sector. Under the AATSF, EBRD provided Raiffeisen Bank Albania with an unfunded guarantee of up to €35 million.

This initiative aimed to increase the availability of financing to agribusiness and tourism sectors, which are often perceived as risky and underserved in the country. By engaging RBAL in strategically promising sectors such as tourism alongside agribusiness, the program sought to reach out to more sub-borrowers, including companies that might otherwise be considered too risky for conventional financing. This initiative is designed to motivate and support vital sectors of the Albanian economy with significant untapped potential, including agriculture, agribusiness, and tourism. The portfolio witnessed significant growth in 2023, reflecting the bank's expertise and vision across diverse industries. Additionally, the success of Agri financing initiatives, including the Agribusiness and Tourism Sector Financing program, highlights the dedication to supporting strategic sectors of the Albanian economy with untapped potential.

Cash management department and digital channel (Raiffeisen ON)

The Cash Management Department has been focused during 2023 on digitalization and enhancing customer experience. Investments in technology facilitated the introduction of new features and improvements to existing processes, making Raiffeisen Bank Albania the preferred choice for mobile and internet banking services among businesses.

RBAL continued to enhance its cash management products, offering secure and user-friendly functionalities for business customers. Expanded online services, including multi-factor authentication and seamless payment signing processes, underscore the bank's focus on modernization and customer-centric innovation. Moreover, participation in the SWIFT GPI Community further enhances cross-border payment efficiency and reliability for corporates.

Trade finance & bank guarantees

During 2023, we have continued our market share in Trade Finance Team to support corporate customers in navigating international trade, maintaining market share, and providing valuable expertise and advisory services. Preserving its market share in Trade Finance Products, our dedicated team provided good support and advisory services to customers, particularly in mitigating risks in international trade.

Issuance of bank guarantees for energy traders and renewable energy projects further highlights our commitment to facilitating trade and supporting sustainable initiatives. In conclusion, 2023 was a year of significant achievements and strategic advancements for our bank across its corporate banking segment. Our commitment to agility, innovation, digital transformation, and strategic partnerships positions it strongly for continued success in delivering value to customers and stakeholders in the years ahead.

Retail Banking

Customer Segment Development

Private individuals customers

In the **Private Individual** business line, Raiffeisen Bank Albania offers various packages of current accounts designed for all subsegments aiming to fulfill all customer needs; debit and credit cards, and loan solutions from personal loans to mortgage products. Despite the challenges we encountered in the preceding year, we were able to successfully launch the new PI Mass packages' model, which introduces a new customer self-selection feature and, for the first time, offers loyalty program for our clients. Through this model, customers can now select each package at a price point of their choosing, regardless of whether they are current salary depositors or not. Additionally, for those seeking premium features, they can opt for a higher-priced package with the best attributes available, all while remaining in the Mass segment. Customers will be offered a loyalty bonus for their activity if they perform at least one transaction on their RON mobile and one POS/e-commerce transaction, aiming to increase customer engagement.

We also launched the new Student package, offering higher daily limits on ATM withdrawals and POS/e-commerce payments as well as no fees on international payments by debit card. Our PI Mass packages model continues to provide a simple, practical, and innovative concept, aligned with the Bank's mission and digitalization strategy.

During 2023 we also provided email validation for PI customers by ensuring accurate customer data, enabling effective communication for CRM campaigns, resulting in stronger customer relationships and improved campaign performance.

The **Premium Banking** business line of the Bank provides services of the highest quality with separate desks and meeting rooms that are available in most of the branches. Premium Banking at Raiffeisen Bank Albania continues to offer a unique package of banking services to affluent customers. During 2023, the two levels of Premium Banking, namely Classic, i.e., clients who receive special services from senior branch positions, and Club, the most exclusive and upscaled service channel, have steadfastly enhanced the quality of services and benefits offered to affluent customers.

Raiffeisen Albania is the first bank in Albania to offer Remote Service for Premium customers through Premium Direct via RaiConnect platform, using an advanced communication platform and support for the daily activities of the best customer category. The aim is to reach more clients and foster client experiences by offering E2E products.

Small enterprises segment (SE)

In 2023 SE segment had a good performance. Outstanding loan volume had an increase of 11% compared to the previous year, thanks to the persistent work of our sales force. Furthermore, in terms of profitability, SE segment has surpassed all budgeted volumes across various parameters.

The segment's net commission result exceeded expectations by 14%, driven by high transaction volumes. Additionally, according to our NPS survey, the SME segment holds the leading position as of 2023.

As part of Raiffeisen Bank International responsible banking policy, it has become an integral aspect of our strategy within Retail. Throughout 2023, we achieved good performance in ESG loans, particularly those extended to women or underserved cities.

Our strategy for 2024 will be further simplification of products & services and start the preparatory work for digitally offered loans to SE customers that will help us achieve the budgeted volumes and to be more flexible to fulfil the customers' needs with less efforts.

Micro segment

In 2023, the Micro segment experienced a year marked by significant accomplishments. Notably, our outstanding loan volumes saw a remarkable increase by 51% compared to the previous year. This positive growth, both in volumes and profitability, is a direct result of the ongoing revitalization efforts initiated several years ago, combined with the collaboration of our product, sales, and risk teams to enhance our offerings for Micro customers.

Throughout 2023, we persistently pursued the digitalization of our lending services. In December 2022, we pioneered the launch of the first unsecured digital overdraft specifically tailored for the Micro segment, establishing ourselves as the market's frontrunner in providing a digital platform for business loan applications with automatic approval. Digital loan disbursements in 2023 comprised 15% of the total disbursements for the year. These digital loans were well-embraced by our Micro customers, thanks to their flexibility and swift approval process, allowing funds to be accessible within minutes and deposited into their accounts within hours.

Looking ahead to 2024, our strategy revolves around further automating and digitalizing our lending services for the entire Micro customer base. The quality of our portfolio has consistently remained very good, and we are committed to sustaining this trend. Additionally, we aim to introduce new products, particularly in sectors such as Agriculture where our presence is currently limited.

Our objective is to engage with our customers both physically and digitally, adapting to their evolving needs and business activities. Enhancing our internal processes to boost efficiency, facilitating a seamless experience for our customers, promoting sustainable practices, and upholding our commitment to being a socially responsible institution will be our primary focus areas for 2024.

Daily banking agile team:

Raiffeisen Bank Albania is committed towards undertaking a major agile transformation aiming become an adaptive organization that stands ready for the next bank generations. We have repurposed our product teams into self-organized agile squads and tribes, with T-shaped members that have the autonomy to make business decisions and remove impediments. The goal is to add more value for our customer by improving products and services, removing pain points, expanding the array of end-to-end digital offerings ultimately resulting in improved customer experience.

During 2023 we made significant progress towards this objective, as we have several Agile Teams dedicated to Daily Banking and Lending products, which have managed to solve important pain points of our customers reducing time to answer and streamlining the customer journeys across various touchpoints.

This team within almost four years of its formation has managed to improve major daily banking processes in retail. The implementation of "E-mail Validation for New and Existing Customers" has had a positive impact by enhancing security measures and ensuring accurate communication channels for all banking interactions. This team aims to improve customer experience, branch, online or HO processes as well as ensuring compliance with European and local regulatory framework. So far, with the implemented changes, the processing time has been significantly improved for some major daily banking processes.

Product Management Division

Savings products

In Raiffeisen Bank, we have experienced a steady growth in liabilities, driven by a diverse array of products and services tailored to meet the evolving needs of our customers.

Throughout the year, we have experienced a significant increase in our liabilities, driven by the range of products we offer and the trust our customers place in our service. We have not only expanded our customer base but also deepened our engagement by providing accessible avenues for savings and investment. Additionally, our commitment to innovation led to the introduction of new financial products and services, further bolstering our position in the market, and attracting more liabilities.

Whether it's through traditional savings instruments or innovative digital solutions, our bank remains dedicated to empowering customers to achieve their financial goals while fostering sustainable growth in liabilities.

Individual loans

RBAL is well acknowledged as one of the leading banks in the Albanian financial market. The basis of the products it offers, the numerous digital channels and the high standards in risk management, have turned RBAL into the reliable bank for the loan processing.

Obviously, following the unprecedented period caused by the Covid-19 pandemic as well as the price increase that followed, during 2023, banks in Albania continued to finance the private sector, and together with the Government's support, the focus shifted on economic growth, tourism, agriculture, and digitization. Specifically, economic growth for 2023 was 3.5% higher year-to-year.

Considering the many fluctuations that the foreign exchange rates experienced, especially for the EUR currency, as well as the drastic exchange rates decrease during 2023, the goal of RBAL is to provide and support lending in the local currency as much as possible. This enables RBAL to maintain a strong position in the market and ensure a sustainable customer base.

During 2023, the number of retail loans sold through digital channels has increased significantly, thus offering its payroll and non-payroll customers loans, which are totally initiated and completed electronically. RBAL started the year with 12.5% of the total new volumes completed on digital channels (E2E) and concluded the year with a significant increase to 23.3% of the total for the entire 2023. It is worth noting that loans initiated on digital channels make up 33% of the total volumes of retail loans.

RBAL is constantly investing in improving the lending processes to offer its customers the best experience in loan applications through digital channels, without having to appear in person at the branch offices. The launch of "Flash Loan" as a fully automatic digital channel had a positive effect in growing the base of new customers with the bank. Thus, RBAL concluded 2023 with 786 disbursed loans initiated by this channel. Inspired by the positive approach of the "Flash Loan" to new customers, RBAL committed to provide the same service to its existing customers. In December 2023, the "Flash Loan" was launched for all the bank's existing customers.

At the end of December 2023, RBAL achieved a market share of 39.16% for new unsecured loans and 11.35% for secured loans. The bank's focus remains on improving the customer experience and meeting their needs. Hence, RBAL has continued to look for new ways to improve the loan application process and to get closer to its customers. This caused the Net Promoter Score (NPS) for loans at RBAL to remain consistently high, showing that borrowers highly value our lending approach.

2023 has continued to be a challenging year for mortgage loans. Residential property prices have increased significantly. The basic interest rate in the local currency, the 12-month Treasury Bond, marked a decrease compared to the previous year, stabilizing the total loans interest rate, whereas keeping a stable value during 2023. RBAL continued lending mostly for home purchase purposes, however mortgage consumer loans constituted another important pillar. Moreover, a special focus was paid to the social aspect, keeping the pace on social loans financing programs, in cooperation with several municipalities in the country and the Ministry of Economy, Culture and Innovation. At the end of 2023, a new loan agreement for housing purchase was signed, a program developed in cooperation with the Ministry of Economy, Culture, and Innovation and RBAL tailored for the public administration, having as a target group: doctors, police officers and military officers. During 2023, the secured loans team focused on continuous product improvements, with the aim of expanding the business and being close to the customers' needs. During 2023, the NPS (Net Promoter Score) index for secured loans, as assessed monthly, averaged 90, while customer satisfaction marked the level of 4.75.

Cards business and E-Banking division

Cards business

During 2023, we dedicated ourselves to enhancing our RaiPay digital wallet, introducing innovative features and functionalities. In addition to withdrawals / payments at POS terminals and ATMs equipped with contactless functionality, the application now offers many other services, such as card PIN verification, card details, timed blocking of cards, loyalty cards, card connections etc. The main indicator of success for this platform is the increase in usage and active wallets.

Also, our green product portfolio has expanded to include Eco Cards as environmentally friendly cards.

The year 2023 continued to show increasing results for card sales as well as card payment volumes. Growth has been solid with +13% for credit cards and +46% for debit cards in card payment volume.

POS network

Raiffeisen Bank has significantly strengthened its presence in the POS network, particularly within the large and medium business category. The results of 2023 showed a 26% increase in the number of POS terminals and +81% in volume. This strengthening on the increase in the volume of payments is a result of the wide network and presence in the important merchants, the dedicated differentiating service and change in the behaviour of the customers using POS compared to cash transactions.

RaiPOS

At the end of 2023, RaiPOS Service was added to POS network, making Raiffeisen Bank the first bank in Albanian market to offer such a service to its merchants. This strategic launch not only underscores the bank's role as a trailblazer but also signifies a transformative shift in the payments landscape. By leveraging RaiPOS technology, the bank is reshaping the way merchants and consumers engage in transactions, offering a more streamlined, secure, and accessible payment experience. This advancement exemplifies the bank's commitment to driving progress and setting new industry standards through cutting-edge financial solutions.

RaiPOS represents an innovative service that transforms card acceptance only through an Android phone.

Upon installing RaiPOS application, the merchant's phone turns into a POS terminal that allows the acceptance of contactless payments with Visa and Mastercard or with any digital wallet.

E-commerce

Raiffeisen Bank has strengthened its digital presence through the expansion of e-commerce network during 2023. E-Commerce service has grown in the category of large businesses by reaching large international retailers, with a growing participation in car rental services, real-estate, and NGOs. The results of 2023 showed an increase of +70% in volumes throughout e-commerce network. The careful service offered in cooperation with the processor gives a series of possibilities and payment alternatives through PayperLink platform, Applications integrated within the system, which facilitate usage by Merchants and increase our performance towards customer service.

ATM network

Our ATM network is one of the largest in the country. There is a big number of RBAL ATMs offering depositing services. Our network is spread throughout the country, always making sure to be as close as possible to the bank's customers.

In some high urbanization areas, Self Service centres are offered to increase the service and offer more digital opportunities to Bank customers. In addition to cash withdrawal transactions, bank ATMs also provide the possibility of several services as added value for our cardholders. Raiffesen Bank's ATM offers the opportunity to many foreign cardholders to withdraw in the local currency. In a considerable number of ATMs that are spread throughout Albania, cash out withdrawals can be performed in Lekë and Euro currencies. ATM offers the possibility of cash-in for cardholders of our bank in Lekë and Euro. During 2023, the volume of cash withdrawal transactions from our ATMs increased by 35% and Cash Deposits in ATMs increased by 33%. At Raiffeisen Bank, our focus is on continually enhancing our ATM network to provide a broader range of functions and bring specialized services even closer to our customers.

Digital banking

Raiffeisen Bank Albania has always crafted ambitious strategies in digitalizing banking products and services to enhance customer experience using technology innovatively. By focusing on offering a new digital dimension, the Bank has ensured that customers have easy and adaptable access to their banking services through a wide range of platforms and channels.

This early and determined intervention of the Bank to digitalize its products and services demonstrates the vision and commitment to advancing with the times and meeting the needs of customers in an increasingly digital environment. By providing a wide range of digital channels for transactions and banking services, the Bank has expressed readiness to adapt customer experience to the new digital reality and to enable them to operate with ease and without limitations.

In 2023, we were committed to continuously improving the digital experience of our customers by offering a wide range of new functionalities on the Raiffeisen ON platform such as:

- Transactions and Credit Card Balance - verifiable in real-time on the Raiffeisen ON digital platform.
- Raiffeisen ON platform migrated to CLOUD - improved performance, flexibility, and enhanced capabilities to increase innovation, reduce costs, and ease the creation of new features.
- New unique design on the main page of the application - a total remodeling of the interface to bring a new experience to all our clients in the application.
- Improvement in the Debit Card application - the application for the Debit Card becomes even simpler. Improvement in design and simplicity in the application process in Raiffeisen ON.
- Account statement retrieval from RON Mobile - clients can easily view and download account statements within the mobile application in PDF format just like from the Raiffeisen ON web.
- Information on Your Environmental Impact (Carbon Footprint) - through this functionality, information will be provided including the possibility to monitor the user's impact on the environment.
- Sending a complaint to the Bank with RON mobile - our new mobile platform will now include a special option to easily send complaints to the bank from RON under the My Profile option.

During 2023, the number of clients who are part of the Raiffeisen ON platform reached 62% of the total active individuals. It is important to mention the penetration of mobile banking at 40% of the total active individuals. For the first time, the percentage of digital loans reached 22% on the Raiffeisen On platform and website, which was another success story.

It is also important to note the number of new clients acquired digitally, reaching 22% of the total new clients of the Bank.

We are committed to continuing to invest in digital transformation in the coming years, which will bring significant advancements in customer experience and enable the bank to meet the needs of an increasingly diverse spectrum of customers, including the younger generations who have grown up with technology and are adept at maximizing digital services.

Bancassurance

On 31 October 2016 meeting, the Board of Albanian Financial Supervisory Authority licensed Raiffeisen Bank as a Broker in insurance products for both life and non-life classes. Raiffeisen Bank was the first bank in the market licensed as Broker. Brokerage activity for Raiffeisen Bank is conducted through internal staff also licensed as private brokers.

Further utilizing the existing branch network and sales staff, the brokerage activity conducted through this license has contributed on lowering risks for secured and unsecured loans portfolio and increasing by 14 percent of Private Individual segment fee income during 2023.

Payments

The sustained growth trajectory with more than 2% compared to the previous year observed in payment transactions facilitated by Raiffeisen ON digital platform throughout the fiscal year 2023 underscores the efficacy of the strategic digitalization initiatives and customer outreach programs implemented by the institution. This enduring positive trend is indicative of the successful endeavours undertaken to cultivate a culture of digital banking among the customer base, thereby fostering increased utilization of online payment services.

The persistent ascent in digital transactions serves as a testament to the evolving preferences of customers, affirming their growing appreciation for the seamlessness and effectiveness of digital banking channels. Such a trend underscores the pivotal role of Raiffeisen ON digital platform in addressing the dynamic needs of its clientele. Furthermore, the sustained expansion in digital transactions holds promising prospects for both customers and the institution alike, potentially translating into cost efficiencies, heightened operational efficacy, and elevated levels of customer satisfaction.

Customer experience

Raiffeisen Bank is undergoing a "customer-centric transformation", a pivotal process that requires a strategic shift in the organizational culture, operational process, and mindset, as well as placing the customer at the core of decision-making and operations.

Therefore, one of our main pillars is continuous training of bank employees. Our Customer Experience Academy provides a range CX training programs for both front office & non-front office employees. Additionally, for our experience design teams, we offer advanced modules such as Service Design. These training initiatives aim to equip our teams with the necessary skills to enhance in human-centred design i.e. understanding customer needs, their behaviours, and perspectives, throughout the design process, with the final goal, to create the best journey experiences.

Putting this in practice means extensive study and market research, which is the foundation of effective service design, and allows us to have a comprehensive understanding of our customers and market dynamics, to create services that not only meet functional requirements but also deliver a high level of customer satisfaction.

We had several projects in 2023, where research played a crucial role in understanding customer's perspective. More often, our main products and services are co-created with our customers, by reserving for them a seat at the table, to have their needs and expectations, at the centre of our attention.

Voice of Customers plays a pivotal role in our organization. It begins with collecting customer feedback from multiple sources (surveys, complaints, customer calls etc.). We then analyse this feedback, exploring the root causes, and addressing customer pain points. Our framework enables us to close the feedback loop, and show our customers, that their input is highly valued and serves as a catalyst for ongoing improvement efforts.

Finally, an important dimension of customer experience is our products and services Value Proposition – the added value we provide to our customers' lives. Our priorities in 2023 have been creating compelling Value Proposition for Daily Banking, Digital Banking and Loans - that go beyond the price; and most importantly, meet and exceed customers' expectations.

Customer relationship management

In 2023, Raiffeisen Bank underwent a remarkable transformation, by introducing Contextual Offers concept, within Customer Relationship Management (CRM) approach. These data models brought a more personalized and customer-centric banking experience for our customers. Contextual offers, at its core, revolves around leveraging customer data to tailor loan/other offers, by analysing customer interactions, financial history, and preferences, and providing timely and customized solutions.

One of the key features accompanying this transformation is the automated audience creation process, by using the best solutions in market, such as Finshape. This dynamic system utilizes triggers like banking behaviour and demographics, to generate targeted groups, ensuring that our CRM efforts remain relevant, responsive, and adaptive to the evolving dynamics of the audience.

Moreover, we are taking a step towards environmental responsibility. The new Carbon Footprint feature in our Mobile app aims to increase awareness and encourage sustainable practices among customers. By measuring and analysing the carbon footprint impact associated with banking interactions, personalized insights are provided to customers, along with educational content on sustainable choices. Our mission is clear: transform user behaviour, reduce carbon footprints, and contribute to a more sustainable and environmentally conscious banking community.

Engaging customers in today's digital age puts mobile devices at the forefront of customer interactions. In our bank, we have launched two new touchpoints to communicate with customers through our mobile app: in-app messaging and inbox notifications. We want to create seamless and convenient ways to connect with our audience and 2024 goal is to enhance accessibility, ensuring that customers can effortlessly engage with our brand on the go.

Contact center

The Contact Center has managed over 450,000 customer communications during 2023, providing support and sales advice to our customers, providing a fast service, and aiming to create the best possible customer experience.

The Contact Center conducted its activity focused on two main directions:

- Examination of customer requests through incoming calls and other alternative channels such as email, Chatbot, Evrotrust and Raiffeisen ON electronic channel.
- Development of telemarketing/informative/questionnaire campaigns for the bank's products and services.

The Contact Center offered 24/7 service, providing information and assistance for the bank's products and services, where we can mention debit and credit cards, Raiffeisen ON, loans, ATMs, POS & Ecommerce services.

Sales & Distribution Channels - 2023

Raiffeisen Bank maintains its position as a market leader with the largest branch network in Albania, comprising of 74 branches distributed in 43 cities, covering most of the country. The branch network is supported by 28 Self Service Zones attached to the key branches equipped with cash in/cash out ATM-s.

17 branches throughout the country have a Premium Corner, where a dedicated Premium Account Manager offers advisory and services to Premium customers in a private space dedicated only to this group of customers. Premium Direct Service, via RaiConnect application, continued its expansion as a channel, designed for additional communication by providing remote advisory and services to the Premium clients of the bank. The channel started to be used even to perform sales transactions, without the customer presence in the branch, using Evrotrust as a trusted service provider for qualified services (electronic signature, remote identification).

One of the major pillars for the bank has continued to be the focus on maintaining high standards in all banking outlets through regular investments which enable comfortable service space and privacy to all customers. Raiffeisen Bank has completed several development projects throughout the year, as well as investing throughout network to bring a superior customer experience. To be mentioned the completion of full reconstruction projects in 5 branches and converting them to new bank standards, closing the year with a total of 24 new model branches.

Even the ATM channel in branches, has continued to expand with Dual Currency ATM's, with 12 more branches offering cash in/cash out transactions in both local currency and EUR.

Raiffeisen Bank continues to perform successfully with the digital (cashless) branch concept, offering the full variety of bank products and services, excluding cash service inside the branch premises. The staff has customer digital education as one of their key drivers, pushing the customers through the digital platforms, showing them how to use and to perform transactions in digital channels and ATM-s.

The hybrid branch concept has been implemented in more branches, reaching over 24% of the total number of branches. Hybrid branch is a combination of standard and digital branch, with reduced cash servicing hours and increased focus on sales and digital education of the customers.

Raiffeisen Bank Albania continues successful cooperation with Albanian Post Office for cash deposit transactions. The list of postal offices that offer the service of Cash Deposit toward RBAL customers is 31 offices throughout the country.

Agile methodology, an innovative way of working focused on people development and self-organizing teams, has been adopted by 52% of branches. It has shown remarkable results in terms of productivity, staff satisfaction and customer satisfaction. The implementation of Agile in branches has allowed employees to take ownership of their work, collaborate effectively, think creatively and drive innovation in the workplace. This approach has also helped businesses grow by fostering a customer-centric mindset.

Branch staff training has been in focus during 2023, based on Skill Matrix needs identification as well as trainings on new products or features launched. Digital Training Package has been done to increase awareness and referrals of digital products.

Our branch staff is multiskilled, offering simple and complex products to our customers, fulfilling their needs with a superior customer experience.

The priority of Direct Sales during 2023 has been the support of our customers in their day-to-day activity by fulfilling their immediate needs and offering a strong partnership in their future.

Fast financing combined with a remarkably high service standards, is provided onsite in Retail shops, counting 34 locations and 4 new sales point (especially furniture& services).

In terms of competitive advantages, especially in serving customer needs, Raiffeisen Bank proactively invest in the

development of our human resources. Our Sales Agents in retail premises and especially our Direct Sales Force are a key competitive advantage in attracting, retaining, and increasing services for bank and non-bank customers. No other bank has a dedicated Sales Force that fulfils immediately customers' requirements, which puts RBAL in a leading position.

Based on the agreement with state and private universities, the best students (economy and management) are provided with the opportunity to work as interns in our branches. During 2023, 164 students participated in this program supporting the branches in daily activities, especially in digital products.

Treasury and Investment Banking

Fixed Income

During 2023 Fixed Income Market underwent some notable developments. Treasury yields in the international market saw an upward trend throughout the year. This year, Raiffeisen Bank has been one of the main actors in the bond market, contributing to the further development of the secondary market in Albanian government bonds, increasing traded volumes. The 3- and 5-year notes are reference bonds and participation in these auctions is exclusive to market makers. Although we are not yet part of the panel, Raiffeisen Bank owns part of all the securities traded in this form in our portfolio and we trade them on the secondary market in order to enrich and diversify, but also to contribute to the development of a well-consolidated secondary market. In 2023, we sustained our robust presence in both secondary and retail markets, generating high profits and maintaining a leading position in this market.

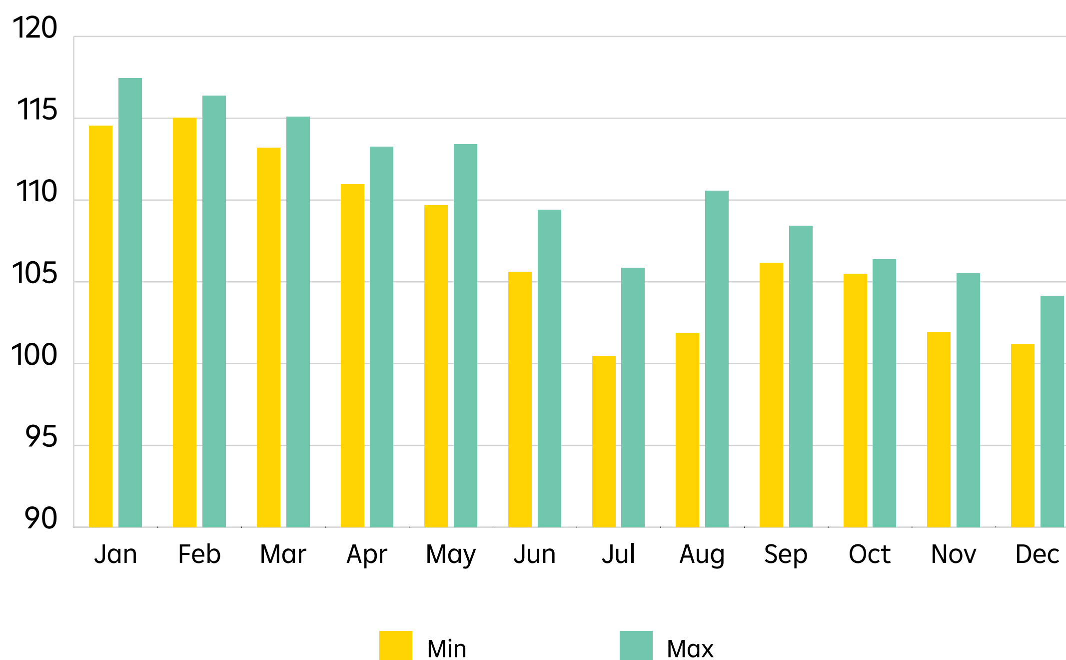
Money Market

The money market portfolio throughout the whole year 2023 has been at high levels as well as well managed. The extension of maturities has been such as to respect all the restrictions imposed by ensuring and fulfilling at any moment the needs of banks and bank customers for liquidity in any currency.

This unit has contributed to short-term liquidity management by increasing the number of interbank transactions, in domestic and foreign markets, further developing interbank activity. In addition to the usual lending activity, during 2023, a part of our liquidity has been invested in Albanian and foreign government bonds, as an attractive investment alternative with the best rate of return. Raiffeisen Bank contributes daily to TRIBID/TRIBOR publications, an important indicator in predicting and interpreting market situations, becoming a market maker in the development of this market, instruments, and investment opportunities in the short term.

Foreign Exchange

Despite a relatively more stable situation in 2023 compared to the preceding two years, the specter of a potential economic recession persisted throughout the year and is expected to linger into the upcoming year. High inflation and tight financial policies have continued to weigh on businesses and consumers. Although in a not very favorable climate and exposed to a high risk, the Treasury Department at Raiffeisen Bank has achieved excellent results for this past year. The Foreign Exchange Unit has carefully managed the currency position and all the risks associated with it. This has been achieved based on professional analysis of international and domestic financial markets and by taking advantage of the great volatility in currencies, especially EUR/LEK.



Treasury Sales

Fx strategies' implementation was the main focus of Treasury Sales. Meetings were held with the bank's clients to see their requests more closely and to understand how we can improve our products and services. As a result, transaction volumes for 2023 and especially through Digital channels had an increase of almost 10% compared to a year ago, becoming the first choice for FX products. All customers of Raiffeisen Bank can access treasury products through digital platforms. This has resulted in almost 90% of these services being performed online, benefiting from the best and most competitive prices in the market as well as optimizing the customers' time to the maximum.

Corporate Social Responsibility at Raiffeisen Bank in Albania, 2023

Raiffeisen Bank in Albania has a long-standing tradition and strong corporate culture dedicated to sustainable development and sponsorships and donations for the community. In 2023, we reaffirmed our commitment to supporting social issues, helping those in need, promoting cultural life, education, protecting the environment and more. We believe that by integrating business with societal investment, we contribute to the long-term and well-being of the community and help build a prosperous future for all.

Throughout 2023, we supported 59 projects across various sectors from the bank and its subsidiaries. 83 percent of the projects fit under the SDG-s agenda, with the higher weight on SDG 11 "sustainable cities and societies" and SDG 4 "quality education".

A significant focus was on educating younger generations, particularly in financial literacy. We implemented 8 projects aimed at education, inclusion, and equal opportunities. We can mention the projects "Know your Money,3" and the collaboration with 3 high schools to shape the computer laboratory in some remote areas. Notably, we continue the collaboration with "H. Stepic CEE Charity" foundation to support two daily social centers, benefiting over 150 children from marginalized communities.

Our dedication to the health sector was evident through several projects, including support in reconstruction of polyclinic pavilion in Saranda Hospital and purchase of medical equipment's in Durrës, Kukës and Korça hospitals.

In sports and wellbeing "Tirana Marathon" is the biggest supported project with hundreds of participants all over the country and abroad, to promote a healthy lifestyle. In this marathon 50 staff from the bank have run for the cause.

Art and culture, essential for societal advancement, were supported through numerous projects. Highlights include funding the Contemporary Arts in dance and visual arts disciplines, mentioning here the "International Dance Festival of Tirana" and "Bazament Gallery" of modern expressive arts. Also "Pop Talent" edition for the youngsters and new generation and "Queer Film Festival" which stands for the creative and art of the LGBTQI+ community.

"Caring with our hearts" it is the winter season social support program including several projects for marginalized groups and those in need for food, basic domestic equipment's, or group of people with specific needs with a total number of beneficiaries of more than 500 persons and families.

Raiffeisen Bank considers Corporate Social Responsibility essential and remains committed to leading the sustainable development of society in Albania.

>83% of Corporate Social Responsibility projects, in line with the **Sustainable Development Goals** (of the UN)

Main achievements in 2023

Health and Wellbeing
5 projects

Building a strong infrastructure, promoting comprehensive and sustainable industrialization and promoting innovation
8 projects

Quality Education
8 projects

Taking measures to fight climate change and its effect
3 projects

People, Culture and Organisation Division

With a staff of **1'300 employees**, Raiffeisen Bank is one of the biggest and best employers in Albania, offering a competitive environment in terms of staff compensation, development and motivation.

Recruitment and selection

During 2023, staff recruitment and selection process prioritized the selection of qualified, experienced personnel, with professional skills at all levels of service at the bank by being in constant and direct communication with line managers to better understand the operational requirements and necessities, also learning the objectives and focus of acquisition of talents, by identifying the individuals that have the required skills and competences.

In order to meet the diverse business demands in all our operational areas, were recruited a total of 173 new hires.

To evaluate and select the best and the most qualified candidates in the market, we applied the modality of online interviews and online feedback forms. A well-structured recruitment process is applied, which consists of several stages: logical tests, technical tests and/or psychometric tests, and personality tests. The selected candidates are interviewed by an online interview panel, composed of the respective supervisors in Departments/Districts and representatives from Human Resources Division.

The promotion and development of its staff remains the primary focus for Raiffeisen Bank. The internal candidates, based on their performance, are considered as the main potential for the vacant positions announced in the Bank. During 2023, a large part of the candidates selected as winning candidates for the vacant positions were internal staff. This gives them the opportunity to build a successful career within the Bank and increases internal staff motivation.

In order to meet the needs for staff in entry level positions, in Head Office and the Branch Network, priority was given to the outsourced staff, 30 percent of whom were selected for the internal vacancies. In addition, the student's part of the Internship Program and those part of Direct Sales Agents (DSA) program, were the primary source for filling these vacancies.

Internship program

Raiffeisen Bank has a well-established tradition of Internship Program. Its aim is to attract students with very good results, who demonstrate a high degree of motivation, willingness and interest to work in a financial environment. The bank is committed to Corporate Social Responsibility and the internship program is an important component of it. We welcome new students from the most reputable universities of the country, so that they can learn in practice the functions of a Bank and help them prepare for the labour market.

Key Academy Program

The aim of Key Academy Program is to Create a Talent Pool through the program by having qualified candidates for possible vacancies in the IT Division. A number of 14 students were selected and started the program – many of whom were selected candidates filled the vacancies in the IT division.

Employees with leased contract

Even during 2023, continued its cooperation with an outsourced company, hiring 115 contract employees, according to the needs for staff in Head Office and Network Branches.

The leased staff are offered online training and on job training to efficiently perform the required tasks of the positions. The best performers are encouraged to apply for the vacancies that arise for internal staff.

Training

In 2023, our bank prioritized Learning and Development activities, reintroducing classroom learning while also emphasizing digital and online learning to cater to diverse employee learning styles. Throughout the year, we offered a wide array of training programs both online and in person and took initiatives aiming to foster continuous learning and development among our staff. The total training days for 2023 amounted to 8877, ensuring 7.15 training days per employee and 100% of staff participating in at least one training session.

In addition to mandatory training, our focus encompassed business and functional upskilling programs, data analytics & AI capabilities development, training related to IT skills and new technologies, customer experience development, sustainability and ESG as well as leadership education and people skills enhancement. Raiffeisen Bank emphasized leadership and management education, investing in programs covering comprehensive positive leadership competencies development.

The People, Culture & Organization Division aligned with long-term business goals by implementing Talent Management and Succession Planning Strategies, identifying high-potential employees and implementing tailored plans to ensure long-term staff retention.

Banking Group Remuneration Policy

The Banking Group's remuneration policy is designed by People, Culture and Organisation Division and approved by Management Board and Supervisory Board. An exception to this rule is made only in the case of determining and approving the variable pay (bonus) for Raiffeisen Leasing employees, where the structure responsible for defining and approving it, is the Raiffeisen Leasing Supervisory Council.

The scope of the Remuneration Policy is the fulfilment of international standards for an objective, transparent and fair compensation structure in compliance with current regulatory requirements. The remuneration policy of Banking Group is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk. It is in line with the business strategy, objectives, values and long-term interests of the RBI Group and Banking Group in Albania.

The RBAL (RLAL Excluded) on annual basis identifies the functions / employees with material impact on Bank's risk profile. These employees are defined as "Identified Staff" and their selection process is based on the Group Directive requirements.

The categories of Identified Staff are as follows:

1) Material or Fully Affected Identified Staff. This category has a direct material risk impact on Bank's risk profile, because the amount of risk which can be taken individually or collectively, can have significant impact on Bank's result & balance sheet. The number of staff who falls under this category is 43 and includes Supervisory Board members, Board Members, Audit Committee Members and some of Middle management staff.

2) Less Material or Partially Affected Identified Staff. This category has an influence on Bank's risk profile but not necessarily in a direct way. The number of staff who falls under this category is 23 and includes some of Middle management staff.

The salary and other employee benefits are defined with the aim of establishing satisfactory and competitive levels. The policy followed in defining the salary system and structure aims to guarantee the achievement of 5 main objectives:

- Reward based on work performance and quality;
- Maintaining the competitive position in the market. The general compensation shall be in the third quarter of the domestic market (between the 50 % and 75%);
- Motivation of employees through differentiated remuneration (salary) for differentiated responsibility, job positions and professional skills;
- The extra benefits shall be competitive, but not leading the market;
- The salary expenses in the total cost of personnel and the budget in general, shall be in acceptable parameters.

For a certain category of positions, the salary is composed of two components:

- Base Pay
- Variable Pay

The Structure of Base Salary:

- represents the gross income, excluding bonuses and other extra benefits;
- is administered through salary bands, which are based on the grading structure, level of living standards in the country and market data;
- The individual salary increases are closely related to the performance evaluation results, meaning that employees are eligible to a salary increase only if their performance is above 3,5 score. The percentage of salary increase shall be not higher than 25% of gross salary.

Variable Pay (Annual Bonus):

Variable Pay is allocated or paid only if the Step-In-Criteria are met as described in Remuneration Policy.

- is closely related to the RBI Group (1/3); Bank (2/3); individual's performance results (above 3,50 score);
- is capped to ensure budget management within reasonable parameters, without compromising the principle of rewarding high performance;
- shall be up to 16% of yearly base salary for all job positions that are included in Annual Bonus;
- In case of Identified Staff, a special bonus pay-out model is applied if their total variable compensation is over EUR 50'000 and additionally does not exceed one third of the annual total remuneration.

In case of negative financial situation, the bonus may be reduced or cancelled.

Variable Pay (Risk-Reduction Incentive Scheme):

- is closely related to the individual's performance results (above 70% of target achievement);
- is capped to ensure budget management within reasonable parameters, without compromising the principle of rewarding high performance.
- shall be up to 30% of quarterly base salary for all job positions which are included in Incentive schemes (Sales & Support).

Table 19: Remuneration forms and elements for the Board of Directors** (every end-of-year)

(amounts in ALL '000)

The total aggregate amount of cash and bonuses for the current fiscal year	**Immediate/for the current period Year 2023**	**For past periods Year 2022**
Variable elements of remuneration	10.404	12.270
Cash/bonus	10.404	12.270
Shares		
Others		
Variable elements of reward		
Cash/bonus		
Shares		
Others		

** This table will be completed separately for a) the Board of Directors and b) the Executive Directors.

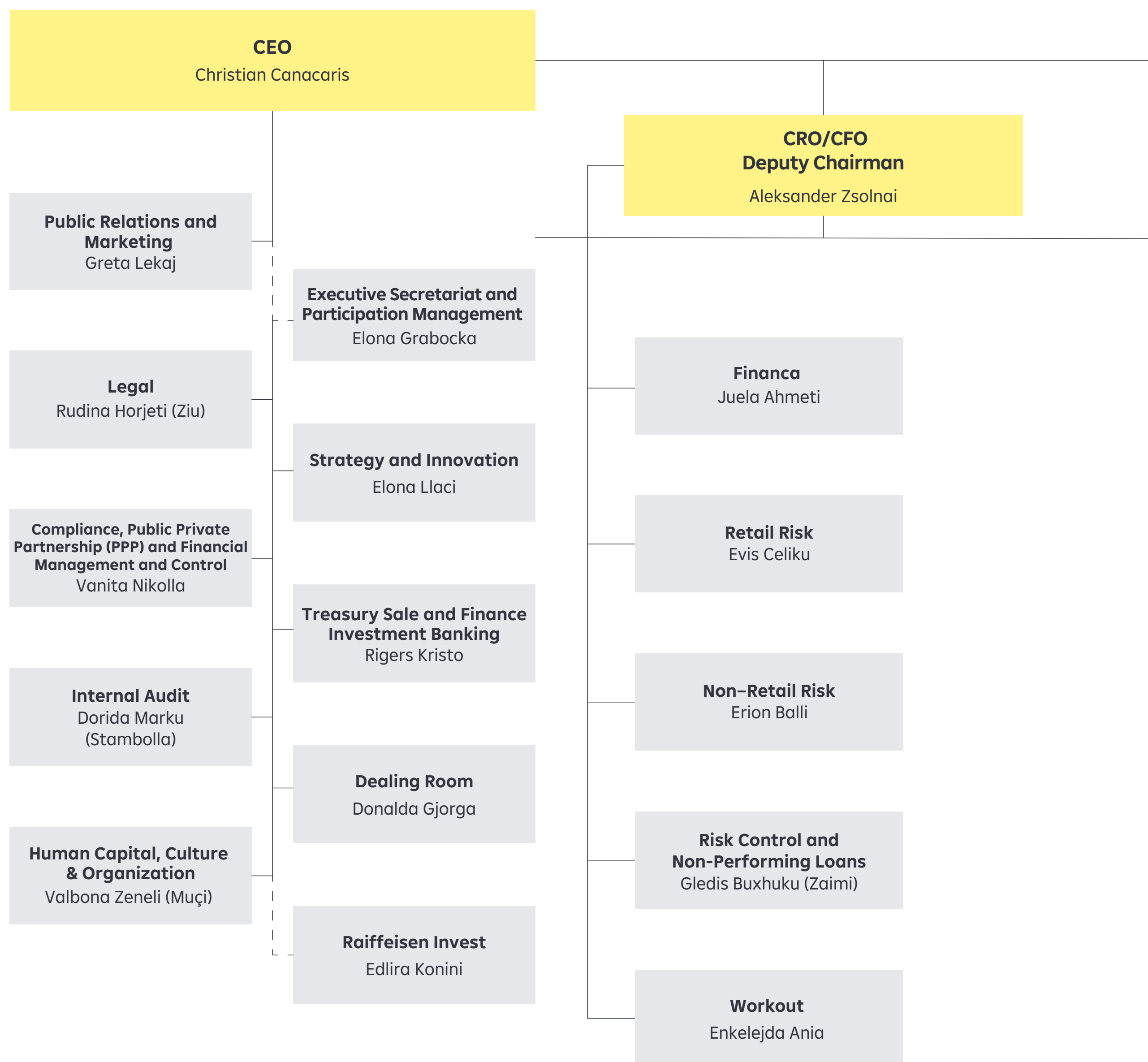
Table 19: Remuneration forms and elements for the Executive Directors** (every end-of-year)

(amounts in ALL '000)

The total aggregate amount of cash and bonuses for the current fiscal year	**Immediate/for the current period Year 2023**	**For past periods Year 2022**
Variable elements of remuneration	165.332	182.164
Cash/bonus	149.123	160.329
Shares		
Others	16.209	21.835
Variable elements of reward	32.278	34.544
Cash/bonus	32.278	34.544
Shares		
Others	0	0

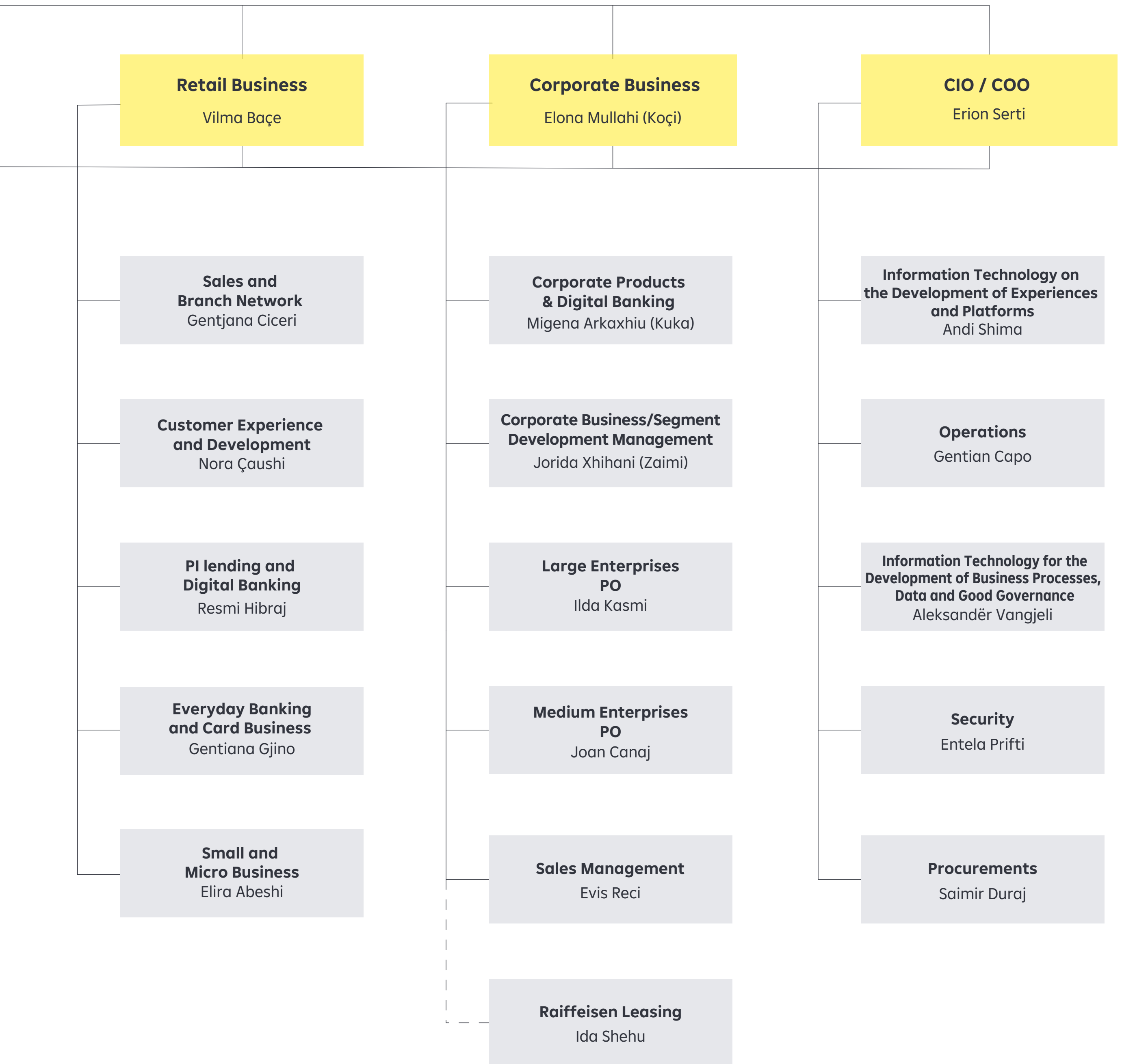
** This table will be completed separately for a) the Board of Directors and b) the Executive Directors.

Organisational structure of Raiffeisen Bank



The organizational of the Bank provides a clear division of duties, responsibilities and reporting based on the model of the three lines of control.

1. Front Line (business)
2. Operational risk, compliance functions, financial controls, internal control system etc.
3. Internal Audit



The Risk Structure is independent of the business lines and other internal units it controls. The Compliance structure is independent of the business lines and other internal units it controls.

Raiffeisen Bank sh.a. operates in accordance with the basic principles of a responsible and effective management according to the requirements of the Bank of Albania Regulation "On the basic principles of the management of banks and branches of the foreign banks and the criteria for approval of their administrators "

Content

Raiffeisen Bank Sh.a.

International Financial Reporting Standards

Consolidated Financial Statements and Independent Auditor’s Report

As at and for the year ended December 31, 2023

Independent auditor's report 42
Consolidated statement of financial position 45
Consolidated statement of profit or loss and other comprehensive income 46
Consolidated statement of changes in equity 46
Consolidated statement of cash flows 47
Notes to the consolidated financial statements 47
Risk management 97
Other disclosures 116
Events after the end of the reporting 120
Statement of legal representatives 121

General information

Directors and Management as of 31 December 2023

Board of Directors (Supervisory Board)

Peter Lennkh	Chairman
Heinz Wiedner	Vice-Chairman
Harald Kreuzmair	Member
Thomas Matejka	Member
Petro Merkulov	Member

Audit Committee

Heinz Weidner	Chairman
Ulf Leichsenring	Vice - Chairman
Thomas Matejka	Member

Management Board

Christian Canacaris	Chief Executive Officer
Alexander Zsolnai	Vice-chairman of the Management Board
Elona Mullahi (Koci)	Member
Erion Serti	Member
Vilma Bace	Member

Registered office

Kavaja Street, Building 71, Apt. 4
Tirana, Albania
Telephone: +355 4 2381 381
Facsimile +355 4 2275 599

Ultimate Parent Raiffaisen Bank International

Am Stadtpark 9 1030 Vienna
Telephone: +43-1-71707-0

Auditor
Deloitte Audit Albania sh.p.k

Rruga e Kavajës, Ish parku i mallrave, Kompleksi Delijorgji,
Godina H, Kati 2 Tirana, Albania
Telephone: +355 (4) 451 7920/ 451 7954
Facsimile: +355 (4) 451 7990

Deloitte Audit Albania sh.p.k
Rruga e Kavajes , ish parku i mallrave,
Kompleksi Delijorgji , Godina H, kati 2
Tirana, Albania
Tel: +355 4 45 17 920
Fax: +355 4 45 17 990
www.deloitte.al

Independent Auditor’s Report

To the Shareholders and Management of Raiffeisen Bank Albania SHA

Opinion

We have audited the consolidated financial statements of Raiffeisen Bank sh.a. (the “Bank”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidat-ed statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consoli-dated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consoli-dated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consol-idated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”s).

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these re-quirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Performance Acitity Report and Internal Governance Report prepared by Management of the Group in accordance with Article 53 of Law no. 9662, dated 18 December 2006 "On Banks in the Republic of Albania", changed, but does not include the consolidated financial statements and the auditor’s report thereon. The Performance Activity Report and Internal Governance Report are expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the Performance Activity Report and Internal Governance Report, if, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in ac-cord-ance with IFRSs, and for such internal control as management determines is necessary to enable the prepara-tion of con-solidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to con-tinue as a going concern, disclosing, as applicable, matters related to going concern and using the going con-cern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alter-native but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in ac-cordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are con-sidered material if, individually or in the aggregate, they could reasonably be expected to influ-ence the economic deci-sions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evi-dence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, inten-tional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncer-tainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consoli-dated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclu-sions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or condi-tions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business ac-tivities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Deloitte Audit Albania sh.p.k.

Deloitte Audit Albania SHPK

Rruga e Kavajes, ish parku i mallrave, Kompleksi Delijorgji, Godina H, Floor 2
Tirana, Albania
Identification number (NUIS): L41709002H

Enida Cara
Statutory Auditor
Engagement Partner **Tirana, Albania, May 30, 2024**

The Group

These consolidated financial statements have been prepared in accordance with International Financial Reporting Stand-ards for the year ended 31 December 2023 for Raiffiesen Bank sh.a. and its subsidiaries (the "Group"). The Group includes the parent company – Raiffeisen Bank Sh.a. (hereinafter also the "Bank" or the "Parent Company") and its 2 fully owned subsidiaries Raiffeisen Leasing sh.a. and Raiffesien Invest - Shoqëri Administruese e Fondeve të Pensionit dhe Sipër-marrjeve të Investimeve Kolektive sh.a. ("Raiffeisen INVEST").

Raiffeisen Bank Sh.a. is a banking institution operating in accordance with the provisions of Law 9901, dated 14 April 2008 "On Entrepreneurs and Commercial Companies", and Law 9662, dated 18 December 2006 "On Banks in the Re-public of Albania", as well as other relevant laws. The Bank is incorporated and domiciled in Albania and operates in Albania. Raiffeisen Bank Sh.a. is a 100% owned subsidiary of Raiffeisen Bank International AG, Austria, which is the ultimate con-trolling party.

The Group's principal business activities are retail banking operations, providing finance leasing to companies and indi-viduals and collection and investment of voluntary pension funds, within the Republic of Albania. The Bank oper-ates through a banking network of 74 service points, as of 31 December 2023 (31 December 2022: 74 service points) through-out Albania, which are managed through 3 Districts and has no overseas operations.

Consolidated statement of financial position

Assets

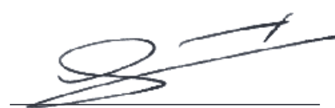
in LEK thousand	Note	31 December 2023	31 December 2022
Cash, cash balances at central bank and other demand deposits	[6]	42,611,051	37,491,482
Debt securities		104,576,268	82,062,360
Loans and advances to financial instiutions		27,768,415	38,265,013
Loans and advances to customers		119,823,731	117,050,532
Financial assets - amortized cost	[7]	252,168,414	237,377,905
Financial assets – fair value through profit or loss	[8]	137,651	2,003
Goodwill	[9]	92,783	92,783
Tangible fixed assets	[10]	3,468,560	3,450,717
Intangible fixed assets	[10]	2,208,499	2,045,274
Repossessed assets	[11]	359,443	556,451
Other assets	[12]	1,082,350	942,545
Total assets		**302,128,751**	**281,959,160**

Equity and liabilities

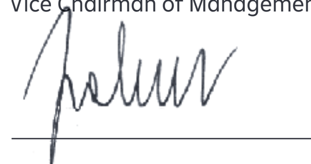
in LEK thousand	Note	31 December 2022	31 December 2021
Liabilities			
Deposits from Banks		8,487,011	1,937,648
Subordinated financial liabilities		2,106,945	
Deposits from customers		254,723,652	245,156,536
Other financial liabilities		3,194,651	2,988,267
Financial liabilities - amortized cost	[13]	268,512,259	250,082,451
Financial liabilities held for trading (derivatives)		1,731	9,342
Provisions for liabilities and charges	[14]	496,538	407,921
Deferred tax liabilities	[15]	51,208	46,296
Current tax liabilities	[16]	546,920	200,105
Other liabilities	[17]	**765,561**	**983,992**
Total liabilities		**270,374,217**	**251,730,107**
Equity			
Share capital	[18]	14,178,593	14,178,593
Other reserves	[18]	3,306,190	3,306,190
Retained earnings	[18]	**14,269,751**	**12,744,270**
Total Equity		**31,754,534**	**30,229,053**
Total liabilities and equity		**302,128,751**	**281,959,160**

These consolidated financial statements have been approved by the Management Board of the Group on May 15, 2024 and signed on its behalf by:

Christian Canacaris
Chief Executive Officer



Alexander Zsolnai
Vice Chairman of Management Board



The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 89.

Consolidated statement of profit or loss and other comprehensive income

in LEK thousand	Note	2023	2022
Interest income calculated using the effective interest method		12,700,212	8,787,980
Other interest income		4,215	1,783
Interest expenses		(245,321)	(233,001)
Net interest income	**[19]**	**12,459,106**	**8,556,762**
Fee and commission income		4,393,326	4,209,160
Fee and commission expenses		(2,004,742)	(1,652,600)
Net fee and commission income	**[20]**	**2,388,584**	**2,556,560**
Net trading (expense)/income	[21]	(218,224)	4,228
Other operating income		136,759	59,307
Other operating expenses		(450,741)	(236,369)
Other net operating loss	[22]	(313,982)	(177,062)
Operating income		**14,315,484**	**10,940,488**
General administrative expenses	[23]	(5,938,320)	(5,508,596)
Special governmental measures	[24]	(801,093)	(735,099)
Impairment recovery/(expense) on financial assets	[25]	253,857	(186,614)
Profit before tax		**7,829,928**	**4,510,179**
Income taxes	[26]	(1,274,552)	(808,132)
Profit for the year		**6,555,376**	**3,702,047**
Other comprehensive income for the year		-	-
Total comprehensive income		**6,555,376**	**3,702,047**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 89.

Consolidated statement of changes in equity

në mijë LEK	Share capital	Other reserves	Retained earnings	Equity
Equity at 1 January 2022	**14,178,593**	**3,306,190**	**12,665,696**	**30,150,479**
Dividend payments	-	-	(3,623,473)	(3,623,473)
Profit for the year	-	-	3,702,047	3,702,047
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,702,047	3,702,047
Equity at 31 December 2022	**14,178,593**	**3,306,190**	**12,744,270**	**30,229,053**
Dividend payments	-	-	(5,029,895)	(5,029,895)
Profit for the year	-	-	6,555,376	6,555,376
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,555,376	6,555,376
Equity at 31 December 2023	**14,178,593**	**3,306,190**	**14,269,751**	**31,754,534**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the con-solidated financial statements set out on pages 9 to 89.

Consolidated statement of cash flows

in LEK thousand	Notes	31 December 2023	31 December 2022
Cash, cash balances at central Banks and other demand deposits	**[6]**	**57,511,983**	**59,287,605**
Operating activities:			
Profit before tax		7,829,928	4,510,180
Adjustments for the reconciliation of profit/loss before tax to the cash flow from operating activities:			
Depreciation of tangible and intangible fixed assets	[10]	884,646	792,709
Impairment and reversal of impairment of assets	[11]	(326,356)	168,885
Net provisioning for liabilities and charges and impairment losses		72,545	17,729
Net interest income	[19]	(12,459,107)	(8,556,409)
Interest received		12,879,904	9,516,556
Interest paid		(744,944)	(756,772)
Income taxes paid		(922,823)	(723,878)
Effect of unrealized exchange rate changes		(276,405)	17,459
Loss from disposal of tangible and intangible fixed assets		(7,691)	(7,649)
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Increase/decrease in restricted balances	[6]	(506,345)	3,720,501
Financial assets - amortized cost	[7]	172,100	(10,741,486)
Financial assets - fair value through profit or loss	[8]	(397,948)	9,571
Other assets	[12]	61,118	15,267
Financial liabilities - amortized cost	[13]	17,023,195	8,277,222
Provisions for liabilities and charges	[14]	14,688	44,665
Other liabilities	[17]	(220,387)	295,970
Net cash from operating activities		**23,076,118**	**6,600,520**
Investing activities:			
Purchase of Investment securities and shares		(86,322,494)	(30,167,447)
Purchase of Tangible and intangible fixed assets		(1,065,554)	(1,501,551)
Proceeds from matured Investment securities and shares		61,921,315	27,169,075
Proceeds from Tangible and intangible fixed assets		7,691	7,649
Net cash used in investing activities		**(25,459,042)**	**(4,492,274)**
Financing activities:			
Inflow subordinated capital		2,106,945	-
Dividend payments		(5,029,895)	(3,623,474)
Lease Liabilities repayments		(233,031)	(242,933)
Net cash from financing activities		**(3,155,981)**	**(3,866,407)**
Effect of exchange rate changes		276,405	(17,459)
Net decrease during the year		**(5,538,904)**	**(1,758,161)**
Cash and cash equivalents as at 31 December	**[6]**	**52,249,484**	**57,511,985**

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 89.

1. Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Stand-ards for the year ended 31 December 2023 for Raiffiesen Bank sh.a. and its subsidiaries (the "Group"). The Group includes the parent company – Raiffeisen Bank Sh.a. (hereinafter also the "Bank" or the "Parent Company") and its 2 fully owned subsidiaries Raiffeisen Leasing sh.a. and Raiffesien Invest - Shoqëri Administruese e Fondeve të Pensionit dhe Sipër-marrjeve të Investimeve Kolektive sh.a. ("Raiffeisen INVEST").

Raiffeisen Bank Sh.a. is a banking institution operating in accordance with the provisions of Law 9901, dated 14 April 2008 "On Entrepreneurs and Commercial Companies", and Law 9662, dated 18 December 2006 "On Banks in the Re-public of Albania", as well as other relevant laws. The Bank is incorporated and domiciled in Albania and operates in Albania. Raiffeisen Bank Sh.a. is a 100% owned subsidiary of Raiffeisen Bank International AG, Austria, which is the ultimate con-trolling party.

Principal activity. The Group's principal business activities are retail banking operations, providing finance leas-ing to companies and individuals and collection and investment of voluntary pension funds, within the Republic of Albania. The Bank operates through a banking network of 74 service points, as of 31 December 2023 (31 December 2022: 74 service points) throughout Albania, which are managed through 3 Districts and has no overseas operations.

Presentation currency. These Consolidated financial statements are presented in Albanian Lek ("LEK"), unless oth-erwise stated. Except as indicated, financial information presented in Lek has been rounded to the nearest thou-sand.

2. Operating enviroment of the group

COVID-19. In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Albanian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on busi-ness activity, including closures. Some of those measures were subsequently relaxed, however, as of 31 December 2023, there remains a risk that the authorities may impose additional restrictions as a response to possible new variants of the virus.

War between Russia and Ukraine. The sanctions imposed by Albania on Russia due to its military operations in the Ukraine and the related counter measures by Russia caused their impact in the economy. After a moderate growth of around 3% of GDP in first half of 2023, the economy accelerated to 3.5% in Q3 2023 with tourism as a pri-mary driver. Overall GDP growth in 2023 has been approximately 3.5%, lower than the GDP growth of 4.8% in 2022. Economic growth is expected to remain steady in 2024 at 3.5%, driven by continued strength in the tourism sector, as evidenced by early 2024 bookings. Albania achieved a strong fiscal performance in 2023 with a deficit of 1.3% of GDP (improved with 3.7% of GDP in 2022) and falling debt of 59.1% of GDP down from 64.5% of GDP in 2022, and this positive trend appears to be continuing in 2024 with rising revenues and a planned lower deficit versus initial budget. Current account achieved a historic surplus of 354 million euros in Q3 2023, driven by a surge in tourism exports and positive developments in foreign invest-ments and remittances. S&P ungraded Albanians rating to BB- from B+ pre-viously.

The long-term effects of the current economic situation are difficult to predict and management's current expecta-tions and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking infor-mation, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Notes 3 and 32 provide more information of how the Group incorporated forward-looking information in the ECL models.

3. Significant accounting policies

Statement of compliance

These Consolidated financial statements have been prepared in accordance with International Financial Reporting
These Consolidated financial statements have been prepared in accordance with International Financial Reporting
Stand-ards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instru-ments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below.

The accounting policies set out below have been consistently applied to all the periods presented, unless otherwise stated.

The Group has also prepared consolidated financial statements in accordance with IFRS for the Bank and its subsidiaries (the 'Group'). In the consolidated financial statements, subsidiary undertakings – which are those companies in which the group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated financial statements can be obtained from http://www.raiffeisen.al/. Users of these consolidated financial statements should read them together with the group's con-solidated financial statements as at and for the year ended 31 December 2023 in order to obtain full information on the financial position, results of operations and changes in financial position of the group as a whole.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operat-ing cycle and therefore does not present current and non-current assets and liabilities separately in the statement of finan-cial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 37 for analysis of financial instruments by their maturity.

a) Foreign currency transactions

The consolidated financial statements of the Group were prepared in LEK which is the functional currency of of all mem-bers of the Group. The functional currency is the currency of the principal economic environment in which the company operates.

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The 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 for-eign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The applicable official Group rates (LEK to the foreign currency unit) for the principal currencies as at 31 December 2023 and 31 December 2022 were as below:

	31 December 2023		31 December 2022	
	Period end	Average	Year end	Average
United States dollar (USD)	93.94	100.67	107.05	112.53
European Union currency unit (EUR)	103.88	108.87	114.23	118.87

b) Interest

Interest income and expense are recognised in profit or loss Consolidated statement of profit or loss and other comprehen-sive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a short-er period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Interest income and expense presented as profit or loss in the Consolidated statement of comprehensive income include:

- Interest on financial assets and liabilities at amortised cost calculated on an effective interest basis.
- Interest on available-for-sale investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading oper-ations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading in-come.

c) Fees and commission

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

Other fees and commission income, including account servicing fees, sales commission, placement fees, are recognised as the related services are performed. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

d) Net trading income/ (expense)

Net trading income/ (expense) comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

e) Staff costs

Staff costs and related contributions. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

f) Operating lease payments and other operating expenses

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. The oper-ating expenses are recognised when incurred.

g) Employee benefits

Defined contribution plans.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group makes compulsory social security contributions that provide pension benefits for employees upon re-tirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

Paid annual leave

The Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

For termination benefits, the Group specified that amounts payable are recognised when, and only when, the Company is demonstrably committed to either:

- Terminated the employment of an employee or Group of employees before the normal retirement date, or
- Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Group is demonstrably committed to a termination when, and when, it has a detailed formal plan for the termination and is without realistic possibly of withdrawal.

h) Income tax epense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recog-nised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or sub-stantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differ-ences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual

companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Deferred income tax is not recognised on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary's divi-dend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

(i) Financial instruments

Key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is 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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing in-formation on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is meas-ured at the fair value of a Group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the Group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides infor-mation on that basis about the Group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. 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. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active mar-kets for identical assets or liabilities, (ii) level two 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 (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Refer to Note 27.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of a financial in-strument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not in-clude debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal re-payments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued inter-est includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate speci-fied in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. Any such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight-line basis over the term of the loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Classification and measurement of financial assets and financial liabilities

All financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of finan-cial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a finan-cial liability or equity instrument of another entity. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For subsequent measurement, financial instru-ments are recognized in the statement of financial position according to the respective measurement category pursuant to IFRS 9, either at (amortized) cost or at fair value.

The classification of financial assets under IFRS 9 is firstly based on the business model under which the assets are man-aged, and secondly on the cash flow characteristics of the assets. For the Group, this results in five classification categories for financial assets:

- Financial assets measured at amortized cost (AC)
- Financial assets at fair value through profit or loss (FVTPL)

In the Group, a financial asset is measured at amortized cost if the objective is to hold the asset to collect the contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely pay-ments of principal and interest on the principal amount outstanding. An asset is subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is both collecting con-tractual cash flows and selling financial assets. In addition, 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.

On initial recognition of an equity instrument that is not for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis for each investment and essentially covers strategic interests that are not fully separate.

All other financial assets – i.e. Financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recog-nized in profit or loss. In addition, the Group has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. An accounting mismatch – that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. A financial asset is classified into one of these categories on initial recognition.

Financial liabilities are generally recognized according to IFRS 9 at (amortized) cost (financial liabilities – amortized cost) applying the effective interest method unless they are measured at fair value. This includes financial liabilities that are held for trading (financial liabilities – held for trading) and designated as FVTPL (financial liabilities – designated fair value through profit/loss). Changes in the fair value of liabilities designated at fair value through profit or loss which are caused by changes in banks's own default risk are to be booked in other comprehensive income.

Embedded derivatives are not separated from the host contract of a financial asset. Instead, financial assets are classified in accordance with the business model and their contractual characteristics as explained in the chapter business model assess-ment and in the chapter analysis of contractual cash flow characteristics. When recognizing financial liabilities, embedded derivatives are only separated from the host instrument and separately accounted for as derivatives if their economic charac-teristics and risks are not closely related to the economic characteristics

and risks of the host contract, the embedded deriva-tive meets the definition of a derivative and the hybrid financial instrument is not associated with a financial liability item that is held for trading or designated at fair value through profit or loss.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The following fac-tors are considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed.
- How managers of the business are compensated – e.g. Whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, value and timing of sales in prior periods, the reasons for such sales, and expectations about future sales activity; and
- Whether sales activity and the collection of contractual cash flows are each integral or incidental to the business model ("hold-to-collect" versus "hold and sell" business model).

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL.

A business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of fi-nancial assets have occurred or are expected to occur. For the Group the following sales may be consistent with the hold-to collect business model:

- The sales are due to an increase in the credit risk of a financial asset;
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent);
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collec-tion of the remaining contractual cash flows.

For all the assets of the Group recognised under held to collect business model, the sale of less than 10 percent of the port-folio (carrying amount) during a rolling three-year period will potentially be considered 'more than infrequent'.

Analysis of contractual cash flow characteristics

Once the Group determines that the business model of a specific portfolio is to hold the financial assets to collect the con-tractual cash flows (or to both collect contractual cash flows and sell financial assets), it must then assess whether the con-tractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument-by-instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the con-tractual 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 no longer meets this condition. The Group considers:

- Prepayment, extension terms
- Leverage features
- Claim is limited to specified assets or cash flows
- Contractually linked instruments
- Conversion options
- Dual currency features

Modification of time value of money and the benchmark test

The time value of money is the element of interest that provides consideration for only the passage of time. It does not take into account other risks (credit, liquidity etc.) Or costs (administrative etc.) Associated with holding a finan-cial asset. In some cases, the time value of money element may be modified (imperfect). This would be the case, for example, if a finan-cial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case units must assess the modification as to whether the contractual cash flows still represent solely payments of prin-cipal and interest, i.e. The modification term does not significantly alter the cash flows from a 'perfect' benchmark instru-ment. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value.

A benchmark test is applied for the following main contractual features that can potentially modify the time value of money:

- Reset rate frequency does not match interest tenor
- Lagging indicator
- Smoothing clause
- Grace period
- Secondary market yield reference

There are not any cases of modified time value of money occurred in the bank.

Financial assets – amortized cost

In the Group a financial asset is measured at amortized cost (AC) if both of the following conditions are met:

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

These conditions are explained in more detail in the chapters Business model assessment, Analysis of contractual cash flow characteristics, and Modification of the time value of money and the benchmark test.

Financial assets – amortized cost include debt securities, loans and advances to financial institutions and loans and ad-vances to customers, are initially measured at fair value plus incremental direct transaction costs, and subse-quently at their amortised cost using the effective interest method.

Income from banking operations, including income from loans and advances to customers, income from banks and other financial institutions, are recognized in profit or loss by applying the EIR to the gross carrying amount of fi-nancial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3'the Group calculates interest income by applying the EIR to the net amortized cost of the fi-nancial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Financial assets and financial liabilities – fair value through profit or loss

Financial assets and liabilities – fair value through profit or loss are acquired or incurred principally for the purpose of gen-erating profit from short-term fluctuations in market prices. Securities held within a business model whose objective is achieved by selling financial assets are measured at their fair values. If securities are listed, the fair value is based on stock exchange prices.

Positive fair values (dirty price) are shown under financial assets – fair value through profit or loss. Negative fair values are shown under financial liabilities – fair value through profit or loss. Changes in fair value are shown in net trading income.

Interest income is shown in other interest income, valuation results and proceeds from disposals are shown in net trading income/(loss).

Financial assets and financial liabilities – designated fair value through profit or loss

This category comprises only all those financial assets that are irrevocably designated as financial instruments at fair value (so-called fair value option) upon initial recognition in the statement of financial position. An entity may use this designa-tion.

Only when doing so eliminates or significantly reduces incongruities in measurement or recognition. These arise if the measurement of financial assets or the recognition of resulting gains or losses has a different basis.

Financial liabilities are also designated as financial instruments at fair value to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option in this category reflects all market risk fac-tors, including those related to the credit risk of the issuer.

In the reporting year, as in the comparison year, observable market prices were used for the valuation of liabilities of subor-dinated issues measured at fair value. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are de-termined based on similar financial instruments. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in net trading income and fair value result.

These financial instruments are measured at fair value. Interest income is shown in net interest income; valuation results and proceeds from disposals are shown in net trading income and fair value result. For financial liabilities designated at fair value through profit or loss, changes in fair value attributable to a change in own credit risk is not reported in the income statement but in other comprehensive income.

Financial liabilities – amortized cost

Liabilities are predominantly recognized at amortized cost. In addition to interest expense, if there are differences between the amount paid and face value, the effective interest method is applied, and the amounts are shown in net interest income. This category mainly includes customer deposits and securities issues for refinancing purposes.

Relationships between assets/liabilities, measurement criteria and category pursuant to IFRS 9

Assets/Liabilities	Fair value	Amortized cost	Category
Assets classes			
Cash, cash balances at central banks and other demand deposits		X	AC
Financial assets - amortized cost		X	AC
Financial assets - fair value through other comprehensive income	X		FVOCI
Non-trading financial assets - mandatorily fair value through profit/loss	X		FVTPL
Financial assets - designated fair value through profit/loss	X		FVTPL
Financial assets - held for trading	X		FVTPL
Liabilities classes			
Financial liabilities - amortized cost		X	AC
Financial liabilities - designated fair value through profit/loss	X		FVTPL
Financial liabilities - held for trading	X		FVTPL

AC: "Amortized Cost"

FVOCI: "Fair Value Through Other Comprehensive Income"

FVTPL: "Fair Value Through Profit or Loss"

Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and al-locating interest expenses and interest income to the relevant periods. The effective interest rate is the interest rate used to discount the forecast future cash inflows and outflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instru-ment or a shorter period, where appli-cable, to arrive at the net carrying amount from initial recognition.

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred. The Group has in place a write-off policy based on the principle that the bank being the creditor of loans does not expect any recovery/payment either on

the entire exposure (full write-off) or on a part of the exposure (partial write-off). Furthermore, the loans have to be either fully impaired in amount of the entire expo-sure or, in case of collateralized loans, they are impaired in the extent not being collateralized. Further information on write-offs is provided in (31) Expected credit losses.

Modification of financial assets

A financial asset is derecognized on account of a modification if the underlying contract is modified substantially. In the Group, terms are substantially modified if the discounted present value of the cash flows under the new terms using the original effective interest rate differs by at least 10 percent from the discounted present value of the remaining cash flows of the original financial asset (present value test). In addition to the present value test further quantitative and qualitative criteria are considered in order to assess whether a substantial modification applies. The other quantitative criteria primarily consider the extension of the average remaining term. Stage 3 loans are often restructured to match the maximum expected payments from the customer. If this is the case, then additional judgement is required to determine whether the contractual change is a new instrument in economic terms. The Group has defined qualitative criteria for a significant change in the terms of the contract as a change in the underlying currency and also the introduction of clauses that would normally cause the contractual cash flow criteria according to IFRS 9 to fail, or a change in the type of instrument (e.g. A bond is converted to a loan).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The in-come or expense from the repurchase of own liabilities is shown in the notes under (22) Other net operating income. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carry-ing value of the liability (including premiums and discounts) and the purchase price are reported in the income statement in other net operating income.

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguish-ment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the re-maining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Reclassification of financial assets

Reclassification is only possible for financial assets, not for financial liabilities, In the Group a change in the measurement category is only possible if there is a change in the business model used to manage a financial asset. Reclassification is then mandatory in such cases. Such changes must be determined by the Management Board and be significant for corporate activities. If such reclassification is necessary, this must be affected prospectively from the date of reclassification and ap-proved by the Group Management Board.

Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method. In accordance with IFRS13, the Group uses the following hierarchy to determine and report the fair value for financial instruments.

Quotation on an active market (Level I)

If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock ex-change. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions involving financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is continuously available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. Banks or stock exchanges). Moreover, narrow bid/ask spreads and quotations from market participants within a certain corridor are also indicators of an active liquid market.

Measurement techniques based on observable market data (Level II)

When quoted prices for financial instruments are unavailable, the prices of similar financial instruments are used to deter-mine the current fair value or accepted measurement methods utilizing observable prices or parameters (in particular present value calculations or option price models) are employed. These methods concern the majority of the OTC-derivatives and non-quoted debt instruments.

Measurement techniques not based on observable market data (Level III)

If no sufficient current verifiable market data is available for the measurement with measurement models, parameters which are not observable in the market are also used. These input parameters may include data which is calculated in terms of approximated values from historical data among other factors (fair value hierarchy level III). The utilization of these models requires assumptions and estimates of the Management. The scope of the assumptions and estimates depends on the price transparency of the financial instrument, its market and the complexity of the instrument.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrow-ings and long-term liabilities), the Group publishes the fair value. In principle, there is low or no trading activity for these instruments, therefore a significant degree of assessment by the Management is necessary for determining the fair value.

Financial guarantees

A financial guarantee is a contract under which the guarantor is obliged to make certain payments. These payments com-pensate the party to whom the guarantee is issued for losses arising in the event that a particular debtor does not fulfil pay-ment obligations on time as stipulated in the original terms of a debt instrument.

Financial guarantees 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 guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Contingent liabilities and commitments

This item mainly includes contingent liabilities from undrawn loan commitments. Loan commitments must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances.

Loan loss provisions for loan commitments are reported under provisions for liabilities and charges. Often, loan commit-ments are only partially drawn and thus comprise a drawn and an undrawn commitment. If it is not possible to separately identify the expected credit losses applicable to a drawn commitment and those to an undrawn commitment, these are shown together with the impairments of the financial asset, in accordance with IFRS 7. The total expected credit losses are shown as a provision if they exceed the gross carrying amount of the financial asset.

Impairment

This section provides an overview of those aspects of the rules on impairment that involve a higher degree of judgement or complexity and major sources of estimation uncertainty and that resulted in a material adjustment in the financial year. Quantitative information about each of these estimates and judgements is included in the related notes together with infor-mation about the basis of calculation for each affected line item in the consolidated financial statements.

Impairment overview

If the credit risk for financial instruments has significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the expected credit losses over the (remaining) term. If the credit risk for financial instruments has not significantly increased since initial recognition, then on each report-ing date, the impairment for a financial instrument must be measured in the amount of the present value of an expected twelve-month loss.

The expected twelve-month loss is that portion of the credit losses expected over the lifetime which correspond to the expected credit losses from default events possible for a financial instrument within the twelve months following the reporting date.

The Group has introduced recognition and measurement methods in order to be able to assess at the end of every reporting period whether or not the credit risk for a financial instrument has significantly increased since initial recognition. Based on the method outlined above, the Group classifies its financial instruments into Stage 1, Stage 2, Stage 3 and POCI as follows:

- Stage1 essentially includes all financial instruments whose credit default risk has not significantly increased since their initial recognition. Stage 1 also includes all transactions which show a low credit risk on the reporting date, where the Bank has utilized the option available to waive the assessment of a significant increase in credit risk. A low credit risk exists for all financial instruments whose internal credit rating on the reporting date is within the investment grade range (corresponds to at least Standard & Poor's BBB-, Moody's Baa3 or Fitch BBB-). On initial recognition of loans, the bank records an impairment in the amount of the expected twelve-month loss. Stage 1 also includes loans where the credit risk has improved, and which have thus been reclassified from Stage 2.
- Stage 2 includes those financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk has improved, and which have thus been reclassified from Stage 3.
- Stage 3 includes financial instruments which are classified as impaired as at the reporting date. The Group criterion for this classification is the definition of a default in accordance with Article 178 CRR. The expected credit loss over the en-tire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default.

POCI: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

The recognition and measurement principles for calculating expected credit losses are set out in the notes (31) Expected credit losses in the chapter Determination of expected credit losses. The recognition and measurement principles for deter-mining a significant increase in the credit risk are set out in (31) Expected credit losses in the chapter significant increase in credit risk. The expected credit losses are measured on either a collective or individual basis. The requirements for collec-tive measurement are set out in (31) Expected credit losses in the section shared credit risk characteristics.

Determination of expected credit losses

The Group calculates the expected credit loss as the probability-weighted, expected value of all payment defaults taking into account various scenarios over the expected lifetime of a financial instrument discounted with the effective interest rate that was originally determined. A payment default is the difference between the contractually agreed and actually ex-pected payment flows.

The twelve-month loss used for the recognition of impairments in Stage 1 is the portion of the lifetime expected credit loss for the financial instrument that results from default events which are expected to occur within twelve months following the reporting date. The ECL for Stage 1 and Stage 2 as well as for insignificant financial instruments in Stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS. The most important input parameters used by the Bank for determining the expected credit losses are as follows:

- PD: In the Group, the probability of default is the probability of a borrower being unable to fulfil its payment obliga-tions either within the next twelve months or in the entire remaining lifetime of the instrument.
- Exposure at default (EAD): The exposure at default is the amount which the Group expects to be owed at the time of default, over the next twelve months or over the entire lifetime.
- Loss given default (LGD): The loss given default represents the Group expectation of the extent of loss on a defaulted exposure.

All risk parameters used from the bank's internal models are adjusted to meet the specific requirements of IFRS, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the fore-cast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particu-lar, contractual and statutory termination rights.

Further details on determining expected credit losses are provided in the notes (31) Expected credit losses.

Forward-looking information

As a rule, the risk parameters are estimated not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves regularly reviewing the effects which the bank's macroeconomic forecasts will have regarding the amount of the ECL and including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of Raiffeisen Research on significant macroeconomic factors, such as real GDP, unemployment rate, reference interest rates and Information about the currently assumed state of the credit cycle). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. Other risks which cannot be depicted in the standard model and the related expected losses are also taken into account.

Further details on forward-looking information are provided in the notes (31) Expected credit losses in the chapter forward-looking information.

Significant increase in the credit risk

The Group rating systems combine into the PD all available quantitative and qualitative information relevant for forecast-ing the credit risk. This metric is based primarily on a statistical selection and weighting of all available indictors. In addi-tion, the PD adjusted takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions. As a conse-quence, the Group uses the PD only as a frame of reference for assessing whether the credit risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the bank's Bank-wide credit-risk-management framework, the bank ensures that a signif-icant increase in the credit risk is identified in a reliable and timely manner based on objective criteria. The review to de-termine whether the credit default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the reporting date. This review compares the observed probability of default over the residual maturity of the financial instrument (Lifetime-PD) against the lifetime PD over the same period as expected on the date of recognition. Further details on forward-looking information are provided in the notes (31) Ex-pected credit losses in the chapter Significant increase in the credit risk.

Collateral

To mitigate credit risks for financial assets, the Bank endeavours to use collateral wherever possible. This collateral can take different forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets and credit improvements such as netting agreements. The accounting principles for collateral remain un-changed compared to IAS39. Collateral is not recorded in the Bank's statement of financial position unless it is repossessed. The fair value of collateral does, however, affect the calculation of ecls. Generally, it is valued at least at the outset, and subject to half-yearly reviews. Some collateral such as cash or securities are assessed daily in respect of margin require-ments. Further details are provided in the notes (30) Collateral and maximum exposure to credit risk.

A special case is the classification of land and buildings from bail-out purchases within the framework of collateral realiza-tion as such real estate or other assets have been primarily acquired to avoid losses from the lending business and are gener-ally intended to be re-sold. In a first step, the Group assesses whether an asset that has been taken back can be used for its own business operations. Assets that are considered useful for own business operations are transferred to the group's tangi-ble fixed assets at the lower of the re-procurement value or the carrying amount of the originally collateralized asset. Assets which are planned to be sold are recognized in the group's inventories at fair value less selling costs for non-financial assets at the time of repossession, in accordance with the group's guidelines. When realizing collateral, however, the Group does not generally take physical possession of the assets but commissions external agents to obtain funds through auctions in order to settle outstanding debts of the customer. Any excess funds are returned to customers. Due to this practice, residen-tial real estate is not reported in the Group's statement of financial position within the context of the realization of collat-eral.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the Group sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the Group's statement of financial position and are measured according to the standards applied to the item in the statement of financial position "Loans and advances to financial insti-tutions". The securities are not derecognized since all the risks and rewards of the Bank associated with the ownership of the repurchased securities are retained. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as financial liabilities – amortized cost. Under reverse repurchase agreements, assets are acquired by the Group with the obligation to sell them in the future. The purchased securities on which the financial trans-action is based are not reported in the Group's statement of financial position and accordingly not measured. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under the item financial assets – amortized cost.

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements is accrued in a straight line over their term to maturity and shown under the Bank's net interest income.

Securities lending

The Group concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. In the Group, securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio. Bor-rowed securities are not recognized and not valued in the Group. Cash collateral provided by the Group for securities lend-ing transactions is shown as a claim under the item financial assets – amortized cost while collateral received is shown as financial liabilities – amortized cost in the statement of financial position.

j) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Mandatory cash balances with the Central bank. Mandatory cash balances with the Central Bank are carried at Amortized Cost and represent non-interest-bearing mandatory reserve deposits, which are not available to finance the Group's Day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

k) Due from other banks

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

l) Debt securities

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies invest-ments in debt securities as carried at AC or FVOCI. Debt securities are carried at AC if they are held for collection of con-tractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the ef-fective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

m) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of the portfolio that is managed together for the short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the Consolidated statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of the trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

n) Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, cur-rency and interest rate swaps, and currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting. Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

o) Loans and advances to customers

Loans and advances to customers are recorded when the Group advances money to purchase or originate an un-quoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trad-ing the receiva-ble. Loans and advances to customers are carried at amortised cost.

Impairment allowances are determined based on the forward-looking ECL models. Note 31 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorpo-rates forward-looking information in the ECL models.

p) Right of use and lease liabilities

At inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assesses whether:

- the contract involves the use of an identified asset - this is the case if either the asset is explicitly specified in the contract or the asset is implicitly specified at the time that it is made available for use by the customer that is capa-ble of being used to meet the contract terms. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct how and for what purpose the asset is used throughout the period of use or the relevant decisions about how and for what purpose the asset is used are predetermined.

The Group as lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date which is the date on which a lessor (a supplier) makes an underlying asset available for use by The Group. The right-of-use asset is measured at cost at the commencement date. The cost of the right-of-use asset comprises the amount equal to the lease liability at its initial recognition adjusted for any lease payments made at or before the commencement of the lease plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or to restore the underlying asset or the site on which it is located, less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method in accordance with IAS 16 from the commencement date to the earlier of the end of the useful life or the end of the lease term of the right-of-use asset. The right-of-use asset is reduced by impairments, if any, and adjusted for certain remeas-urements of the lease liability. At the commence-ment date, The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the incremental borrowing rate. The bank has applied IFRS 16 using the simplified approach, beginning from January 1, 2019.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments including in-substance fixed payments.
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the com-mencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if The Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured on an ongoing basis similarly to other financial liabilities, using an effective interest meth-od, so that the carrying amount of the lease liability is measured on an amortized cost basis and the interest expense is allo-cated over the lease term. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if The Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero. The Group has selected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The group has selected to presented right of use assets together with tangible assets (please refer to note 10) and Lease lia-bility together with Financial liabilities (please refer to note 13).

The Group as lessor

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

At the commencement date, the Group recognize assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. For finance leases initial direct costs are included in the initial measurement of the net investment.

The net investment in the lease is measured as the gross investment in the lease, discounted at the interest rate implicit in the lease.

The Group's practice is that lease payments forming the gross investment in the lease cover the whole fair value of the lease assets determined at the commencement of the lease.

Subsequent measurement

After lease commencement, the Group accounts for a finance lease, as follows:

- Interest income is recognized in profit or loss over the lease term in an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease.
- Net investment in the lease is reduced for the lease payments received;
- The Group applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivable

After lease commencement, the net investment in a lease is not remeasured by the company unless in either of the following situations:

- The lease is modified, and the modified lease is not accounted for as a separate contract.
- The lease term is revised when there is a change in the non-cancellable period of the lease.

ECL Measurement of leases

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- discount factor; and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The probability of default (PD) represents the likelihood of a lessee defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. In general, the lifetime probability of default is calculated using the regulatory 12-month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the leasing or leasing portfolio. The profile is based on historical observed data and parametric functions

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

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default.

Sometimes The Group is an intermediate lessor which means that The Group acts as both the lessee and lessor of the same underlying asset and accounts for its interest in the main lease and the sublease separately. When the main lease is a short-term lease, the sublease is classified as an operating lease. Otherwise, The Group assesses the classification of a sublease by reference to the right-of-use asset in the main lease and not by reference to the underlying asset of the main lease. The Group recognizes the lease payments associated with the operating lease as income on a straight-line basis over the lease term.

(q) Tangible fixed assets

i Recognition and measurement

Items of tangible and fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed as-sets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its in-tended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property or equipment have different useful lives, they are ac-counted for as separate items (major compo-nents) of premises and equipment.

ii Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is prob-able that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of premises and equipment are recognised in profit or loss as incurred.

iii Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of premises and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and work in progress are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	2023 (in Years)	2022 (in years)
Premises	20	20
Vehicles	7	7
Computers and IT equipment	4 to 7	4 to 7
Software and Licenses	8	8
Machineries and systems	7	7
Office Equipment's and Furniture	5 to 7	5 to 7
Leasehold improvements	1 to 10	1 to 10

Useful lives and residual values are reassessed each reporting date.

(r) Intangible fixed assets

Acquired intangible fixed assets.

In the Group, separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a busi-ness combi-nation, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful life and reported as an expense in the income statement. The expected useful life and the amor-tization method are reviewed at each reporting date and any possible changes in measurement taken into account prospec-tively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumu-lated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Software	8

Internally developed intangible fixed assets – research and development costs

Internally developed intangible assets comprise exclusively software and are capitalized if it is probable that the fu-ture eco-nomic benefits attributable to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an in-ternal project is capitalized when the following evidence is provided:

- The final completion of the intangible fixed asset is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The ability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future eco-nomic benefit.
- The availability of adequate technical, financial and other resources required in order to complete development and to use or sell the intangible fixed asset is assured.
- The ability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

3. Significant accounting policies (Continued)
(r) Intangible fixed assets (Continued)

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the mentioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Bank in a straight line over a useful life of five years. The nor-mal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

(s) Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of auction value and fair value less costs to sell, recognised in the Consolidated statement of financial position under "Other assets". Management intention on repossessed asset is to sale as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

(t) Deposits and other financial liabilities

Deposits and other financial liabilities are the Bank's main sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits and other financial liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(u) Due to banks

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at AC. If the Group purchases its own debt, the liability is re-moved from the consolidated statement of financial position and the difference between the carrying amount of the liabil-ity and the consideration paid is included in gains or losses arising from [early] retirement of debt.

(v) Sale and repurchase agreements and lending of securities.

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference be-tween the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the Consolidated financial statements in their original catego-ry in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the Consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are rec-orded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securi-ties is recorded at fair value in other borrowed funds.

(w) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is 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 Banks. Impairment losses are recognised in profit or loss.

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. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has de-creased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(x) Provisions

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

Loan loss provisions for contingent liabilities and commitments

Commitments and contingent are liabilities such as undrawn agreements to lend in case that they are formally binding and not just internal limits. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed con-tinually to determine whether an outflow of resources embodying economic benefits has become probable. In case that the contingent liability results in a present obligation that can be measured reliably, a provi-sionis recorded. Only irrevocable commitments give rise to a credit risk, therefore only irrevocable contingencies and commitments can be subject to provi-sioning. For significant exposures, the assessment is done individually. In case of portfolio-based assessment the portfolio-building and calculation of portfolio-based provisions has to be made as indicated in the impairment of Loans and Ad-vances to customers.

(y) Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremen-tal costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share pre-mium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the Consolidated financial statements are authorised for issue, are disclosed in the subse-quent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropria-tions. Albanian legislation identifies the basis of distribution as the current year net profit.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

(z) Credit related commitments

This item mainly includes contingent liabilities from undrawn loan commitments. Loan commitments must be re-ported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to pro-vide guarantees and acceptances. Loan loss provisions for loan commitments are reported under provisions for li-abilities and charges. Often, loan commitments are only partially drawn and thus comprise a drawn and an undrawn commitment. If it is not possible to separately identify the expected credit losses applicable to a drawn commitment and those to an undrawn commitment, these are shown together with the impairments of the financial asset, in accordance with IFRS 7. The total expected credit losses are shown as a provision if they exceed the gross carrying amount of the financial asset.

(aa) Offsetting

Financial assets and liabilities are offset and the net amount reported in the Consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

(bb) Presentation of statement of financial position in order of liquidity.

The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities in the statement of financial position. Instead, analysis of assets and liabilities by their expected maturities is presented in Note 34.

(cc) Comparability

All amounts are reported or disclosed with comparative information.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involv-ing estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the Consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern

The Group considers the liquidity risk in the recovery plans, in the internal capital adequacy assessment process, setting well-defined limits on its appetite for risk. The Group determines that its capital resources are available.

The Group performs regularly, stress test exercises, to test the possible impact of macroeconomic indicators in Group's key financial position, performance and regulatory compliance. These stress tests are mainly focused on the impact that some outlined macro and microeconomic scenarios might have on the loan portfolio, being the Group's main source of income,

If estimates or assessments are necessary for accounting and measuring under International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) rules, they are made in accordance with the respective standards. They are based on past experiences and other factors, such as planning and expectations or forecasts of future events that appear likely, based on current judgement. The estimates and underlying assumptions are reviewed on an ongoing basis. Alterations to estimates that affect only one period will be considered only in that period. If the following reporting periods are also affected, the alterations will be taken into consideration in the current and following periods. The critical assump-tions, estimates and accounting judgments are as follows:

Impairment in the lending business

The application of the Group's accounting policies requires accounting judgments of the management. The Group assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortized cost and with the exposure arising from loan commitments and financial guarantee contracts. The calculation of expected credit losses (ECL) requires the use of accounting estimates that may not necessarily match actual results. In order to determine the amount of the impairment, significant credit risk parameters such as PD (Probability of Default), LGD (Loss Given De-fault) and EAD (Exposure at Default) as well as future-oriented information (economic forecasts) are to be estimated by management. The allowance for credit risks is adjusted for this expected loss at each reporting date. The methods for de-termining the amount of the impairment are explained in section Impairment general under Recognition and measurement principles. For additional disclosures on impairment of financial assets refer to note (31) Expected Credit Losses and note 36 Credit risks.

Dynamic tests are performed to evaluate the effect that a similar increase/decrease in customer's shock would have on each of the balance sheet, liability and profit and loss line items, for a specific period of time. The Group's management has made an assessment of the Group's ability to continue as a going concern considering all the factors stated above and is satisfied that the Group 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 upon the Group ability to continue as a going con-cern. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis. For additional disclosures on capital management refer to note 37.

Fair value of financial instruments

Fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This applies regardless of whether the price can be directly observed or has been estimated on the basis of a measurement method. In determining the fair value of an asset or liability, the Bank considers certain features of the asset or liability (e.g. condition and location of the asset, or restrictions in the sale and use of an asset) if market participants would also consider such features in determining the price for the acquisition of the respective asset or for the transfer of the liability at the measurement date. Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. For valuation methods and models, estimates are generally used depending on the complexity of the instrument and the availability of market-based data. The inputs to these models are derived from observable mar-ket data where possible. Under certain circumstances, valuation adjustments are necessary to account for other factors such as model risk, liquidity risk or credit risk. The valuation models are described in the notes in the section on financial instruments –under recognition and measurement principles. In addition, the fair values of financial instruments are dis-closed in note (27) Fair value of financial instruments.

Net realizable value of repossessed assets

Repossessed assets represent real estate assets acquired by the Group in settlement of overdue loans which are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at fair value when acquired and are measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss. The Group revalue these assets on annual basis using a team of external independent valuers and internal certified appraisers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Deferred tax assets and liabilities

Deferred tax assets are recognized only to the extent that it is probable that in the future sufficient taxable profit will be available against which those tax loss carry-forwards, tax credits or deductible temporary differences can be utilized. A planning period of five years is used to this end. This assessment requires significant judgments and assumptions to be made by management. In determining the amount of deferred tax assets, the management uses historical tax capacity and profitability information and, if relevant, forecasted operating results based upon approved business plans, including a re-view of the eligible carry-forward period.

Deferred taxes are not reported separately in the income statement and are disclosed under (26) Income taxes. By contrast, deferred taxes are shown separately in the statement of financial position and in the notes under (15) Deferred Tax liabili-ties.

5. Application of new and revised standards

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these separate financial statements.

The following amendments became effective from 1 January 2023:

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). The adoption of the standard did not have a material impact on these separate financial statements.
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease im-plementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The adop-tion of the standard did not have a material impact on these separate financial statements.
- Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The adoption of the standard did not have a material impact on these separate financial statements.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The adoption of the standard did not have a material impact on these separate financial statements.
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments did not have a material impact on these separate financial statements.
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).The amendment did not have a material impact on these separate financial statements

The application of the above amendments had no significant impact on the Group consolidated financial statements.

Standards, amendments and interpretations of existing standards that are not yet effective

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and ef-fective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Fi-nance Arrangements (Issued on 25 May 2023). The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

Management provides that all relevant pronouncements will be approved for the first period beginning on or after the effective date of publication.

6. Cash, cash balances at central banks and other demand deposits

Cash and cash equivalents as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Cash on hand	18,660,044	18,559,589
Balances at central Banks	23,216,834	17,483,494
hereof restricted balance – Compulsory reserve	17,453,547	16,929,127
Other demand deposits at Banks	734,173	1,448,399
herof restricted balance as bank guarantees	156,754	174,829
Total	42,611,051	37,491,482

Cash, cash balances at central Banks and other demand deposits includes cash in hand, balances due on call and com-pulsory reserves at Central Bank of Albania, and demand deposits at Banks that are due on call.

Mandatory reserves with Central Bank are not for everyday use by the Group and represent a minimum reserve de-posit, required by the Central Bank of Albania and is not considered as cash for the statement of cash flow purposes. This reserve is calculated as a certain percentage of customer deposits that varies by currency or maturity. The required re-serve rate in Lek is 7.5% and 5% of Lek's customer deposits, respectively, with a maturity of no more than 12 months and from 12 months to 2 years. The required reserve ratio in foreign currency is 12.5% and 20% of foreign currency deposits, respectively, when they are below 50% and over 50% of total customer deposits.

Cash and cash equivalents include highly liquid financial assets with original maturities 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 Group in the management of its short-term commitments. A break-down of cash and cash equivalents as included in the statement of cash flows is presented below:

in LEK thousand	**31 December 2023**	**31 December 2022**
Cash on hand	18,660,044	18,559,589
Balances at central bank, excluding compulsory reserve	5,763,286	554,367
Other demand deposits at banks net of restricted balances	577,419	1,273,573
Loans and advances to central banks (Note 7 below)	291	1,850,857
Loans and advances to other banks (Note 7 below)	27,248,444	35,273,599
Total cash and cash equivalents as included in the state-ment of cash flows	**52,249,484**	**57,511,985**

7. Financial assets – amortised cost

Financial assets at amortized cost are comprised of Debt securities and Loans and advances, as follows:

in LEK thousand	As at 31 December 2022			As at 31 December 2021		
	Gross carrying amount	Accumulated impairment	Carrying amount	Gross carrying amount	Accumulated impairment	Carrying amount
Debt securities	**104,647,840**	**(71,572)**	**104,576,268**	**82,149,054**	**(86,694)**	**82,062,360**
General governments	104,647,840	(71,572)	104,576,268	82,149,054	(86,694)	82,062,360
Banks	-	-	-	-	-	-
Loans and advances	**156,066,099**	**(8,473,953)**	**147,592,146**	**164,550,727**	**(9,235,182)**	**155,315,545**
Central Banks	291	-	291	1,850,903	(45)	1,850,858
General governments	232	(1)	231	293	(3)	290
Banks	27,248,489	(45)	27,248,444	35,273,703	(104)	35,273,599
Other financial corporations	523,654	(1,003)	522,651	1,143,754	(3,198)	1,140,556
Non-financial corporations	71,277,073	(5,338,048)	65,939,025	73,886,779	(6,238,854)	67,647,925
Households	57,016,360	(3,134,856)	53,881,504	52,395,295	(2,992,978)	49,402,317
Total	**260,713,939**	**(8,545,525)**	**252,168,414**	**246,699,781**	**(9,321,876)**	**237,377,905**

8. Financial assets- fair value through profit and loss

Financial assets Fair Value through profit and loss as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Debt securities	137,651	2,003
Total	**137,651**	**2,003**

9. Goodwill

During the year 2009, Raiffeisen Bank acquired 100% of the shares of the Raiffeisen INVEST – Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a. ("Raiffeisen INVEST"), for an amount of Lek 109,648 thousand. The purchase was approved by the Albanian Financial Supervisory Authority based on decision Nr.30, dated 26 March 2009, registered on the Albanian National Register on 23 April. Raiffeisen INVEST has a paid in capital of Lek 90 million as at 31 December 2023 (2022: Lek 90 million).

The goodwill on acquisition date was calculated as the excess of the cost of the business combination over the identi-fied net assets of the acquired entity, resulting in an amount of Lek 92,783 thousand. The identified net assets of the acquired entity at acquisition date approximated their fair value at an amount of Lek 16,865 thousand.

Goodwill is tested for impairment at least annually or whenever there are indications that goodwill may be impaired. As at 31 December 2023, the carrying amount of the cash generating unit to which goodwill has been allocated, does not exceed its recoverable amount and therefore goodwill is considered not to be impaired. No impairment loss has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2023 (2022: nil).

10. Tangible and intangible fixed assets

Tangible and intangible fixed assets as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Tangible fixed assets	**3,468,559**	**3,450,717**
Land and buildings used by the Group for own purpose	673,336	657,789
Other land and buildings (investment property)	74,084	76,158
Office furniture, equipment, and other tangible fixed assets	1,204,409	1,066,447
Right of use assets (RoU)	1,516,730	1,650,323
Intangible fixed assets	**2,208,500**	**2,045,274**
Software	2,208,500	2,045,274
Total	**5,677,059**	**5,495,991**

The item software comprises internally developed software amounting to Lek 115,123 thousand (2022: 108,608). The fair value of investment properties carried at cost model as at 31 December 2023 is 63,187 thousand lek, 31 December 2022 is 64,684 thousand lek.

Rental income from investment property of Lek 4,619 thousand (2022: Lek 4,956 thousand) has been recognised in other net operating income (please refer to note 22).

	Cost of acquisition				
in LEK thousand	As at January 1, 2023	Additions	Disposals	Transfers	As at December 31, 2023
Tangible fixed assets	**6,968,617**	**590,198**	**(537,048)**	**-**	**7,021,766**
Land and buildings used by the Group for own purpose	1,222,208	58,880	(253,234)	-	1,027,853
Other land and buildings (investment property)	109,244	-	-	-	109,244
Office furniture, equipment, and other tangible fixed assets	3,417,762	444,184	(272,948)	-	3,588,998
Right of use assets (RoU)	2,219,403	87,134	(10,866)	-	2,295,671
Intangible fixed assets	**4,196,734**	**499,694**	**(102,838)**	**-**	**4,593,591**
Software and licences	4,196,734	499,694	(102,838)		4,593,591
Total	**11,165,351**	**1,089,892**	**(639,886)**	**-**	**11,615,357**

The Group recognized as at 31 December 2023 "internally generated intangible assets" in compliance to IAS 38 in the amount of Lek 115,123 thousand. They are staff cost & other relevant costs related to development of internally used software during calendar year 2023.

Fixed assets developed as follows:

	Write-ups, amortization, depreciation, impairment				Carrying amount
in LEK thousand	Cumulative	Accumulated deprecition on sales	Depreciation	Reclassifi-cation	As at December 31, 2022
Tangible fixed assets	**(3,517,901)**	**535,428**	**(570,735)**	**-**	**3,468,559**
Land and buildings used by the Group for own purpose	(564,419)	252,731	(42,830)	-	673,336
Other land and buildings (investment property)	(33,087)	-	(2,073)	-	74,084
Office furniture, equipment and other tangible fixed assets	(2,351,314)	262,069	(295,344)	-	1,204,409
Right of use assets (RoU)	(569,081)	20,628	(230,488)	-	1,516,730
Intangible fixed assets	**(2,151,458)**	**68,913**	**(302,545)**	**-**	**2,208,500**
Software	(2,151,458)	68,913	(302,545)	-	2,208,500
Total	**(5,669,359)**	**604,341**	**(873,280)**	**-**	**5,677,059**

		Cost of acquisition			
in LEK thousand	**As at January 1, 2022**	**Additions**	**Disposals**	**Transfers**	**As at December 31, 2022**
Tangible fixed assets	**6,859,633**	**842,268**	**(733,283)**	**-**	**6,968,618**
Land and buildings used by the Group for own purpose	1,153,672	68,536	-	-	1,222,208
Other land and buildings (in-vestment property)	118,549	-	(9,304)	-	109,245
Office furniture, equipment and other tangible fixed assets	3,646,553	354,699	(583,490)	-	3,417,762
Right of use assets (RoU)	1,940,859	419,033	(140,489)	-	2,219,403
Intangible fixed assets	**3,830,203**	**672,420**	**(305,889)**	**-**	**4,196,734**
Software and licences	3,830,203	672,420	(305,889)		4,196,734
Total	**10,689,836**	**1,514,688**	**(1,039,172)**	**-**	**11,165,352**

Fixed assets developed as follows::

	Write-ups, amortization, depreciation, im-pairment				Carrying amount
in LEK thousand	Cumulative	Accumulated depreciation on sales	Depreciation	**Reclassifica-tion**	**As at December 31, 2021**
Tangible fixed assets	**(3,695,855)**	**720,151**	**(542,197)**	**-**	**3,450,717**
Land and buildings used by the Group for own purpose	(526,112)	-	(38,307)	-	657,789
Other land and buildings (in-vestment property)	(33,425)	2,774	(2,436)	-	76,158
Office furniture, equipment and other tangible fixed assets	(2,661,671)	573,976	(263,620)	-	1,066,447
Right of use assets (RoU)	(474,647)	143,401	(237,834)	-	1,650,323
Intangible fixed assets	**(2,206,832)**	**305,884**	**(250,512)**	**-**	**2,045,274**
Software	(2,206,832)	305,884	(250,512)	-	2,045,274
Total	**(5,902,687)**	**1,026,035**	**(792,709)**	**-**	**5,495,991**

The Group leases various offices, IT Contracts and ATM Space. Rental contracts are typically made for fixed periods of 1 Year to 5 Years but have extension options. All leases are recognised as a right-of-use asset and a corresponding liabil-ity from the date when the leased asset becomes available for use by the Group.

The right of use assets by class of underlying items is analysed as follows:

	Buildings	IT Contracts	ATM Space	Cars	Total
Carrying amount at December 31, 2021	**1,623,679**	**4,105**	**22,538**	**-**	**1,650,322**
Additions	64,059	-	7,837	15,237	**87,133**
Early termination	(10,866)	-	-	-	**(10,866)**
Depreciation charge	(194,786)	(1,098)	(11,798)	(2,177)	**(209,859)**
Carrying amount at December 31, 2022	**1,482,086**	**3,007**	**18,577**	**13,060**	**1,516,730**

Total cash outflow for leases in 2023 was LEK 233,031 thousand (cash outflow 2022: LEK 242,933 thousand). Please see note 3 and 13 for Lease Liabilities disclosures. Please see note 24.3 for disclosure of the expense relating to short-term leases accounted for applying IFRS 16.

11. Repossessed assets

Repossessed assets represent real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose the assets in the foreseeable future. The assets do not meet the definition of non-current as-sets held for sale and are classified as inventories in accordance with IAS 2 "Inventories". The as-sets were initially recognised at fair value when acquired.

Repossessed assets as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Repossessed assets	1,277,706	1,410,399
Write down of repossessed assets	(918,264)	(853,948)
Total	**359,443**	**556,451**

Movements in the write down of repossessed assets are as follows:

in LEK thousand	31 December 2023	31 December 2022
Balance at the beginning of the year	853,947	693,394
Additional write down	166,136	193,246
Reversal of write down	(101,819)	(32,692)
Balance at the end of the year	**918,264**	**853,948**

12. Other assets

Other assets as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Prepayments and other deferrals	504,819	355,781
Other assets	577,531	586,764
Total	**1,082,350**	**942,545**

Prepayment and other deferrals are related to prepaid expenses for services that will be performed in future periods. Prepaid expenses in 2023 was LEK 363,579 thousand (2022: LEK 314,725 thousand). Other assets are related to Group's debtors.

13. Financial liabilities – amortized cost

Financial liabilities as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Due to Banks	**10,593,956**	**1,937,649**
Current accounts/overnight deposits/redeemable at notice	2,331,673	1,776,557
Deposits with agreed maturity	6,155,338	161,092
Subordinated financial liabilities	2,106,945	-
Deposits from customers	**254,723,652**	**245,156,535**
Current accounts/overnight deposits/redeemable at notice	226,282,082	211,351,367
Deposits with agreed maturity	28,441,570	33,805,168
Other financial liabilities	**1,857,056**	**1,436,184**
Lease liabilities lessee	**1,337,595**	**1,552,083**
Total	**268,512,259**	**250,082,451**

The following table shows the cashdiaries and non-cash effects for liabilities arising from financing activities according to IAS 7 as of December 31, 2023:

in LEK thousand	31 December 2022	Inflows	New leases	Dividend declared	Outflows	Interest accrued	Other changes (e.g. FX changes)	31 December 2023
Lease liabilities	**1,552,083**	**-**	**105,001**	**-**	**(233,031)**	**27,633**	**(114,091)**	**1,337,595**
Dividend payable	-	-	-	5,029,895	(5,029,895)	-	-	-
Total	**1,552,083**	**2,106,945**	**105,001**	**5,029,895**	**(5,262,926)**	**27,633**	**(114,091)**	**3,444,540**

The following table shows the cash and non-cash effects for liabilities arising from financing activities acord-ing to IAS 7 as of December 31, 2022:

in LEK thousand	31 December 2022	Inflows	New leases	Dividend declared	Outflows	Interest accrued	Other changes (e.g. FX changes)	31 December 2021
Lease liabilities	**1,301,143**	**-**	**415,851**	**-**	**(242,933)**	**27,638**	**(76,443)**	**1,552,083**
Dividend payable	-	-	-	3,623,474	(3,623,474)	-	-	-
Total	**1,301,143**	**-**	**415,851**	**3,623,474**	**(3,866,407)**	**27,638**	**(76,443)**	**1,552,083**

The following table provides a breakdown of balances with from Groups and customers by business segments:

in LEK thousand	31 December 2023	31 December 2022
General governments	6,484,232	7,695,315
Banks	7,876,792	(506,640)
Other financial corporations	2,717,164	2,444,288
Non-financial corporations	55,420,786	47,991,285
Households	192,818,634	189,469,936
Total	**265,317,608**	**247,094,184**

The following table shows the maturity analysis of lease liabilities, showing the undiscounted lease pay-ments to be paid after the reporting date; the respective carrying amounts are presented under financial liabil-ities – amortized cost:

in LEK thousand	31 December 2023	31 December 2022
Up to 1 year	213,618	225,542
More than 1 year, up to 5 years	729,396	819,778
More than 5 years	394,581	603,393
Total	**1,337,595**	**1,648,713**

14. Provisions for liabilities and charges

Provisions for liabilities and charges as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
ECL for off-balance-sheet items	**289,121**	**215,726**
ECL for contingent liabilities and commitments	289,121	215,726
Accruals for staff	**145,918**	**127,273**
Bonus payments	145,918	127,273
Other provisions	**61,499**	**64,922**
Legal issues and tax litigation	61,399	64,822
Other provisions	100	100
Total	**496,538**	**407,921**

The following table shows the changes in provisions for liabilities and charges in the reporting year, although pro-visions for off-balance-sheet items pursuant to IFRS 9 of 289,290 LEK thousand are not included. These are shown under (31) Expected Credit losses.

in LEK thousand	1 January 2023	Allocation	Release	Usage	Transfers,	31 December 2023
Accruals for staff	127,272	133,650	(3,800)	(111,204)	-	145,918
Bonus payments	127,272	133,650	(3,800)	(111,204)	-	145,918
Other provisions	**64,923**	**-**	**(1,823)**	**(1,601)**	**-**	**61,499**
Legal issues and tax litigation	64,823	-	(1,823)	(1,601)	-	61,399
Other provisions	100	-	-	-	-	100
Total	**192,195**	**133,650**	**(5,623)**	**(112,805)**	**-**	**207,417**

15. Deferred tax liabilities

Deferred tax assets/liabilities derived from the following items:

in LEK thousand	31 December 2022	Recognised in profit or loss	31 December 2023
Tangible and Intangible Fixed Assets	(46,296)	(4,913)	**(51,208)**
Total	(46,296)	(4,913)	**(51,208)**

in LEK thousand	31 December 2021	Recognised in profit or loss	31 December 2022
Tangible and Intangible Fixed Assets	(26,314)	(19.982)	(46,296)
Total	**(26,314)**	**(19,982)**	**(46,296)**

16. Current tax liabilities

in LEK thousand	31 December 2023	31 December 2022
Current tax liabilities	546,920	200,105
Total	**546,920**	**200,105**

Current tax liabilities is related with the tax to be paid to Tax authority regarding income tax (please refer to note 26 for more details).

17. Other Liabilities

Other liabilites as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Deferred income and accrued expenses	292,808	295,671
Due to employees	67,556	98,105
Other tax liabilities	113,269	315,535
Sundry liabilities	253,680	247,799
Overdue vacations	**38,248**	**26,882**
Total	**765,561**	**983,992**

Accrued expenses are related to wages of personnel, marketing campaigns, rent, building security, IT, legal and other oper-ating expenses of the period for which an invoice has not been obtained yet, as such accruals have been booked. Accrued expenses amount in 2023 is thousand LEK 268,838 (2022: thousand LEK 290,838). The increase of liabilities compared to prior period is due to the increase in expenses for IT maintenance, legal expenses and build-ing security.

Deferred income is related to prepaid administrative fees for stand by letter of credit and guarantees from clients.

18. Equity

Equity as at 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Share capital	14,178,593	14,178,593
Other reserves	3,306,190	3,306,190
Retained earnings	14,269,751	12,744,270
hereof profit for the year	6,555,376	3,702,046
Total	**31,754,534**	**30,229,053**

The development of equity is shown under the statement of changes in equity section.

Share capital

The Group's capital is LEK 14,178,593 thousand comprised of 7,000 shares (2022: 7,000 shares). The Parent's capital is equal to LEK 14,178,593 thousand and the nominal value of each share is LEK 2,025,513 (2022: LEK 14,178,593 thou-sand comprised of 7,000 shares of nominal value of LEK 2,025,513 each).

Other reserves

Legal reserve is established from the distribution of net profit after tax in accordance with the law No. 9901, dated 14 April 2008, "On Entrepreneurs and commercial companies".

The regulatory reserve is established in accordance wit the decision of the Supervisory Council of the Group of Al-bania No. 69, dated 18 December 2014.

in LEK thousand	31 December 2023	31 December 2022
Regulatory reserves	1,852,979	1,852,979
Legal reserves	1,453,211	1,453,211
Total	**3,306,190**	**3,306,190**

19. Net interest income

Net interest income for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Interest income		
Financial assets - amortized cost	12,602,091	8,746,412
Other assets	98,121	41,284
Interest income on financial liabilities	-	284
Interest income calculated using the effective interest method	12,700,212	8,787,980
Other interest income	4,215	1,783
Total interest income	**12,704,427**	**8,789,763**
Interest expenses		
Financial liabilities - amortized cost	(216,028)	(84,116)
Interest expenses on financial assets	(1,581)	(124,165)
Interest expense on lease liabilities	(27,712)	(24,720)
Total interest expenses	**(245,321)**	**(233,001)**
Total	**12,459,106**	**8,556,762**

Interest income using effective interest rate recognized for Loans and advances in 2023 is LEK 9,445 million (2022: LEK 6,677 million)

Interest expense from financial assets is the negative interest of placements. The decrease of interest expense on financial assets relates to the decrease of placements during 2023 (please refer to note 19 for more details).

20. Net fee and commission income

Net fee and commission income for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Clearing, settlement and payment services	3,150,647	2,814,838
Loan business commissions	133,132	102,391
Custody services	37,449	41,198
Foreign exchange transactions	344,970	293,434
Other	704,418	939,329
Total fee and commission income from contracts with customers	**4,370,616**	**4,191,190**
Financial guarantee contracts and loan commitments	22,710	17,970
Total fee and commission income	**4,393,326**	**4,209,160**
Clearing, settlement and payment services	(1,411,932)	(1,155,762)
Loan and guarantee business	(231,379)	(187,544)
Other	(361,431)	(309,294)
Total Fee and commission expenses	**(2,004,742)**	**(1,652,600)**
Net fee and commission income	**2,388,584**	**2,556,560**

Fee and commissions do not include fees received for loans and advances to customers (transaction costs), which are ad-justed on initial recognition for the carrying value of these financial assets as per effective interest rate method. Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to only a customer.

The Group provides banking services only to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency exchange transactions, credit card and servicing fees. Fees for ongoing account man-agement are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and cor-porate banking customers on a regular basis. In other income is inlcuded the Administration income, which represents asset management fees and is considered as revenue from servicesrendered to Pensions/ Investment Funds under admin-istration. This income is recognized over time. Almost all other part of other income is comprised of the broker fees col-lected from the insurance services provided to the clients. The group has been licensed by the financial supervisory au-thority in Albania to offer the insurance broker services to clients which request it. The group works with several insurance companies as their agent to offer such services and collects a fee from them monthly.

Transaction-based fees for interchange, foreign currency exchange transactions and overdrafts are charged to the custom-er's account when the transaction takes place. The Group has not disclosed information about the allocation of the trans-action price to remaining performance obligations in contracts. This is due to the contract periods being typically less than one year in duration. Where contracts do have a longer duration, they are subject to the variable consideration con-straint, and, therefore, not included within the transaction price.

Servicing fees are charged on a monthly basis and are based on fixed rates reviewed regularly by the Group.

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

21. Net trading income

Net trading for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Net (loss)/gain on financial assets and liabilities - fair value through profit or loss	(33,205)	(28,655)
Debt securities	(33,205)	(28,655)
Exchange differences, net	(185,019)	32,883
Total	**(218,224)**	**4,228**

22. Other net operating loss

Other net operating for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	**31 December 2023**	**31 December 2022**
Sundry operating income	132,140	54,351
Rental income from investment property incl. Operating lease (real estate)	4,619	4,956
Other operating income	136,759	59,307
Write down of repossessed assets	(166,136)	(193,246)
Expense from allocation and release of other provisions	(169,894)	(23,847)
Loss on derecognition of non-financial assets	(682)	(8,891)
Sundry operating expenses	(114,029)	(10,385)
Other operating expense	(450,741)	(236,369)
Total	**(313,982)**	**(177,062)**

Sundry operating expenses balance relates to the result from other operating activities of the bank. It is mostly related to expenses from the termination of the building lease contract, expenses losses from the written-off of debtors, fraud losses, losses from cash operations, losses in ATM-POS transactions. During 2023 there is an increase in the sundry operating expenses since the losses from the sale of repossessed assets is LEK 109 million (2022: LEK 13 million).

23. General administrative expenses

General administrative expenses for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Staff expenses	(2,866,640)	(2,651,407)
Other administrative expenses	(2,187,034)	(2,064,480)
Depreciation of tangible and intangible fixed assets	(884,646)	(792,709)
Total	**(5,938,320)**	**(5,508,596)**

23.1 Staff expenses

Staff expenses for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Wages and salaries	(2,456,962)	(2,288,754)
Social security costs and staff-related taxes	(294,448)	(261,133)
Other voluntary social expenses	(56,232)	(45,310)
Staff expenses under deferred bonus program	(31,257)	(35,607)
Expenses for defined contribution pension plans	(17,651)	(16,971)
Termination benefits	(10,090)	(3,632)
Total	**(2,866,640)**	**(2,651,407)**

23.1.1 Expenses for defined contribution pension plans

Expenses for defined contribution pension plans for the year ended 31 December 2023 and 31 December 2022 are de-tailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Members of the management board and senior staff	(7,405)	(7,536)
Other employees	(20,336)	(13,067)
Total	**(27,741)**	**(20,603)**

23.2 Other administrative expenses

Other administrative expenses for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
IT expenses	(1,010,462)	(911,449)
Legal, advisory and consulting expenses	(183,498)	(196,121)
Expenses for Audit services	(19,224)	(20,017)
Office space expenses	(219,950)	(201,489)
Advertising, PR and promotional expenses	(255,692)	(277,519)
Security expenses	(130,260)	(124,999)
Car expenses	(44,607)	(47,250)
Other taxes	(43,298)	(45,961)
Expenses related to credit risk	(25,754)	(31,004)
Training expenses for staff	(30,746)	(25,208)
Traveling expenses	(35,180)	(21,640)
Expenses for leases	(14,624)	(13,943)
Communication expenses	(15,555)	(13,394)
Office supplies	(18,458)	(12,753)
Sundry administrative expenses	(139,726)	(121,733)
Total	**(2,187,034)**	**(2,064,480)**

23.3 Depreciation of tangible and intangible assets

Depreciation of tangible and intangible assets for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Tangible fixed assets	(579,375)	(542,197)
Intangible fixed assets	(305,271)	(250,512)
Total	**(884,646)**	**(792,709)**

24. Special govermental measures

Special governmental measures for the year ended 31 December 2023 and 31 December 2022 are detailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Resolution fund	(140,524)	(110,702)
Deposit insurance fees	(660,569)	(624,397)
Total	**(801,093)**	**(735,099)**

The contribution for the resolution fund is in compliance with the Law on "On Recovery and Intervention in Groups in the Republic of Albania" and relevant bylaws, where each Group in Albania pays an annual contribution calculated in a pro-portionate manner with the relevant market share, for the creation of a certain level of emergency interven-tion fund. This fund is calculated by Bank of Albania and is managed by Albanian Deposit Insurance Agency" (ADIA) in compliance with the investment policy of the financial instruments of the fund.

The calculation of the deposit insurance premium is based on regulation no. 53/2014 dated 22.05.2014 "On Deposit In-surance".

25. Impairment expenses / (recoveries) on financial assets

Impariment expenses/recoveries on financial assetsfor the year ended 31 December 2023 and 31 December 2022 are de-tailed as follows:

in LEK thousand	31 December 2023	31 December 2022
Loans and advances	311,234	(110,606)
Debt securities	15,122	(58,279)
Loan commitments, financial guarantees and other commit-ments given	(72,499)	(17,729)
Total	**253,857**	**(186,614)**

26. Income taxes

Income tax in Albania is assessed at the rate of 15% (2022: 15%) of taxable income:

in LEK thousand	31 December 2023	31 December 2022
Current income taxes	(1,269,639)	(788,150)
Deferred taxes	(4,913)	(19,982)
Total	**(1,274,552)**	**(808,133)**

The following reconciliation shows the relationship between profit before tax and the effective tax burden:

in LEK thousand	31 December 2023	31 December 2022
Profit before tax	**7,829,928**	**4,510,179**
Theoretical income tax expense using the domestic tax rate of 15%	1,174,489	676,527
Tax effect of:		
Tax-exempt income/expense	(8,218)	(8,117)
Non-deductible expenses	118,048	143,785
Tax-exempt income	(9,767)	(4,063)
Effective tax burden	1,274,552	808,132
Effective tax rate in percent	16.28%	17.92%

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are rec-orded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on manage-ment's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

27. Fair value of financial instruments

Fair value measurement in the Group is based on external data sources. Financial instruments measured on the basis of quoted market prices are mainly listed securities. These financial instruments are assigned to Level I of the fair value hier-archy.

If a market value is used and the market cannot be considered to be an active market in view of its restricted liquidity, the underlying financial instrument is assigned to Level II of the fair value hierarchy. If no market prices are available, valua-tion models based on observable market data are used to measure these financial instruments. These observable market data are mainly reproducible yield curves, credit spreads and volatilities.

If fair value cannot be measured using either sufficiently regularly quoted market prices (Level I) or using valuation mod-els which are entirely based on observable market prices (Level II), then individual input parameters which are not observ-able on the market are estimated using appropriate assumptions. If parameters which are not observable on the market have a significant impact on the measurement of the underlying financial instrument, it is assigned to Level III of the fair value hierarchy. These measurement parameters, which are not regularly observable, are mainly credit spreads derived from internal estimates.

Assigning certain financial instruments to the level categories requires regular assessment, especially if measurement is based on both observable parameters and also parameters which are not observable on the market. The classification of an instrument can also change over time to take account of changes in market liquidity and thus price transparency.

Fair value of financial instruments reported at fair value

In the tables below, the financial instruments reported at fair value in the statement of financial position are grouped ac-cording to items in the statement of financial position and classified according to measurement category. A distinction is made as to whether the measurement is based on quoted market prices (Level I), or whether the valuation models are based on observable market data (Level II) or on parameters which are not observable on the market (Level III). Items are as-signed to levels at the end of the reporting period.

Assets	31 December 2023			31 December 2022		
in LEK thousand	Level I	Level II	Level III	Level I	Level II	Level III
Financial assets - fair value through profit or loss			137,651			2,003
Debt securities			137,651			2,003

Qualitative information for the valuation of financial instruments in Level III

Assets 2022	Fair value in LEK thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - fair value through profit or loss	-			
Treasury bills, fixed coupon bonds	137,651	Discounted cash flow method (DCF)	ALL base rate -last auctions yields -T bills	3.25% - 3.45%
Total				

Fair value of financial instruments not reported at fair value

The financial instruments in the following table are not managed on a fair value basis and are therefore not meas-ured at fair value in the statement of financial position. For these instruments the fair value is calculated only for the purposes of providing information in the notes and has no impact on the consolidated statement of financial position or on the consol-idated income statement. The calculation of the fair value of receivables and liabilities not reported at fair value was re-classified and, among other things, input factors are also used in the models which are not observable on the market, but which have a significant influence on the calculated value. A simplified fair value calculation method for retail and non-retail portfolios is applied for all short term transactions (transactions with maturities up to 3 months). The fair value of these short term transactions will be equal to the carrying amount of the product. For the other transactions the methodol-ogy as described in the section entitled Fair value of financial instruments reported at fair value is applied.

2023 in LEK thousand	**Level I**	**Level II**	**Level III**	**Fair value**	**Carrying ammount**	**Difference**
Assets						
Cash, cash balances at central banks and other demand deposits	-	42,611,051	-	42,611,051	42,611,051	-
Debt securities	-	-	103,776,989	103,776,989	104,576,268	(799,279)
Loans and advances	-	-	147,592,146	147,592,146	147,592,146	-
Liabilities						
Deposits and subordi-nated	-	-	265,277,477	265,277,477	265,317,608	(40,131)
Other financial liabilities	-	-	3,194,651	3,194,651	3,194,651	-

2022 in LEK thousand	**Level I**	**Level II**	**Level III**	**Fair value**	**Carrying amount**	**Difference**
Assets						
Cash, cash balances at central banks and other demand deposits	-	37,491,482	-	37,491,482	37,491,482	-
Debt securities	-	-	66,151,560	78,896,155	82,062,360	(3,166,205)
Loans and advances	-	-	155,315,545	155,315,545	155,315,545	-
Liabilities						
Deposits and subordi-nated	-	-	247,076,521	247,076,521	247,094,184	(17,663)
Other financial liabilities	-	-	2,988,267	2,988,267	2,988,267	-

Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

28. Loan commitments, financial guarantees and other commitments

The following table shows the loan commitments given, financial guarantees and other commitments given

in LEK thousand	31 December 2023	31 December 2022
Loan commitments given	21,903,988	20,579,312
Financial guarantees given and other commitments given	9,048,932	9,876,434
Total	**30,952,920**	**30,455,746**
Expected credit losses for off-balance-sheet items	(289,121)	(215,726)

The following table shows the nominal amount and provisions for off-balance-sheet liabilities from commitments and financial guarantees.

2023 in LEK thousand	Nominal amount			Provisions for off-balance-sheet items under IFRS 9		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Banks	1,568,419	59,104	-	19	15	-
Other financial corporations	-	-	-	-	-	-
Non-financial corporations	24,119,320	1,027,520	108,762	117,439	8,268	105,127
Households	4,048,673	4,616	16,506	42,889	1,023	14,341
Total	**29,736,412**	**1,091,240**	**125,268**	**160,347**	**9,306**	**119,468**

2022 in LEK thousand	Nominal amount			Provisions for off-balance-sheet items under IFRS 9		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Banks	3,262,567	-	-	20	-	-
Other financial corporations	366,000	-	-	53	-	-
Non-financial cor-porations	21,198,844	1,884,568	57,981	80,983	16,893	57,535
Households	3,643,856	20,011	21,919	40,064	1,200	18,978
Total	**28,471,267**	**1,904,579**	**79,900**	**121,120**	**18,093**	**76,513**

Legal

In the normal course of business, the Group may be presented with legal claims. As at December 31, 2022, the Group had outstanding legal cases considered normal through the course of business, having no material impact on the Group's activi-ty.

29. Credit quality analysis

The credit quality analysis of financial assets is a point in time assessment of the probability of default of the assets. It should be noted that for financial assets in stage 1 and 2, due to the relative nature of significant in-crease in credit risk it is not necessarily the case that stage 2 assets have a lower credit rating than stage 1 assets, although this is normally the case. The following list provides a description of the Banking of assets by proba-bility of default:

- Excellent are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or no probability of default (PD range 0.0000 - 0.0300 percent).
- Strong are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default (PD range 0.0300 - 0.1878 percent).
- Good are exposures which demonstrate a good capacity to meet financial commitments, with low default risk (PD range 0.1878 - 1.1735 percent).
- Satisfactory are exposures which require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk (PD range 1.1735 - 7.3344 percent).
- Sub-standard are exposures which require varying degrees of special attention and default risk is of greater con-cern (PD range 7.3344 - 100.0 percent).
- Credit impaired are exposures which have been assessed as impaired (PD range 100.0 percent).

The following table shows the carrying amounts of the financial assets – amortized cost by rating category and stages:

2023 **in LEK thousand**	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	19,388,808	-	-	19,388,808
Strong	44,755,205	18,753	-	44,773,958
Good	109,331,892	3,217,659	-	112,549,551
Satisfactory	48,547,489	6,256,690	-	54,804,179
Substandard	5,818,754	8,050,773	-	13,869,527
Credit impaired	-	-	7,628,278	7,628,278
Unrated	7,478,778	180,687	40,173	7,699,638
Gross carrying amount	**235,320,926**	**17,724,562**	**7,668,451**	**260,713,939**
Accumulated impairment	(1,270,894)	(1,782,483)	(5,492,148)	(8,545,525)
Carrying amount	**234,050,032**	**15,942,079**	**2,176,303**	**252,168,414**

2022 **in LEK thousand**	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	18,014,896	-	-	18,014,896
Strong	30,121,342	225,628	-	30,346,970
Good	114,999,298	7,712,100	-	122,711,398
Satisfactory	42,738,908	5,956,970	-	48,695,878
Substandard	4,594,166	7,010,867	-	11,605,033
Credit impaired	-	-	8,379,245	8,379,245
Unrated	6,574,662	309,868	61,831	6,946,361
Gross carrying amount	**217,043,272**	**21,215,433**	**8,441,076**	**246,699,781**
Accumulated impairment	(1,263,661)	(1,479,772)	(6,578,443)	(9,321,876)
Carrying amount	**215,779,611**	**19,735,661**	**1,862,633**	**237,377,905**

The following table shows the nominal values of off-balance-sheet commitments by rating category and stages:

2023 **in LEK thousand**	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	94,731	-	-	94,731
Strong	2,420,204	5,186	-	2,425,390
Good	11,523,479	190,287	-	11,713,766
Satisfactory	11,308,154	719,680	-	12,027,834
Substandard	201,794	175,284	-	377,078
Credit impaired	-	-	125,268	125,268
Unrated	4,188,050	803	-	4,188,853
Total	**29,736,412**	**1,091,240**	**125,268**	**30,952,920**
Provisions for off-balance-sheet items	(160,347)	(9,306)	(119,468)	(289,121)
Carrying amount	**215,779,611**	**19,735,661**	**1,862,633**	**237,377,905**

The category unrated includes off-balance sheet commitments for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

2022 in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	49,529	45,692	-	95,221
Strong	3,529,419	120,177	-	3,649,596
Good	11,605,971	500,982	-	12,106,953
Satisfactory	9,409,994	736,568	-	10,146,562
Substandard	16,164	488,189	-	504,353
Credit impaired	-	-	79,900	79,900
Unrated	3,860,190	12,971	-	3,873,161
Total	**28,471,267**	**1,904,579**	**79,900**	**30,455,746**
Provisions for off-balance-sheet items under IFRS 9	(121,120)	(18,093)	(76,513)	(215,726)
Carrying amount	**215,779,611**	**19,735,661**	**1,862,633**	**237,377,905**

The category unrated includes off-balance sheet commitments for several retail customers for whom no ratings are availa-ble. The rating is therefore based on qualitative factors.

30. Collateral and maximum exposure to credit risk

It should be noted that the collateral values shown in the tables are capped at the maximum value of the gross carrying amount of the financial asset. The following table shows financial assets at amortized cost subject to impairment:

2023 in LEK thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central Banks	291	-	291
General governments	104,555,950	-	104,555,950
Banks	27,248,444	-	27,248,444
Other financial corporations	4,543,014	-	4,543,014
Non-financial corporations	65,941,996	20,568,157	45,373,839
Households	53,881,504	21,335,971	32,545,533
Commitments/guarantees issued	30,982,899	8,070,194	22,912,705
Total	**287,154,098**	**49,974,322**	**237,179,776**

2022 in LEK thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central Banks	1,850,857	-	1,850,857
General governments	82,040,423	-	82,040,423
Banks	35,273,599	-	35,273,599
Other financial corporations	4,861,828	-	4,861,828
Non-financial corporations	67,647,925	22,680,698	44,967,227
Households	49,402,317	20,192,185	29,210,132
Commitments/guarantees issued	31,062,183	5,291,485	25,770,698
Total	**272,139,132**	**48,164,368**	**223,974,764**

The following table contains details of the maximum exposure from financial assets in Stage 3 and the corresponding collateral:

2023 **in LEK thousand**	Maximum exposure credit risk (Stage 3)	Fair value of collateral (Stage 3)	Credit risk exposure net of collateral (Stage 3)	Impairment
Non-financial corporations	1,343,482	922,415	421,068	(3,905,402)
Households	873,836	198,877	674,958	(1,586,745)
Commitments/guarantees issued	125,268	3,635	121,633	(119,468)
Total	**2,342,586**	**1,124,927**	**1,217,659**	**(5,611,615)**

2022 **in LEK thousand**	Maximum exposure credit risk (Stage 3)	Fair value of collateral (Stage 3)	Credit risk exposure net of collateral (Stage 3)	Impairment (Stage 3)
Non-financial corporations	1,426,287	1,088,755	337,532	(4,786,450)
Households	639,702	220,492	419,211	(1,791,993)
Commitments/guarantees issued	79,901	553	79,347	(76,513)
Total	**2,145,890**	**1,309,800**	**836,090**	**(6,654,956)**

31. Expected credit losses

Impairment losses for all debt instruments which are not measured at fair value in profit or loss and for loan commitments and financial guarantees (hereinafter referred to in this section as financial instruments) are recorded in the amount of the expected credit loss. Equity instruments are not subject to the impairment rules of IFRS 9.

If the credit risk for financial instruments has significantly increased since initial recognition, the impairment for a finan-cial instrument must be measured at the amount of the expected credit losses over the (remaining) term. If the credit risk for financial instruments has not significantly increased since initial recognition, the impairment for a financial instrument must be measured at the amount of the present value of an expected twelve-month loss. The expected twelve-month loss is that portion of the credit losses expected over the lifetime which correspond to the expected credit losses from expected default events for a financial instrument within the twelve months following the reporting date. RBI assesses at the end of every reporting period whether or not the credit risk for a financial instrument has significantly increased since initial recognition. Based on the method outlined above, RBI classifies its financial instruments into Stage 1, Stage 2, Stage 3 and POCI as follows:

Stage 1 essentially includes all financial instruments whose credit default risk has not significantly increased since their initial recognition. Stage 1 also includes all transactions which show a low credit risk on the reporting date and where RBI has utilized the option available under IFRS 9 to waive the assessment of a significant increase in credit risk. A low credit risk exists for all debt securities whose internal credit rating on the reporting date is within the investment grade range. RBI did not make use of the exemption for low credit risks in the lending business. On initial recognition of loans, the bank records an impairment in the amount of the expected twelve-month loss. Stage 1 also includes loans where the credit risk improved again, and which have thus been reclassified from Stage 2.

Stage 2 includes those financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk improved, and which have thus been reclassified from Stage 3.

Stage 3 includes financial instruments which are classified as impaired as at the reporting date. RBI's criterion for this classification is the definition of a default. The expected credit loss over the entire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default.

- POCI: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

Expected credit losses from financial instruments should reflect 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 infor-mation that is available without undue cost or effort at the reporting date about past events, current conditions and fore-casts of future economic conditions. RBI calculates the expected credit loss as the probability-weighted, expected value of all payment defaults taking into account various scenarios over the expected lifetime of a financial instrument dis-counted with the effective interest rate that was originally determined. The expected credit losses are the present value of the difference between the contractually agreed and actually expected cash flows.

General approach

The measurement of impairment for expected credit loss on financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and payment behavior. Significant judgements are required in applying the accounting requirements for measuring expected credit losses, inter alia:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

Credit risk is the risk of suffering financial loss should customers, clients or market counterparties fail to fulfil their con-tractual obligations or fail to do so on time. Credit risk arises mainly from interbank, commercial and personal loans, and loan commitments, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and ac-ceptances.

Other credit risks arise from investments in debt securities and from trading activities (trading credit risks), as well as from settlement balances with market counterparties and reverse repurchase agreements.

Models are applied in order to estimate the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. Group measures credit risks using the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recogni-tion. ESG factors are not yet explicitly included in ECL modelling.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Rating systems incorporate all available quantitative and qualitative information relevant for forecasting the credit risk into the PD. This metric is based primarily on a statistical selection and weighting of all available indicators. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions. As a consequence, the PD are used as a frame of reference for assessing whether the credit risk of a financial instrument has risen significantly since the date of its initial recognition. By embedding the review of the relative transfer criterion within the robust processes and procedures of the bank's Group-wide credit risk management framework, the bank ensures that a significant increase in the credit risk is identified in a reliable and timely manner based on objective criteria. The review to determine whether the credit default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the reporting date. This review compares the observed probability of default over the residual maturity of the financial instrument (Lifetime PD) against the lifetime PD over the same period as expected on the date of recognition.

In order to make the two curves for credit risk of non-retail customers comparable, the PDs are scaled down to annualized PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250 percent or greater. For longer maturities the threshold of 250 percent is reduced to account for a maturity effect.

For retail exposures, the remaining cumulative PDs are compared as the logit difference between lifetime PD at reporting dateand lifetime PD at origination conditional to survival up to the reporting date. A significant increase in credit risk is considered to have occurred once this logit difference is above a certain threshold. The threshold levels are calculated separately for each portfolio which is covered by individual rating-based lifetime PD models.

Group is developing an adjusted methodology for retail exposures following the implementation of the ECB/EBA IRB repair package on internal (Pillar 1) models and it is expected to be implement in within Q2 2022.

Qualitative criteria

Group uses qualitative criteria in addition to quantitative criteria to recognize a significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For the corporate customer, sovereign, bank and project finance portfolios, a transfer takes place if the borrower meets one or more of the following criteria:

- Detection of first signs of credit deterioration in the early warning system
- Changes in contract terms as a forbearance measure
- External risk factors with a potentially significant impact on the client's repayment ability

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all corporate customer, sovereign, bank and project finance portfolios.

For retail portfolios, a Stage 2 transfer takes place if the borrower meets one or more of the following qualitative criteria:

- Forbearance flag active
- Default of material exposure (> 20 percent of total exposure) of the same customer on another product (PI segment)
- Holistic approach – applicable for cases where new forward-looking information becomes available for a seg-ment or portion of the portfolio and this information is not yet captured in the rating system. If such cases are identified, man-agement measures this portfolio with lifetime expected credit losses (as a collective assess-ment).

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments. In a few limited cases, financial assets which are more than 30 days overdue may not show a significantly higher credit risk.

Low credit risk exemption

In selected cases for mostly sovereign debt securities, bank makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better i.e. minimum S&P BBB-, Moody's Baa3 or Fitch BBB-. Bank has not used the low credit risk exemption for any lending business.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired.

The "Credit-impaired" indicators according to IFRS 9 is assessed by referring to quantitative and qualitative triggers. Firstly, a borrower is considered to be defaulted, if they are assessed to be more than 90 days past due. Secondly, a borrow-er is considered to be in default if they are in significant financial difficulty and are unlikely to repay any credit obliga-tion in full. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout bank's expected loss calculations.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of de-fault (PD), loss given de-fault (LGD) and exposure at default (EAD). Effective interest rate is used for the ECL discount.

The basis for all Retail ECL component parameter estimates are the relating Pillar I/II models developed within the Basel framework.

Probability of Default (PD)

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next twelve months or over the remaining lifetime of the obligation. In general, the lifetime probability of default is calculated using the regulatory twelve-month probability of default, stripped of any conservative adjustments, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The default profile is based on historical observed data and parametric functions.

31. Expected credit losses (Continued)
Qualitative criteria (Continued)
Probability of Default (PD) (continued)

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories::

- Corporate customers, project finance and financial institutions: The default profile is generated using a paramet-ric survival regression (Weibull) approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model. The default rate calibration is based on Kaplan Maier methodology with withdrawal adjustment.
- Retail lending and mortgage loans: The default profile is generated using parametric survival regression in com-peting risk frameworks. Forward-looking information is incorporated into the probability of default using satel-lite models.
- Sovereigns, local and regional governments, insurance companies and collective investment undertakings: The default profile is generated using a transition matrix approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

Loss Given Default (LGD)

Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a twelve-month or lifetime basis, where twelve-month loss given default is the percentage of loss expected to be made if the default occurs in the next twelve months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign: The loss given default is found by using market implied sources, as no sufficient loss data is avail-able for the sovereign segment. The method is based on external sovereign default events between 1998 and 2015.Only the GDP turned out to have a significant impact.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance com-panies: The loss given default is generated by discounting cash flows collected during the workout process. Forward looking in-formation is incorporated into the loss given default using the Vasicek model.
- Retail mortgages and other retail lending: For portfolios with developed IRB models, the pool level Basel LGD values is used as a starting point for deriving IFRS 9 compliant LGD estimates.

The key difference between Basel LGD and IFRS 9 LGD is that for Basel the intention is to have a TTC average es-timate of the discounted value of post-default recoveries enlarged with margins of conservatism to account for prudency, whereas for IFRS 9 the LGD estimate has to be an unbiased point in time estimate that should consider forward-looking infor-mation. Therefore, the Basel LGD estimates must be adjusted for IFRS 9 purposes.

- Retail lending and mortgage loans: The loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward-looking information is incorporated into the loss given default using various satellite models.

In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of in-puts and expert judgement is used for the calculation.

Exposure at Default (EAD)

Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next twelve months or over the remaining lifetime. The twelve-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a twelve-month or lifetime basis. Where relevant, early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conver-sion factor which allows for the expected drawdown of the remaining limit by the time of default. The pru-dential regulatory margins are removed from the credit conversion factor. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

Discount factor (D)

In general, financial assets and assets off the statement of financial position which are not leasing or POCI, the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Calculation

For loans in Stage 1 and 2, the expected credit loss is the product of PD, LGD and EAD times the probability not to de-fault prior to the considered time period. The latter is expressed by the survivorship function S. This calculates future

values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of ex-pected credit losses are then weighted by forward-looking scenario.

Different models have been used to estimate the provisions in Stage 3, and these can be grouped into the following cate-gories:

Corporate customers, project finance, sovereigns, financial institutions, local and regional governments, insurance com-panies and collective investment undertakings: Estimation of future cash flow for Stage 3 provisions are done by workout managers and the provision calculation is done by our local system.

For retail loans Stage 3 impairments are determined for the majority of Group units by calculating the statistically derived best estimate of expected loss adjusted for indirect costs.

Shared credit risk characteristics

Almost all of the provisions under IFRS 9 are measured collectively. Only for non-retail Stage 3 are most of the provisions individually assessed. For expected credit losses provisions modelled on a collective basis a grouping of exposures is performed on the basis of shared credit risk characteristics so that the exposures within each group are similar. Retail ex-posure characteristics are grouped on country level, customer classification (households and Micro), product level (e.g. mortgage, personal loans, overdraft facilities or credit cards), PD rating grades and LGD pools. Each combination of the above characteristics is considered as a group with a uniform expected loss profile. Non-retail exposure characteristics are assigned to a probability of default according to rating grades and customer segments. This groups customer types into individual assessment models. For the determination of LGD and EAD parameters, the portfolio is grouped by country and product.

Forward looking information

As a rule, the risk parameters specific to IFRS 9 are estimated not only on historical default information but also particularly on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves regularly reviewing the effects which the bank's macroeconomic forecasts will have regarding the amount of the ECL and including these effects in the determination of the ECL.

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate fol card looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Forecasts of these economic variables (the base economic scenario) are provided by RBI Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. Beyond three years, no macroeconomic adjustment is carried out.

That means after three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long-term average rate or a long-term average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research, a department of the parent entity, also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured. The Group has concluded that three or fewer scenarios appropriately captured non-linearity. Expert judgment on idiosyncratic risks has also been ap-plied in this process on the level of Raiffeisen Research in coordination with the Group risk management, resulting in selective adjustments to the optimistic and pessimistic scenarios.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inher-ent uncertainty and therefore the actual outcomes may be significantly different to those projected.

The Group considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within the Group's different portfolios.

For the development of a macroeconomic model, a variety of relevant macroeconomic variables were considered. The model employed is a linear regression model with the aim of explaining changes in or the level of the default rate. The following types of macro variables were considered as drivers of the credit cycle: real GDP growth, unem-ployment rate, 3-month money market rate, 10-year government bond yield, housing price index, FX rates, and the HICP inflation rate. For each country (or portfolio in case of retail exposure), a relevant set is determined based on the ability to explain historically observed default rates. Through the cycle, PDs are overlaid with the results of the macro-economic model to reflect the current and expected state of economy. For the LGD, the macro model is ap-plied on the underlying cure rates. i.e. a posi-tive macro-economic outlook drives up the cure rates and this reduces the LGD. For retail exposures, the workout LGD is modelled in a similar manner to the default rates either directly or as well via the components like cure rate, loss given cure as well as loss given non-cure. The long-run average LGDs are overlaid with the results of the macro models to reflect current and expected state of economy. The weightings assigned to each scenario at the end of the reporting year-end are as follows: 25 percent optimistic, 50 percent base and 25 percent pessimistic scenarios.

31. Expected credit losses (Continued)

Qualitative criteria (Continued)

Forward looking information (continued)

For corporate customers, the following risks and complications resulting from current economic and political devel-op-ments are included in the macroeconomic models: High inflation rates by historical standards are currently triggering significant increases in key interest rates in many countries, leading to higher financing costs for companies. This devel-opment is incorporated into the models of major parts of the portfolio through a change in the 3-month money market rate and the yield on government bonds, resulting in an increase in expected default risk. While high inflation rates may be associated with higher default risk in bivariant analyses, the underlying drivers of higher default risk are actually higher interest rates as a result of higher inflation and economic growth trending downwards, which often occur simultaneously. These drivers are directly captured in the economic growth and interest rate models. In macroeconomic terms, the years 2020 and 2021 were characterized by extremely high volatility, starting with a strong decline in real GDP followed by a similar rate of positive economic growth. In contrast to comparable recessions after the great financial crisis, these devel-opments have not been met by a wave of insolvencies and defaults, which can be attributed to two factors.

For one, the COVID-driven recession primarily consisted of a temporary suspension of economic activity, which did not necessitate significant structural adjustments. Furthermore, massive political measures were taken to support the economy in order to avoid long-term consequences stemming from events such as unemployment and insolvencies. These devel-opments underscore how the relationship between macroeconomic indicators and credit risk are influenced by circum-stances that are difficult to capture by quantitative means. In order to avoid implicit distortions in the macroeconomic regression models caused by the correlation of events during the COVID pandemic, observations from the years 2020 and 2021 were not incorporated into the model. The development of real GDP during the COVID pandemic also showed how models need to take a sufficiently long history of economic developments into consideration in order to differentiate between strong economic growth immediately following a massive recession (which leads to no notable reduction in the average default risk) and generally strong economic growth (which does lead to a reduction in default risk). For segments with a longer period of historical data, current models are able to make such a differentiation, which leads to more accurate projections.

The core assumption underlying the application of macroeconomic credit risk models is that the empirical correlations between macroeconomic indicators and default risk can be extrapolated to future. In the case of the war in Ukraine, such an assumption should be critically examined.

The empirical correlation between these two factors can be characterized by a direct but transitory rise in default risk. Due to the uncertainty surrounding the extent to which such a correlation can be applied to the current situation, the empirical regression model for corporate customers is averaged with the results of a second model, in which the rise in default risk resulting from a recession is strongly delayed.

Overlays and other risk factors

In situations where the existing input parameters, assumptions and modelling do not cover all relevant risk factors, post-model adjustments and additional risk factors are the most important types of overlays. This is generally the case if there are temporary circumstances, time restrictions to adequately incorporate relevant new information into the rating or re-segmentation of the portfolio and if individual loans within a loan portfolio develop differently than originally expected. Due to the current pandemic situation, it is necessary to reflect additional risks in the impairments.

For the central models in the corporate segment, the additional risk was considered using the risk factors, while in the local retail segment the risks were applied on top of the models. For retail exposures, post-model adjustments are the main types of overlays applied for the calculation of the expected credit losses. Generally, post-model adjustments are only a temporary solution to avoid potential distortions. The management has assessed to recognise and calulate the post model adjustments up to 2023.The overlays relevant for 2023 are shown in the table below and split according to the relevant categories.

31 December 2023	**Modelled ECL**	**Add on**						**Total**
000 LEK		Special Risk Factor		Other		Total		
Central banks	29	-	0%	-	0%	-	0%	29
General govern-ments	71,573	-	0%	-	0%	-	0%	71,573
Banks	80	-	0%	-	0%	-	0%	80
Other financial corporations	1,181	-	0%	-	0%	-	0%	1,181
Non-financial corporations	760,763	720,729	95%	-	0%	720,729	95%	1,481,492
Households	1,455,359	118,546	8%	-	0%	118,546	8%	1,573,905
Total	**2,288,985**	**839,275**	**37%**	**-**	**0%**	**839,275**	**37%**	**3,128,260**

A special risk factor related to the potential impact of interest rate hike is applied during 2022, resulted in additional Stage 1 and 2 provisions of Lek 839,275 thousand.

Post-model adjustments

The COVID-19 related post-model adjustments reflected the collective impact on the sectors that were especially hard hit by the pandemic: tourism, hotels, further related industries as well as automobile, air travel, oil and gas, real estate and some consumer goods industries. The effects were due to demand shock, supply chain disruptions and crisis con-tainment measures. The related post-model adjustments involve a qualitative assessment of exposures for the expected significant increase in credit risk and their subsequent transfer from Stage 1 to Stage 2. The criteria for the identification of such exposures were predominantly based on the above listed industries (for SMEs) and employment industries (for households) and further refined, where relevant, with information related to the application of the specific moratorium measures. The post-model adjustments are reversed either after the risks have materialized by transferring the affected receivables to Stage 3 or if the expected risks do not materialize.

Other risk factors

For corporate customers additional expected credit loss effects have been built into the modelled expected credit losses by means of an industry matrix, country specifics or, if necessary, by means of other special risk factors. On top of the existing country-specific view, we use an industry-based differentiation to further modulate risk parameters. This indus-try matrix combines a short-term state of the industry within the economic cycle and the recovery path on a three-year horizon. For example, for hotels, GDP determines the macroeconomic outlook, while the industry matrix indicates a pessimistic scenario and, on top of that, the special risk factor occupancy drives the elevated level of Stage 2 impair-ments. Another component of the forward-looking information is the time delay of inflow to non-performing exposure and Stage 3 due to moratoria and support measures. The one-off effect of using the more differentiated methodology has fully compensated for the previous overlay.

Sensitivity analysis

The most significant assumptions affecting the sensitivity of the expected credit loss allowance are as follows:

- Gross domestic product (all portfolios)
- Unemployment rate (all portfolios)
- Long term government bond rate (non-retail portfolios especially)

The table below provides a comparison between the reported accumulated impairment for expected credit losses for financial assets in Stage 1 and 2 (weighted by 25 percent optimistic, 50 percent base and 25 percent pessimistic sce-narios) and then each scenario weighted by 100 percent on their own. The optimistic and pessimistic scenarios do not reflect extreme cases, but the average of the scenarios which are distributed in these cases. This information is provided for illustrative purposes.

2023	31/12/2023	100%	100%	100%
in LEK thousand	(25/50/25%)	Optimistic	Base	Pessimistic
Accumulated impairment (Stage 1 & 2)	**3,128,493**	**2,706,591**	**3,005,639**	**3,490,785**

2022	31/12/2022	100%	100%	100%
in LEK thousand	(25/50/25%)	Optimistic	Base	Pessimistic
Accumulated impairment (Stage 1 & 2)	**2,774,880**	**2,371,553**	**2,672,410**	**3,383,147**

Write-OffsLoans and debt securities are written off (either partially or fully) where there is no reasonable expectation of recovery. This happens when the borrower does not have income from operations anymore and collateral values cannot generate sufficient cash flows to repay amounts subject to the write-off. For the expo-sure of companies in bankruptcy, loans are written down on the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are derecognised whereby depreciated assets can continue to be subject to enforcement activities. For the exposure of companies in gone concern cases, loans are written down to the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are written off here. The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity were immaterial/amounts to LEK thousand.

32. Gross exposure by stages

The Group's credit portfolio is well diversified in terms of type of customer, geographical region and industry. Single name concentrations are also actively man-aged (based on the concept of Groups of connected customers) by limits and regular reporting. As a consequence, portfolio granularity is high. The following table shows the financial assets – amortized cost based on the respective counterparties and stages. This reveals the Group's focus on non-financial companies and house-holds:

2023 in LEK thousand	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central Banks	291	-	-	0	-	-	0.01%	0.00%	0.00%
General govern-ments	104,648,072	-	-	(71,573)	0	-	0.07%	0.00%	0.00%
Banks	27,248,489	-	-	(45)	0	-	0.00%	0.00%	0.00%
Other financial corporations	4,544,026	-4,023,352	-	(1,013)	19	-	0.02%	0.00%	0.00%
Non-financial corporations	53,975,397	12,071,278	5,233,378	(699,855)	(732,800)	(3,905,402)	1.30%	6.07%	74.62%
Households	48,928,003	5,653,285	2,435,072	(498,428)	(1,049,683)	(1,586,745)	1.02%	18.57%	65.16%
hereof mortgage	21,243,394	2,491,357	288,986	(117,217)	(487,900)	(186,101)	0.55%	19.58%	64.40%
Total	**239,344,278**	**13,701,211**	**7,668,450**	**(1,270,914)**	**(1,782,464)**	**(5,492,147)**	0.53%	13.01%	71.62%

The following table shows the contingent liabilities and other off-balance-sheet commitments by counterparties and stages. This reveals the Group's focus on non-financial company customers.

2023 in LEK thousand	Nominal amount			Provisions for off-balance-sheet items under IFRS 9			ECL Coverage Ratio		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Bankat qendrore	-	-	-	-	-	-	0.00%	0.00%	0.00%
Bankat	1,568,419	59,104	-	19	15	-	0.00%	0.00%	0.00%
Institucionet qe-veritare	-	-	-	-	-	-	0.00%	0.00%	0.00%
Korporata të tjera financiare	-	-	-	-	-	-	0.00%	0.00%	0.00%
Korporata jo-financiare	24,119,320	1,027,520	108,762	117,439	8,268	105,127	-0.49%	-0.80%	-96.66%
Individë	4,048,673	4,616	16,506	42,889	1,023	14,341	-1.06%	-22.17%	-86.88%
Totali	**29,736,412**	**1,091,240**	**125,268**	**160,347**	**9,306**	**119,468**	-0.54%	-0.85%	-95.37%

The following table shows the gross carrying amount and impairments of the financial assets – amortized cost that have moved from measurement on the basis of expected 12-month losses to measurement on the basis of expected lifetime losses or vice versa:

2023 in LEK thousand	Gross carrying amount		Impairment		ECL Coverage Ratio	
	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL
Movement from 12 month ECL to lifetime ECL						
Non-financial corporations	(5,642,276)	5,642,276	(92,010)	356,780	1.63%	6.32%
Households	(3,596,143)	3,596,143	(39,779)	643,906	1.11%	17.91%
Movement from lifetime ECL to 12 month ECL	-	-	-	-		
Non-financial corporations	2,480,690	(2,480,690)	56,026	(133,216)	2.26%	5.37%
Households	848,997	(848,997)	16,158	(105,363)	1.90%	12.41%

The following table shows the gross carrying amount of the financial assets – amortized cost that have been transferred between Stages:

	Gross carrying amount						
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		Transfer to POCI from Stage 3
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To POCI from Stage 3
Debt securities	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-
Loans and advances	9,073,650	3,318,414	877,927	8,688	164,769	955	11,274
Other financial corporations	-		-	-	-	-	-
Non-financial corporations	5,537,119	2,480,129	802,669	6	105,157	561	14,740
Households	3,536,531	838,285	75,258	8,683	59,612	10,713	137,968

The following table shows the the allowances and provisions for credit loss of the financial assets – amortized cost that have been transferred between Stages:

	Allowances and provisions for credit losses						
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		Transfer to POCI from Stage 3
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To POCI from Stage 3
	Provision Amounts Transferred Out FROM Stage (Negative Sign)						
Debt securities	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-
Loans and advances	**(129,251)**	**(236,490)**	**(264,254)**	**(11,812)**	**(2,538)**	**(4,267)**	**(111,432)**
Other financial corporations	-	-	-	-	-	-	-
Non-financial corporations	(90,855)	(135,333)	(107,490)	(1,532)	(1,155)	(61)	(13,750)
Households	(38,396)	(101,157)	(156,764)	(10,279)	(1,383)	(4,206)	(97,683)
	Provision Amounts Transferred INTO Stage (Positive Sign)						
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	-						
Loans and advances	**892,849**	**71,131**	**486,903**	**7,546**	**107,836**	**1,053**	-
Other financial corporations	-	-	-	-	-	-	-
Non-financial corporations	280,465	56,004	417,899	5	76,314	22	-
Households	612,384	15,126	69,005	7,540	31,522	1,032	-

33. Development of impairments

The following table shows the development of impairments on loans and bonds in the measurement categories of financial assets – amortized cost and financial assets.

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As at January 1, 2023	**1,263,688**	**1,479,791**	**5,423,534**	**1,154,913**	**9,321,927**
Increases due to origination and acquisition	143,331	25,387	56,744	0	225,462
Decreases due to derecognition	(36,248)	(77,906)	(119,451)	0	(233,605)
Changes due to change in credit risk (net)	(99,715)	393,492	2,920	(380,042)	(83,345)
Decrease in allowance account due to write-offs	(166)	(38,212)	(632,550)	(13,918)	(684,846)
As at December 31, 2023	**1,270,890**	**1,782,552**	**4,731,197**	**760,953**	**8,545,593**

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As at January 1, 2022	**856,479**	**1,097,686**	**6,096,301**	**1,569,725**	**9,620,191**
Increases due to origination and acquisition	141,912	67,523	128,792	-	338,227
Decreases due to derecognition	(15,085)	(4,538)	(604,246)	-	(623,869)
Changes due to change in credit risk (net)	280,591	460,319	452,615	(394,560)	798,965
Decrease in allowance account due to write-offs	-	-	-	-	-
As at December 31, 2022	**(208)**	**(141,199)**	**(649,930)**	**(20,252)**	**(811,589)**

The following table shows the development of provisions for loan commitments given, financial guarantees and other commitments:

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at January 1, 2023	**121,120**	**18,093**	**76,513**	**215,726**
Increases due to origination and acquisition	157,233	9,378	35,160	201,771
Decreases due to derecognition	(58,088)	(9,177)	(45,627)	(112,892)
Changes due to change in credit risk (net)	(59,918)	(8,988)	53,422	(15,484)
As at December 31, 2023	**160,347**	**9,306**	**119,468**	**289,121**

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at January 1, 2022	**88,589**	**19,967**	**90,492**	**199,048**
Increases due to origination and acquisition	134,405	11,961	25,007	171,373
Decreases due to derecognition	(39,184)	(3,442)	(15,779)	(58,405)
Changes due to change in credit risk (net)	(62,690)	(10,392)	(23,208)	(96,290)
As at December 31, 2022	**121,120**	**18,094**	**76,512**	**215,726**

Past due status

The following table shows the overdue claims and bonds in the measurement categories amortized cost and fair value through other comprehensive income:

2023	Carrying amount								
	Past Due Assets without significant increase in credit risk since initial recognition (Stage 1)			Past Due Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past Due Credit-impaired assets (Stage 3)		
in LEK thousand	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	>30 days	>90 days
Non-financial corporations	2,995,503	-	-	1,018,113	187,037	-	109,408	48,703	429,951
Households	496,405	-	-	546,030	276,523	-	64,026	33,378	576,685
Total	**3,491,908**	**-**	**-**	**1,564,143**	**463,560**	**-**	**173,434**	**82,081**	**1,006,636**

2022	Carrying amount								
	Past Due Assets without significant increase in credit risk since initial recognition (Stage 1)			Past Due Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past Due Credit-impaired assets (Stage 3)		
in LEK thousand	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	>30 days	>90 days
Non-financial corporations	2,127,939	-	-	854,884	362,088	-	169,856	13,720	370,968
Households	639,425	-	-	389,443	234,211	-	44,690	25,293	354,025
Total	**2,767,364**	**-**	**-**	**1,244,327**	**596,299**	**-**	**214,546**	**39,013**	**724,993**

The amount of past-due exposures in stage 2 and stage 3 reflect the increase due to the effect of the COVID-19 pan-demic and the application of moratoria and other governmental support measures (such as guaranteed loans) which tend to freeze the counting of days past due up until 31.12.2021 in accordance with decision no.33, dated 28.05.2020 of Bank of Albania.

34. Breakdown of remaining terms of maturity

Assets	Current assets			Non-current assets	
2023 in LEK thousand	Due at call or without maturity	Up to 3 months	More than 3 months,	More than 1 year, up to 5 years	More than 5 years
Cash, cash balances at central Bank and other demand deposits	25,157,497	6	-	-	-
Financial assets - amortized cost	20,549	91,236,188	37,340,677	89,997,854	41,980,557
Financial assets - fair value through profit or loss	-	269	137,382	-	-
Other assets	-	30,001	-	-	-
Total	**25,178,046**	**91,266,464**	**37,478,059**	**89,997,854**	**41,980,557**

Liabilities	Short-term liabilities			Long-term liabilities	
2023 in LEK thousand	Due at call or without maturity	Up to 3 months	More than 3 months,	More than 1 year, up to 5 years	More than 5 years
Financial liabilities - amortized cost	228,623,419	12,114,256	20,441,865	1,706,084	5,626,635
Other liabilities	47,731	205,949	-	-	-
Total	**228,671,150**	**12,320,205**	**20,441,865**	**1,706,084**	**5,626,635**

Assets	Current assets			Non-current assets	
2022 in LEK thousand	Due at call or without maturity	Up to 3 months	More than 3 months,	More than 1 year, up to 5 years	More than 5 years
Cash, cash balances at central Bank and other demand deposits	20,560,980	1,375	-	–	-
Financial assets - amortized cost	22,227	66,189,203	45,791,739	94,272,759	40,423,853
Financial assets - fair value through profit or loss	–	299	1,704	–	-
Other assets	–	64,760	–	–	–
Total	**20,583,207**	**66,255,637**	**45,793,443**	**94,272,759**	**40,423,853**

2022 in LEK thousand	Due at call or without maturity	Up to 3 months	More than 3 months,	More than 1 year, up to 5 years	More than 5 years
Financial liabilities - amortized cost	213,836,483	10,118,109	24,165,794	1,425,415	536,650
Other liabilities	56,411	192,458	-	-	-
Total	**213,892,894**	**10,310,567**	**24,165,794**	**1,425,415**	**536,650**

Compulsory reserve has not been included in the maturity analysis for 2023 and 2022 as it is not a contractual financial instrument.

35. Foreign currency volumes

in LEK thousand	**31 December 2023**	**31 December 2022**
Assets	141,909,743	131,115,313
Liabilities	136,455,388	121,439,519

For further details on the foreign currency exposures and sensitivity analysis refer to Note "36 Market Risk" below.

36. Risk management

a) Overview

Active risk management is a core competency of the the Group. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall Group management. In particular, in addition to legal and regulatory requirements, it takes into ac-count the nature, scale, and complexity of the Group's business activities and the resulting risks. The risk report describes the principles and organization of risk management and describes current risk exposure in all material risk categories.

Risk management principles

The Group has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks in the Group. The risk policies and risk management principles are laid out by the Management Board. The principles include the following risk policies:

- Risk management: State-of-the-art risk management and risk controlling technologies are used which are commensurate with the materiality of the risks; risk data and risk report technologies are also effectively combined. Credit country, market, liquidity, and operational risks are managed as key risks on a Bank-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Regulatory requirements: All provisions and requirements of the supervisory authorities relating to risk management are taken into account and complied with.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annu-al budgeting and planning process; whereby special attention is also paid to preventing risk concentra-tions.

- Independent control: A clear personnel and organizational separation is maintained between business operations and all risk management or risk control activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group develop detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and the risk appetite and adds risk relevant aspects to the planned business structure and strategic development. These aspects include for example structural limits and capital ratio targets which have to be met in the budgeting process and in the scope of business decisions. More specific targets for individual risk categories are set in detailed risk strategies.

Organization of risk management

The Management Board of the Group ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the risk reports and analyses. The Management Board is supported in undertaking these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. The Group develops and implements the relevant concepts as the parent credit institution. Risk management units implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The Central Bank Risk Controlling division assumes the independent risk controlling function required by Banking law. Its responsibilities include developing the Group-wide framework for overall Group risk management (integrat-ing all risk types) and preparing independent reports on the risk profile for the Supervisory Board's Risk Committee, the Group Management Board and the heads of individual business units. It also measures the required risk coverage capital for different Group units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Group Risk Committee is the most senior decision-making body for all of the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdi-visions, and is responsible for ongoing development and implementation of methods and parameters for risk quanti-fication and for refining steering instruments.

This also includes setting the risk appetite and the various risk budgets and limits at overall Group level as well as monitoring the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and control activities (such as the allocation of risk capital) and advises the Management Board in these matters.

The Group Asset/Liability Committee assesses and manages the statement of financial position structure and liquid-ity risk and defines the standards for internal funds transfer pricing. In this context it plays an important role in planning long-term funding and hedging structural interest rate and foreign exchange risks.

The Market Risk Committee controls market risks arising from trading and Banking book transactions and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives, with the staff assignments depend-ing on the type of customer (corporate customers, Groups, sovereigns and retail). The committees decide upon the specific lending criteria for the different customer segments and make all credit decisions concerning those seg-ments in connection with the credit approval process (depending on rating and exposure size).

The Problem Loan Committee is the most important committee in the evaluation and decision-making process concerning problem loans. It primarily comprises decision making authorities; its chairman is the Chief Risk Officer (CRO) of the Group. Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO), and the relevant division and departmental managers from risk management and special exposures management (workout).

The Group Operational Risk Management & Control Committee comprises representatives of the business areas (retail, market and corporate customers) and representatives from Compliance (including financial crime), Internal Control System, Operations, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for managing the Group's operational risk (including conduct risk). It derives and sets the operational risk strategy based on the risk profile and the business strategy and also makes decisions regarding actions, controls and risk acceptance.

Quality assurance and internal audit

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management-related operations.

All these aspects are coordinated by the Group Compliance division, which analyzes the internal control system on an ongoing basis and – if actions are necessary to address any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance: Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of the Group, which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. Thus, compliance with existing regulations in daily operations is monitored.

Overall Group risk management

Maintaining an adequate level of capital is a core objective of the Group. Capital requirements are monitored regularly based on the risk level as measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is taken into account. This concept of overall Group risk management provides for meeting capital requirements from both a regulatory perspective (sustainability and going-concern status) and from an economic perspective (target rating). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required. The full ICAAP process of the Group is audited by Internal Audit during the supervisory review process on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in accordance with the Group's strategic busi-ness objectives and allocates the risk capital calculated to the different risk categories and business areas. The pri-mary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios. The RAF is therefore based on the ICAAP's three pillars (target rating, going-concern, sustainability perspective) and sets the concentration risk limits for the risk types identified as significant in the risk assessment. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Target	Risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims from the Group's senior debt holders	The unexpected loss for the one-year risk horizon (economic capital) may not exceed the present level of equity and subordinated liabilities	99.92 percent as derived from the target rating's probability of default
Going concern perspective	Risk of not meeting the regulatory capital requirement pursuant to the CRR	Risk taking capacity (projected earnings plus capital in excess of the regulatory requirement) may not exceed the Group's value at risk (one-year risk horizon)	95 percent, reflecting the owners' willingness to inject additional own funds
Sustainability perspective	Risk of falling below a sustainable tier 1 ratio throughout an economic cycle	Capital and earnings projection for a three-year planning period based on assumptions of a significant downturn in the economy	85–90 percent, based on potential management decisions to reduce risk temporarily or raise additional equity capital

Credit risk

Credit risk is the largest risk for the Group's business. Credit risk means the risk of suffering financial loss should any of the Group's customers or counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loans and advances to Group, loans and advances, lending commitments and financial guarantees given. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures associated with trading activities, settlement agreements and reverse repo transactions.

The total credit exposure used in portfolio management includes both exposures on and off the statement of finan-cial position before the application of credit-conversion factors, and thus represents the total credit exposure. It is not reduced by the effects of credit risk mitigation such as guarantees or physical collateral, ef-fects that are, howev-er, considered in the total assessment of credit risk. The total credit exposure is used – if not ex-plicitly stated other-wise – for referring to exposures in all subsequent tables in the risk report.

The following table shows total credit exposure, by asset class:

in LEK thousand	31 December 2023	31 December 2022
Corporate customers	75,224,605	76,921,228
Project finance	7,058,834	6,367,604
Retail customers	75,335,391	69,815,866
Banks	48,793,883	63,779,889
Sovereigns	127,865,197	101,483,743
Total	**334,277,910**	**318,368,330**

Total credit exposure comprises cash balances at central banks and other demand deposits at banks (Note 6), financial assets at amortized cost (Note 7) and loan commitments, financial guarantees given and other commitments given (Note 28).

Credit portfolio – corporate customers

The internal rating models for corporate customers take into account qualitative parameters, various ratios from the statement of financial position, and profit ratios covering different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The following table shows the total credit exposure internal corporate rating (large corporates, mid-market and small corporates). For presentation purposes, the individual grades of the rating scale have been combined into nine main rating grades.

in LEK thousand		31December 2023	Share	31 December 2022	Share
1	Minimal risk	-	0.00%	-	0.00%
2	Excellent credit standing	-	0.00%	-	0.00%
3	Very good credit standing	163	0.00%	-	0.00%
4	Good credit standing	1,967,427	2.62%	1,169,577	1.52%
5	Sound credit standing	30,257,453	40.22%	26,877,103	34.94%
6	Acceptable credit standing	23,550,293	31.31%	26,687,862	34.70%
7	Marginal credit standing	10,120,029	13.45%	10,093,880	13.12%
8	Weak credit standing / sub-standard	4,671,671	6.21%	6,176,324	8.03%
9	Very weak credit standing / doubtful	791,932	1.05%	1,204,629	1.57%
10	Default	3,855,123	5.12%	4,684,629	6.09%
NR	Not rated	10,514	0.01%	27,224	0.04%
Total		**75,224,605**	**100.00%**	**76,921,228**	**100.00%**

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account. The breakdown of the Group's project finance exposure is shown in the table below:

in LEK thousand		As at 31 December 2023	Share	As at 31 December 2022	Share
6.1	Excellent project risk profile – very low risk	-	0.00%	1,088,630	17.10%
6.2	Good project risk profile – low risk	6,836,164	96.85%	4,977,659	78.17%
6.3	Acceptable project risk profile – average risk	-	0.00%	-	0.00%
6.4	Poor project risk profile – high risk	-	0.00%	-	0.00%
6.5	Default	222,657	3.15%	301,313	4.73%
NR	Not rated	13	0.00%	2	0.00%
Total		**7,058,834**	**100.00%**	**6,367,604**	**100.00%**

The table below provides a breakdown of the total credit exposure to corporates and project finance by industry:

in LEK thousand	31 December 2023	Share	31 December 2022	Share
Manufacturing	17,746,378	21.57%	16,254,483	19.52%
Wholesale and retail trade	24,952,667	30.33%	26,684,624	32.04%
Financial intermediation	974,656	1.18%	1,087,945	1.31%
Real estate	1,407,479	1.71%	1,977,061	2.37%
Construction	11,510,860	13.99%	10,958,214	13.16%
Transport, storage and communication	41,450	0.05%	38,120	0.05%
Electricity, gas, steam and hot water supply	3,989,953	4.85%	3,570,053	4.29%
Freelance/technical services	15,914,171	19.34%	16,711,134	20.06%
Other industries	5,745,825	6.98%	6,007,198	7.21%
Total	**82,283,439**	**100.00%**	**75,864,556**	**100.00%**

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers a two-fold scoring system is used, consisting of the initial and ad-hoc scoring based on customer data and of the behavioral scoring based on account data. The table below shows the Group's credit exposure to retail customers:

in LEK thousand	31 December 2023	Share	31 December 2022	Share
Retail customers – private individuals	61,108,939	81%	56,081,080	80%
Retail customers – small and medium-sized entities	14,226,452	19%	13,734,786	20%
Total	**75,335,391**	**100%**	**69,815,866**	**100%**

36. Risk management (Continued)
Credit portfolio – Retail customers (Continued)

The following table shows the total credit exposure to retail customers (private individuals and micro companies) by internal rating:

in LEK thousand		31 December 2023	Share	31 December 2022	Share
0.5	Minimal risk	1,921,332	3.01%	3,746,268	6.39%
1.0	Excellent credit standing	5,183,224	8.13%	14,225,934	24.26%
1.5	Very good credit standing	9,845,150	15.44%	7,661,794	13.06%
2.0	Good credit standing	11,883,452	18.64%	9,100,534	15.52%
2.5	Sound credit standing	10,973,422	17.21%	7,734,383	13.19%
3.0	Acceptable credit standing	8,299,383	13.02%	4,028,304	6.87%
3.5	Marginal credit standing	3,937,556	6.18%	2,399,483	4.09%
4.0	Weak credit standing / sub-standard	2,044,490	3.21%	1,099,776	1.88%
4.5	Very weak credit standing / doubtful	2,763,845	4.34%	1,717,689	2.93%
5.0	Default	2,427,889	3.81%	2,427,317	4.14%
NR	Not rated	4,466,987	7.01%	4,505,611	7.68%
Total		**63,746,730**	**100%**	**58,647,093**	**100%**

The following table shows the total credit exposure to retail customers (small enterprise companies) by internal rating:

in LEK thousand		31 December 2023	Share	31 December 2022	Share
1	Minimal risk	94,620	0.87%	160,548	1.51%
2	Excellent credit standing	768,791	6.91%	546,095	4.67%
3	Very good credit standing	804,508	7.37%	991,271	8.51%
4	Good credit standing	1,776,335	15.84%	1,719,984	15.56%
5	Sound credit standing	2,017,742	17.97%	1,907,999	17.65%
6	Acceptable credit standing	1,953,262	16.75%	2,289,338	20.90%
7	Marginal credit standing	2,018,916	16.38%	1,693,143	14.99%
8	Weak credit standing / sub-standard	839,562	6.06%	693,163	5.87%
9	Very weak credit standing / doubtful	228,788	1.89%	238,560	2.01%
10	Default	1,073,807	9.85%	913,507	8.31%
NR	Not rated	12,330	0.11%	15,165	0.03%
Total		**11,588,661**	**100.00%**	**11,168,773**	**100.00%**

The table below shows the total retail credit exposure by product:

in LEK thousand	31 December 2023	Share	31 December 2022	Share
Mortgage loans	27,557,290	36.58%	25,896,612	37.09%
Personal loans	26,096,895	34.64%	23,151,899	33.16%
SME financing	10,893,237	14.46%	2,199,476	3.15%
Overdraft	6,274,736	8.33%	10,627,673	15.22%
Credit cards	2,337,058	3.10%	5,838,959	8.36%
Car loans	2,176,175	2.89%	2,101,247	3.01%
Total	**75,335,391**	**100%**	**69,815,866**	**100%**

Credit portfolio – Banks

The following table shows the total credit exposure by internal rating for Banks (excluding central Banks). Due to the small number of customers (i.e. observable defaults), the default probabilities of individual rating grades in this asset class are calculated based on a combination of internal and external data.

in LEK thousand		31 December 2023	Share	31 December 2022	Share
1	Minimal risk	-	0%	10,543,620	17%
2	Excellent credit standing	10,026,972	21%	13,391,471	21%
3	Very good credit standing	18,491,215	38%	14,630,915	23%
4	Good credit standing	18,728,653	38%	18,580,739	29%
5	Sound credit standing	239,068	0%	5,162,769	8%
6	Acceptable credit standing	977,921	2%	1,147,491	2%
7	Marginal credit standing	234,800	0%	-	0%
8	Weak credit standing / sub-standard	95,223	0%	321,617	1%
9	Very weak credit standing / doubtful	-	0%	-	0%
10	Default	-	0%	-	0%
NR	Not rated	31	0%	1,266	0%
Total		**48,793,883**	**100.00%**	**63,779,888**	**100.00%**

The table below shows the total credit exposure to Banks (excluding central Banks) by product:

in LEK thousand	31 December 2023	Share	31 December 2022	Share
Money market	27,248,489	56%	34,199,906	57%
Bonds	-	0%	-	0%
Loans and advances	1,257,821	3%	2,595,334	4%
Repo	-	0%	1,073,798	2%
Other	20,287,573	42%	22,189,530	37%
Total	**48,793,883**	**100%**	**60,058,568**	**100%**

Credit portfolio – Sovereigns

Another asset class is formed by central governments, central Banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the total credit exposure to sovereigns (including central Banks) by internal rating:

in LEK thousand		31 December 2023	Share	31 December 2022	Share
A1	Excellent credit standing	17,379,940	13.59%	5,681,161	5.60%
A2	Strong credit standing	12,179,006	9.52%	3,645,431	3.59%
A4	Good credit standing	23	0.00%		
A5	Good credit standing	1,052,682	0.82%	2,297,783	2.26%
B1	Excellent credit standing	-	0.00%		
B2	Strong credit standing	3,143,452	2.46%		
B5	Good credit standing	90,815,399	71.02%		
C1	Excellent credit standing	2,008,979	1.57%	87,236,154	85.96%
C2	Strong credit standing	1,285,608	1.01%	1,490,350	1.47%
C3	Strong credit standing	-	0.00%	13	0.00%
C4	Good credit standing	-	0.00%	1,132,757	1.12%
NR	Not rated	108	0.00%	94	0.00%
Total		**127,865,197**	**100.00%**	**101,483,743**	**100.00%**

36. Risk management (Continued)
Credit portfolio – Sovereigns (Continued)

The table below shows the total credit exposure to sovereigns (including central Banks) by product:

in LEK thousand	31 December 2023	Share	31 December 2022	Share
Loans and advances	23,217,066	18.16%	20,267,287	19.97%
Bonds	104,647,840	81.84%	79,365,553	78.21%
Money market	291	0.00%	1,850,903	1.82%
Total	**127,865,197**	**100.00%**	**101,483,743**	**100.00%**

Non-performing exposures (NPEs)

The following table shows non-performing exposures and includes both non-defaulted and defaulted exposures.

	NPE		NPE ratio		NPE coverage ratio	
in LEK thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Non-financial corporations	5,451,793	7,726,045	7.62%	8.41%	77.25%	80.43%
Households	2,663,881	2,662,228	4.18%	4.69%	66.76%	72.36%
Loans and advances	**8,115,674**	**10,388,273**	**2.64%**	**3.00%**	**73.97%**	**79.00%**
Total	**8,115,674**	**10,388,273**	**2.64%**	**3.00%**	**73.97%**	**79.00%**

Non-performing loans (NPL)

According to Article 178 CRR, the definition of default and thus a non-performing loan (NPL) is triggered if it can be assumed that a customer is unlikely to fulfil all of its credit obligations to the Group, or if the debtor is overdue at least 90 days on any material credit obligation to the Group. For non-retail customers, twelve different indicators are used to identify a default event. For example, a default event applies if a customer is involved in insolvency or simi-lar proceedings, if it has been necessary to recognize an impairment or a direct write-down on a customer loan, or if credit risk management has judged a customer account receivable to be not wholly recoverable or the Workout Unit is considering a restructuring.

The following table shows the share of non-performing loans (NPL) in the defined asset classes (excluding items off the statement of financial position):

	NPL		NPL ratio		NPL coverage ratio	
in LEK thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Non-financial corporations	5,451,596	7,702,461	7.62%	8.37%	77.26%	80.66%
Households	2,663,881	2,662,228	4.18%	4.67%	66.76%	73.85%
Total non-Banks	**8,115,477**	**10,364,689**	**4.18%**	**4.40%**	**73.97%**	**79.23%**
Total	**8,115,477**	**10,364,689**	**4.18%**	**4.40%**	**73.97%**	**79.23%**

The following tables show the changes in non-performing loans in the defined asset classes (excluding items off the statement of financial position):

in LEK thousand	**As at January 1, 2022**	**Additions**	**Decrease**	**As at December 31, 2022**
Non-financial corporations	7,702,461	1,094,981	(3,345,846)	5,451,596
Households	2,662,229	1,028,068	(1,026,416)	2,663,881
Total non-Banks	10,364,690	2,123,049	(4,372,262)	8,115,477
Total	**10,364,690**	**2,123,049**	**(4,372,262)**	**8,115,477**

In disposals are included repayments, write offs and reclassication out of NPL.

in LEK thousand	**As at January 1, 2022**	**Additions**	**Decrease**	**As at December 31, 2022**
Non-financial corporations	8,853,711	1,140,997	(2,292,247)	7,702,461
Households	2,904,234	880,061	(1,122,067)	2,662,228
Total non-Banks	11,757,945	2,021,058	(3,414,314)	10,364,689
Total	**11,757,945**	**2,021,058**	**(3,414,314)**	**10,364,689**

Concentration risk

The credit portfolio of the Group is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by way of limits and regular reporting. As a result, portfolio granularity is high. As part of the Group's strategic realignment, the limit structures for concentration risk were reviewed for each customer segment. The regional breakdown of the exposures reflects the broad diversification of credit business in the Group's markets. The following table shows the distribu-tion of credit exposures across all asset classes by the borrower's home country, grouped by regions:

in LEK thousand	2023	Share	2022	Share
Albania	(7,729)	0.00%	260,017,327	81.67%
Austria	4,425,628	1.32%	15,262,434	4.79%
Germany	3,463,745	1.04%	5,304,342	1.67%
Netherlands	64,452	0.02%	4,974,956	1.56%
France	135,827	0.04%	4,360,375	1.37%
North America	22,058,440	6.60%	3,646,151	1.15%
Switzerland	5,068,481	1.52%	1,424,746	0.45%
Italy	71,275	0.02%	104,660	0.03%
Great Britain	2,599,608	0.78%	84,467	0.03%
Romania	908	0.00%	642	0.00%
Poland	29,040,649	8.69%	85	0.00%
Czech Republic	263,916,089	78.95%	27	0.00%
Bulgaria	803	0.00%	2	0.00%
Other	2,981	0.00%	12,235,947	3.84%
Other European Union	2,008,110	0.60%	9,461,802	2.97%
Rest of World	1,428,643	0.43%	1,490,367	0.47%
Total	**334,277,910**	**100.00%**	**318,368,329**	**100.00%**

The following table shows credit exposure across all asset classes by currency:

in LEK thousand	31 December 2023	Share	31 December 2022	Share
Euro (EUR)	137,798,308	41.37%	127,217,823	40.72%
US-Dollar (USD)	19,085,708	5.73%	20,135,758	6.45%
Swiss franc (CHF)	381,702	0.11%	545,933	0.17%
Albanian lek (ALL)	170,756,400	51.27%	160,603,541	51.41%
Other foreign currencies	5,059,553	1.52%	3,911,851	1.25%
Total	**333,081,671**	**100.00%**	**312,414,906**	**100.00%**

36. Risk management (Continued) Concentration risk (Continued)

The following table shows the Group's total credit exposure based on customer industry classification:

in LEK thousand	31 December 2023	Share	31 December 2022	Share
Banking and insurance	91,599,023	27.40%	86,839,596	27.60%
Public administration and defence and social insurance institutions	44,547,810	13.33%	70,088,676	22.28%
Private households	69,296,612	20.73%	40,458,312	12.86%
Retail trade except repair of motor vehicles	30,674,270	9.18%	32,542,846	10.34%
Electricity, gas, steam and hot water supply	18,347,953	5.49%	19,004,997	6.04%
Manufacture of basic metals	19,939,925	5.97%	18,054,057	5.74%
Construction	14,198,016	4.25%	12,779,964	4.06%
Extraction of crude petroleum and natural gas	7,941,289	2.38%	8,578,060	2.73%
Other transport	5,003,899	1.50%	4,856,201	1.54%
Other business activities	4,785,219	1.43%	4,793,736	1.52%
Real estate activities	3,525,644	1.05%	3,784,390	1.20%
Land transport, transport via pipelines	2,755,965	0.82%	2,496,756	0.79%
Wholesale trade and commission trade (except car trading)	-	0.00%	-	0.00%
Sale of motor vehicles	-	0.00%	-	0.00%
Manufacture of machinery and equipment	-	0.00%	-	0.00%
Manufacture of food products and beverages	25,414	0.01%	142,277	0.05%
Other industries	21,636,873	6.47%	10,227,141	3.25%
Total	**334,277,910**	**100%**	**314,647,009**	**100%**

Market risks

Market risk is defined as the risk of experiencing losses due to adverse changes in market prices. This includes changes in the value of traded assets, movements directly or indirectly in observable prices and effects of changes in the volatility and liquidity of these factors. Market risk, therefore, arises from present value changes of on and off-balance sheet positions in the bank's trading and banking book.

Market risk estimations are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g., implied volatilities). The Capital Markets division is responsible for pro-prietary trading, market making, and customer business in money market and capital market products.

Organization of market risk management

All market risks are measured, monitored, and managed on Group level.

The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined strategy of the Group. It is responsible for implementing and enhancing risk management processes, risk management infrastructure and systems, manuals, and measurement techniques for all market risk categories and credit risk arising from market price changes in derivative transactions. Furthermore, Market Risk Management independently measures and reports all market risks on a daily basis according to internal and regulatory requirements.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the product approval process. Product applications are investigated thor-oughly for any risks. They are approved only if the new products can be implemented in the Group's front- and back-office risk management systems.

Limit system

The Group uses a comprehensive risk management approach for both the trading and the Banking book (total-return approach). Market risk is therefore managed consistently in all trading and Banking books. The following indicators are measured and limited on a daily basis in the market risk management system:

- Value-at-Risk (VaR) – (confidence level: 99 percent; risk horizon: one day)
  Value-at-risk is the main market risk steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach in which 5,000 scenarios are calculated. The ap-proach combines the advantages of a historical simulation and a Monte-Carlo simulation and derives mar-ket parameters from 500 days of historical data. Distribution assumptions include modern features such as volatility declustering and random time changes, which helps in accurately reproducing fat-tailed and asymmetric distributions and base interest rate risk factors. Value-at-risk results are not only used for limiting risk but also in the allocation of economic capital.

Sensitivities (to changes in exchange rates and interest rates, gamma, vega, equity and commodity prices)

- Sensitivity limits are to ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- Stoploss - Stop loss limits serve to strengthen the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following tables show the VaR (99 percent, one day) for the individual market risk categories in the trading book. The Group's VaR mainly results from currency risk for trading book and interest rate risk for Banking book.

Trading book VaR 99% 1d in LEK thousand	VaR as at December 31, 2023	VaR as at December 31, 2022
Currency risk	99%	100%
Interest rate risk	1%	0%
Credit spread risk	0%	0%
Share price risk	0%	0%
Vega risk	0%	0%
Basis risk	**0%**	**0%**
Total value	**(2,585)**	**(16,835)**

Banking book VaR 99% 1d in LEK thousand	VaR as at December 31, 2023	VaR as at December 31, 2022
Currency risk	0%	0%
Interest rate risk	36.80%	46.50%
Credit spread risk	61.60%	52.70%
Vega risk	0%	0%
Basis risk	1.60%	0.8%
Total	**(432,166)**	**(663,614)**

Total VaR 99% 1d in LEK thousand	VaR as at December 31, 2023	VaR as at December 31, 2022
Currency risk	2.90%	1.4%
Interest rate risk	35.50%	46.5%
Credit spread risk	59.90%	51.4%
Share price risk	0%	0%
Vega risk	0%	0%
Basis risk	1.70%	0.7%
Total	**(291,617)**	**(665,493)**

36. Risk management (Continued)
Value-at-Risk (VaR) (Continued)

Vega risk is the measurement of an option's price sensitivity to changes in the volatility of the underlying asset. Vega represents the amount that an option contract's price changes in reaction to a 1% change in the implied volatil-ity of the underlying asset. The bank is not exposed to Vega Risk.

Basis risk is the financial risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position. To quantify the amount of the basis risk, the bank take the current market price of the asset being hedged and subtract the futures price of the contract.

Exchange rate risk and capital ratio

Market risk in the Group results primarily from exchange rate risk, exchange rate fluctuations also influence current revenues and expenses. They also affect regulatory capital requirements for assets denominated in foreign curren-cies, even if they are financed in the same currency and thus do not create an open foreign exchange position.

The Group aims at stabilizing its capital ratio when managing exchange rate risks. This risk is managed on a month-ly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate fore-casts, and the sensitivity of the regulatory capital ratio to changes in individual foreign exchange rates.

in LEK thousand	31 December 2023	December 31, 2022
AUD	7,680	12,265
CAD	(19,345)	22,752
CHF	26,251	(3,908)
DKK	(35)	(39)
EUR	5,514,506	9,820,254
GBP	65,826	(22,449)
JPY	2,266	3,467
NOK	(8)	(10)
SEK	(40)	(44)
USD	(129,908)	(170,222)

The negative open foreign position show that financial liabilities are bigger than financial assets in the respective currency, while if the open foreign position is positive shows that financial assets are bigger than financial liabili-ties.

Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of the Group given a one-basis-point interest rate increase for the whole yield curve in LEK thousand for the reporting dates 31 December 2023 and 31 December 2022.

2023 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	-12.32	-0.01	-0.01	12.30								

2022 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	-0.94	-0.02	-0.19	-0.72								

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing from money markets and capital markets) cause interest rate risk in the Group. This risk arises in particular from dif-ferent interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the Banking book is material for the EUR and US dollar as major currencies.

Management of the statement of financial position is a core task of the Treasury division, which is supported by the Group Asset/Liability Committee. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the Banking book is not only measured within a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the Banking supervisor.

The following table shows the change in the present value of the Group's Banking book given a one-basis-point interest rate increase for the whole yield curve in LEK thousand for reporting dates 31 December 2022 and 31 December 2021.

2023 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	**2,465**	-59	-146	-414	-1,016	1,193	2,802	-1,537	135	1,093	387	27
CHF	**-5**	-	-	-3	-	-	-1	-1	-1	-	-	-
EUR	**8,311**	-62	151	-321	1,692	2,746	5,472	469	-1,267	-52	-55	-159
GBP	**14**	-4	1	16	1	-	-	-	-	-	-	-
USD	**112**	96	5	125	15	194	192	-515	-	-	-	-

2022 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	**2,687**	(108)	(60)	(368)	421	2,958	(691)	(160)	255	574	38	(172)
CHF	**17**	-	-	(2)	(4)	(1)	(3)	(2)	(2)	(1)	-	-
EUR	**3,224**	232	19		1,296	536	1,219	(1,497)		(279)	(254)	(106)
GBP	**12**	13	2	(296)	1	-	-	-	(4,094)	-	-	-
USD	**12**	13	2	22	1	-	-	-	-	-	-	-

Liquidity management

Funding structure

The Group's funding structure is highly focused on retail deposit taking in the local market. Different funding sources are utilized in accordance with the principle of diversification. These include the use of third-party financ-ing loans and risk sharing schemes with different supranational organizations. Partly due to tight country limits and partly due to beneficial pricing, the Group is also using interGroup borrowing and placements with local and inter-national Groups.

Principles

Liquidity management in the Group ensures the continuous availability of funds required to cover day-to-day business operations. It is therefore one of the most crucial business processes in overall Group steering. Liquidity adequacy is ensured over the entire maturity spectrum from both an economic and also a regulatory perspective.

In economic perspective, RBI Group has established a governance framework comprising internal limits and control measures on liquidity positions, which is in accordance with the Principles for Sound Liquidity Risk Management and Supervision established by the Basel Committee on Banking Supervision. The Group has also implemented the same framework, as one of the network Groups of RBI Group.

The regulatory component is addressed by complying with reporting requirements under Basel III (Liquidity Cover-age Ratio, Net Stable Funding Ratio and Additional Liquidity Monitoring Metrics) and by keeping the respective minimum requirements in the form of regulatory limits. Moreover, the Group has added to the group based liquidity framework, additional liquidity and reporting requirements established by Group of Albania (BoA), and Albanian Financial Supervisory Authority.

Responsibility and Organization

The responsibility to ensure adequate levels of liquidity lies with the entire Board of Management. However, in terms of functions, the responsible Board members are the Chief Executive Officer (Treasury and IB) and the Chief Risk Officer/Chief Financial Officer. Consequently, the processes related to liquidity risk are mainly carried out by two areas within the Group. Firstly, Treasury/Dealing Room department manage the liquidity risk positions within the strategy, guidelines and parameters set by decisions taken in Asset/Liability Committee (ALCO) meetings which reflect all regulatory constraints.

Secondly, these are monitored and supported by independent Integrated Risk division (Market Risk department). Market risk department measures and implements limits on different liquidity positions, as well as monitors their compliance. In addition to the aforementioned line functions, ALCO and Research department is responsible for implementing Group wide methodology on liquidity risk models.

Liquidity strategy

Our Group's Liquidity Strategic objectives include self-sustainability of Group's liquidity position, continuous stabilization of customer deposit base, and the ongoing compliance with regulatory requirements and with internal policies and limits. Another objective is the avoidance of costly excess liquidity and the efficient utilization of funds. Liquidity Risk Management units (Treasury/Dealing Room, Market Risk, ALCO and Research) in the Group have a variety of direct or indirect measures at hand for steering the balance sheets and liquidity positions of the Group. Treasury/ Dealing Room is committed to achieve all key performance indicators (kpis) and to comply with risk-based principles.

Key performance indicators include general targets (i.e. return on risk adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity (such as a minimum survival horizon in defined stress scenarios or the diversification of the refinancing structure). Besides achieving a structural contribution by means of a maturity transformation that reflects the liquidity and market risk assumed by the Group, Treasury/Dealing Room pursues a prudent and sustainable risk policy in its balance sheet management.

Liquidity risk framework

Liquidity refers to the Group's ability to retain and/or attract, at any time, available funds in required currencies and enough amounts at reasonable costs in order to meet its financial obligations when they become due. Liquidity risk represents the possibility of negative effects on the financial result and equity due to inability of the Group to meet its payment obligations due to:

Withdrawal of existing sources of funding and/or the inability to secure new sources of funding (funding liquidity risk) Difficulties in converting assets into liquid funds due to market disturbances (market liquidity risk)

Bank defines the framework for liquidity risk management, which will enable Group to respond the matured obligations in terms of the normal business conditions, but also in time of crisis. Group manages the risk in all currencies and separately in major currencies, provides stability and diversification of financing sources, timely and adequately treated in the case of the increased risk.

The liquidity risk framework comprises of definition of established risk appetite and limit structure, models applied for capturing customer and market behaviour (going concern and stress), system of Early Warning Indicators, contingency plans.

Risk Management process consists of measuring and modelling risks, setting and monitoring limits, maintaining exposures within these limits and handling limit excesses, and aligning the exposure management with business targets.

Risk appetite and liquidity limits

The Risk Appetite Framework (RAF) aims to provide the management, together with the formulation and approval of a top-down Risk Appetite statement, a tool to set and constrain the level of overall risk the group is willing and able to take on, to achieve its strategic and business goals. There is a close interconnection to the Internal Capital Adequacy Assessment Process (ICAAP) as the main objective of the RAF is to align strategic and business targets with the necessity to fulfil minimum regulatory capital requirements in adverse scenarios as well as in the case of large singular risk events, and to ensure that senior creditors do not bear losses in an extreme risk scenario.

The risk appetite is defined as the level of risk that the group is willing to take and is expressed by a risk appetite that requires a minimum survival period (TTW) of 30 days in a period of severe stress (combined crisis) without the execution of any countermeasures, or 90 days with countermeasures, respectively. This is ensured either by a struc-turally positive liquidity profile or by a sufficiently high liquidity buffer. In case of market disruptions, an ad hoc individual steering with more conservative targets for the total position or selected currencies might be put into place.

In the business-as-usual case (GC Scenario) the maturity transformation must be covered completely by available liquidity buffer in the midterm. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level.

Risk apetitte defined on internal models is supplemented by limits based to regulatory liquidity ratios.

In accordance with the defined risk appetite, the bank has a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This is ensured by both a structurally positive liquidity profile and by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation is fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity posi-tion over a period of up to one year is positive. In the long term (one year or more), maturity transformation is per-mitted up to a certain level.

Regulatory Liquidity Ratios

Market Risk unit based on BoA Regulation no 71 "On Liquidity Risk Management" should calculate and report in case of any ecess the Liquidity ratios to the BoA. Market Risk calculates the ratio of liquid assets against the short-term liabilities:

1. Denominated in the national currency (ALL) at the minimum level 15% (fifteen percent) and in the foreign currency at the minimum level 20% (twenty percent);
2. As a total at the minimum level 20 % (twenty percent).

Liquidity Coverage Ratio (LCR)

Based on the BoA regulation No 27/2019, RBAL shall ensure at any time a liquidity coverage ratio of at least:

a. 100% for total currencies
b. 80% for the total of significant foreign currencies

The liquidity position is monitored at the Bank level and is restricted by means of a comprehensive limit system. In accordance with defined risk appetite Bank defined limits which limit Liquidity Positions in a dual form: by a set of Going concern liquidity limits and a set of TTW liquidity limits.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the proportion of Available Stable Funding ("ASF") via the liabilities and capital over Re-quired Stable Funding ("RSF") for the assets. The Group monitors its structural liquidity and maturity transformation of assets also with the capital structural indicator – net stable funding ratio (NSFR), which is the long-term indicator of liquidity, which assesses whether the bank has the appropriate funding structure in relation to the structure of assets

Based on the BoA regulation No. 70/2022, RBAL shall ensure at any time a Net stable funding ratio of at least:

a. 100% for total currencies

Liquidity monitoring

The Group uses a series of customized measuring instruments and early warning indicators which provide the Management Board and senior management with timely and forward-looking information. The limit framework ensures that the Group can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively. Any breach by different Group business lines is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

Liquidity stress testing

Stress tests are conducted for the individual Group units on a daily basis and on Group level on a weekly basis, in RBI HO. The tests cover three scenarios (market, reputational and com-bined crisis), consider the effects of the sce-narios for a period of several months and demon-strate that stress events can simultaneously result in a time-critical liquidity requirement in sev-eral currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects. This means that in the stress tests of the Group, all network units are simultaneously subject to a pronounced combined crisis for all their major products. The results of the stress tests are reported to the Chief Risk Officer and the Chief Financial Officer as well as other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the Group's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and simultaneously significant outflows of customer deposits. In this respect, the de-posit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obliga-tions. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The Group continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be consid-ered. The time to wall concept has established itself as the main control instrument for day-to-day liquidi-ty management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, the Group actively maintains and manages liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows ex-pected in crisis scenarios.

36. Risk management (Continued) Liquidity management (Continued)

The Group has sizeable, unencumbered, and liquid securities portfolios eligible for Central Bank outright auction transactions in order to ensure sufficient liquidity in local currency.

The Group is responsible for ensuring the availability of liquidity buffers, testing its ability to utilize cen-tral Group funds, evaluating constantly its collateral positions as regards to their market value and encumbrance, as well ex-am-ining the counterbalancing capacity, including the secured and unse-cured funding potential and the liquidity of the assets. Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk specif-ic haircut and a Central Bank haircut. While the market risk haircut represents the potential price volatility over the next 20 trading days of the securities held as assets as part of the liquidity buffer, the Central Bank haircut represents an addi-tional haircut by the Central Bank that may be offered as collateral. The eligibility criteria on group level further considers intra-group lending restrictions such as the legal lending limit.

Intraday Liquidity Management

In compliance with regulatory requirements for intraday liquidity management, Dealing Room Department is fulfilling the following tasks:

- Fulfilling Group legal liquidity requirements (minimum reserve requirements);
- Optimize the liquidity flows, financing costs and the return on investments;
- Provides available funds for outgoing payments on our NOSTRO accounts with correspond-ent Groups.
- Follow up and continuous reporting on market liquidity situation

Money Market Desk within Dealing Room Department is in charge to manage daily liquidity needs and manage the short-term liquidity risk in local and foreign currency. Treasury takes information for all local and international payments from other departments and pro-vides available funds on our NOSTRO account normally with value date T+2. There are special re-quests for value date T+1, T+0. For all the payments in local and international market should be re-spect the Group's cut off time until then the transaction can be performed. For payments in Local cur-rency the cut off time fixed by Group of Albania (BoA) is 3.30 p.m. For payments in foreign currency the cut off time is 4.30 p.m.

The Group is using AIPS (Albanian InterGroup Payment System) as platform for monitoring online our Nostro Account with Group of Albania for all the payments / incomings in local currency LEK. The monitoring of our Nostro accounts in foreign currency is done using online platforms on this purpose, which facilitate the daily liquidity management. Daily queries produced by core Banking sys-tem MIDAS are used for the daily liquidity management.

Reuters dealing platform is used to performing trading deals in interGroup market. Money Market Desk is responsible to provide enough funds for payments executed on each value date. The basic information on the payments executed is received via e-mail by the Payment Pro-cessing & SWIFT unit (Central Operations & Facility Manage-ment Department) with value date T+2 and with specific request with value date T+0.

The whole Group liquidity position is monitored and updated during the day after each transaction done. We keep our liquidity position by using excel and update it manually using the information re-ceived from different sources as Payment Processing & SWIFT unit (Central Operations & Facility Management Department, Trade Finance & Short-Term Financing (Corporate and SE Products De-partment), Treasury Back Office (Central Operations & Facili-ty Management Department), Foreign Exchange & Cash Desk, Corporate Department.

The excess of liquidity in FCY is invested as short term in the internal and international market.

Dealing Room Department is responsible for the liquidity management in local and foreign currency for whole Group, not for each branch consolidatedly. Money Market desk receives the funds request for the client payments on daily basis and provide necessary liquidity needs. We are using online platform monitoring for most of our NOSTRO accounts to check all the transac-tion done though these accounts.

The closed balance position of each NOSTRO account is received by mail from swift dep (in the morning) by MT 950 message. The closed balance position of each LORO account is prepared by the Securities, Investigation, Rec-onciliation & Support on different frequency basis as agreed with each of them and is sent by Swift, by MT 950.

Contingency funding plan

The Group is analysing the potential impact from the Pandemic Covid -19 on the liquidity of the Group in 2021. Under difficult liquidity conditions, the Group will switch to a contingency process in which it will follow a prede-fined liquidity contingency plan. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all RBI Group members. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

The LCP defines three stages of a liquidity crisis which are described by events as listed below:

Stage A: early stage of liquidity contingency

Stage B: more severe stage of liquidity contingency

Stage C: liquidity recovery stage

Liquidity position

Liquidity position of the Group is founded on a strong customer deposit base supplemented by whole-sale fund-ing. Funding instruments are appropriately diversified and are used in case of need. The ability to procure funds is pre-cisely monitored and evaluated by the Treasury/Dealing Room, Treasury Sales as well as ALCO and Research De-partment.

In the past year and to date, our Group's liquidity was significantly above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that the Group would survive throughout the modelled stress phase of several months even without applying contingency measures. The Going Concern report shows the structural liquidity position. It covers all material risk drivers which might affect the Group in a business-as-usual scenario. The results of the going concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates of the stability of the customer deposit base, outflows from items off the statement of financial position and downward market movements in relation to positions which influ-ence the liquidity counterbalancing capacity.

in LEK thousand	As at 31 December 2023		As at 31 December 2022	
Maturity	1 month	1 year	1 month	1 year
Liquidity surplus	118,161,851	144,922,920	72,878,740	59,628,060

Liquidity coverage ratio (LCR)

Liquidity coverage ratio (LCR) refers to the proportion of highly liquid assets (HQLAs) held by the Group, to meet potential liability run offs (short-term obligations). HQLAs can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of expected inflows and outflows of funds and the high liquidity assets is based on regulatory speci-fications. In 2022 and 2023, the regulatory limit for the LCR stood at 100 percent.

in LEK thousand	31 December 2023	31 December 2022
Average liquid assets	94,198,879	65,450,575
Net outflows	16,058,641	11,084,329
Inflows	31,917,420	45,402,260
Outflows	47,976,062	44,337,316
Liquidity Coverage Ratio	586%	590%

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the proportion of Available Stable Funding ("ASF") via the liabilities over Required Stable Fund-ing ("RSF") for the assets. Sources of Available Stable funding includes: customer deposits, long-term whole-sale funding (from the interGroup lending market), and equity.

in LEK thousand	31 December 2023	31 December 2022
Required stable funding	141,802,443	137,122,003
Available stable funding	237,595,096	214,950,939
Net Stable Funding Ratio	167%	156%

Liquidity Coverage Ratio and Net Stable Funding Ratio are presented in Local ALCO meetings on a monthly basis. The Group aims to assure liquidity consistency with Basel III requirements.

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a deterioration in the credit-worthiness of a Group that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or Group-specific situation.

As a consequence, long-term funding depends on restoring confidence in Groups and increased ef-forts in collect-ing customer deposits. The Group Banking activities are financed by combining retail deposit-taking and wholesale funding. In the Group's funding plans, special attention is paid to a diversi-fied structure of funding to mitigate funding liquidity risk. Wholesale funding measures in the Group are responsibility of Treasury Sales and IB Depart-ment, where Funding Manager is Mr. Christian Canacaris, the CEO of the Group. During this process we check the gap between assets and liabilities and check if we do have any funding needs. However, due to the fact that our Group has been always over-liquid, the Group has shown minimal needs for intra-network funding.

36. Risk management (Continued)
Liquidity management (Continued)
Funding liquidity risk (Continued)

The following table shows a breakdown of cash flows according to the contractual maturity of financial assets:

2023 in LEK thousand	Carrying amoun	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial assets	**294,779,465**	**330,606,894**	**127,540,485**	**29,285,127**	**63,184,881**	**110,596,403**
Cash, cash balances at central Banks and other demand deposits	42,611,051	42,611,051	42,611,051	-	-	-
Loans and advances	**147,592,146**	**176,552,291**	**40,097,575**	**25,846,340**	**9,154,796**	**101,453,581**
Central Banks	291	291	291	-	-	-
General governments	231	231	231	-	-	-
Banks	27,248,444	27,248,444	27,248,444	-	-	-
Other financial corporations	522,651	538,327	(4,023,000)	535,004	4,026,324	-
Non-financial corporations	65,939,025	77,145,791	15,878,830	25,063,309	3,718,017	32,485,634
Households	53,881,504	71,619,207	992,779	248,027	1,410,455	68,967,947
Debt securities	**104,576,268**	**111,443,552**	**44,831,859**	**3,438,787**	**54,030,085**	**9,142,822**
General governments	104,576,268	111,443,552	44,831,859	3,438,787	54,030,085	9,142,822
Banks	-	-	-	-	-	-

2022 in LEK thousand	Carrying amoun	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial assets	**274,871,390**	**319,733,384**	**98,004,853**	**33,693,942**	**76,805,952**	**106,363,747**
Cash, cash balances at central Banks and other demand deposits	37,491,482	37,491,482	37,491,482	-	-	-
Loans and advances	**155,315,545**	**197,769,426**	**45,649,553**	**20,084,268**	**27,004,435**	**100,166,281**
Central Banks	1,850,857	1,850,857	1,850,857	-	-	-
General governments	290	290	290	-	-	-
Banks	35,273,599	35,273,599	35,273,599	-	-	-
Other financial corporations	1,145,096	1,148,343	(3,721,086)	-	4,540	-
Non-financial corporations	67,643,385	80,446,316	11,512,302	19,858,367	18,416,600	30,659,047
Households	49,402,318	79,050,021	733,591	225,901	8,583,295	69,507,234
Debt securities	**82,064,363**	**84,472,476**	**14,863,818**	**13,609,674**	**49,801,517**	**6,197,466**
General governments	82,064,363	84,472,476	14,863,818	13,609,674	49,801,517	6,197,466
Banks	-	-	-	-	-	-

36. Risk management (Continued)

Liquidity management (Continued)

Funding liquidity risk (Continued)

The following table shows a maturity analysis of undiscounted cash flows according to the contractual maturity of financial liabilities:

2023 in LEK thousand	Carrying amoun	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	**299,236,594**	**303,385,244**	**240,798,132**	**33,629,119**	**18,875,772**	**10,082,222**
Deposits	**266,655,203**	**270,575,268**	**234,597,810**	**20,924,541**	**7,875,093**	**7,177,824**
General governments	6,484,232	6,484,232	6,484,232	-	-	-
Banks	7,876,792	11,775,432	(1,629,265)	466,799	6,154,654	6,783,243
Other financial corporations	2,726,829	2,730,803	2,576,151	56,735	97,917	-
Non-financial corporations	55,690,722	55,695,438	55,425,261	41,327	145,916	82,935
Households	193,876,628	193,889,363	171,741,431	20,359,680	1,476,606	311,646
Other financial liabilies	1,857,056	1,857,056	1,857,056	-	-	-
Financial guarantees given and other commitments given	9,048,932	9,048,932	2,109,437	3,216,222	3,587,378	135,896
Loan commitments given	21,675,403	21,903,988	2,233,829	9,488,356	7,413,301	2,768,502

2022 in LEK thousand	Carrying amoun	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	**280,518,910**	**280,548,713**	**223,963,755**	**38,111,550**	**15,545,349**	**2,928,059**
Deposits	**248,646,267**	**248,656,783**	**218,782,555**	**24,173,302**	**5,164,276**	**536,650**
General governments	7,695,315	7,695,315	7,695,315	-	-	-
Banks	(506,640)	(506,640)	(4,227,961)	-	3,721,321	-
Other financial corporations	2,459,135	2,462,229	2,271,349	88,952	101,928	-
Non-financial corporations	48,336,168	48,336,228	47,976,470	59,401	170,646	129,711
Households	190,662,289	190,669,651	165,067,382	24,024,949	1,170,381	406,939
Other financial liabilies	1,436,184	1,436,184	1,436,184	-	-	-
Financial guarantees given and other commitments given	9,876,434	9,876,434	2,602,710	4,496,296	2,627,992	149,436
Loan commitments given	20,560,025	20,579,312	1,142,306	9,441,952	7,753,081	2,241,973

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of risk assessments.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk in the Group. To this end, individuals are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cy-cle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Man-agement, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Securi-ty, Physical Security, BCM, Internal Control System) and all first line of defense partners (Operational Risk Manag-ers).

Risk identification

Identifying and evaluating risks that might endanger the Group's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well.

All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years. Low probability/high impact events are quantified by a Group-wide analytical tool (scenarios). The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of Groups and insurance Groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management & Control Committee and RBI Group Operational Risk Controller Committee on a regular basis.

Quantification and mitigation

Since October 2016, the operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. The Group also conducts an extensive staff training program and has different contingency plans and back-up systems in place.

37. Capital management

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of Albania and (ii) to safeguard the Group's ability to continue as a going concern.

Regulatory capital

The Group monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Group of Albania ("BoA"), which ultimately determines the statutory capital required to un-derpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23 Decem-ber.1997 "On the Group of Albania", and "Banking Law of the Republic of Albania".

Capital Adequacy Ratio

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets and off balance-sheet items, expressed as a percentage. The minimum required Capital Adequacy Ratio is 12%.

The Modified Capital Adequacy Ratio is the proportion of the base capital to risk-weighted assets and off balance-sheet items, expressed as a percentage. The minimum modified capital adequacy ratio is 6%.

Risk-Weighted Assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 50%, 100%, 150%) are applied; for example, cash and money market instruments have a zero-risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carry a 100% risk weighting, meaning that it must be supported by capital equal to 12% of the carrying amount.

Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk us-ing the same percentages as for on-balance-sheet assets.

in LEK thousand	**31 December 2023**	**31 December 2022**
Total risk weighted assets	144,436,582	143,866,541
Regulatory capital	28,625,539	26,903,223
Capital adequacy ratio	19.82%	18.70%

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possi-ble with greater gearing and the advantages and security afforded by a sound capital position.

The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period.

38. Related Parties

Transactions with related parties (companies and individuals) are limited to Banking business transactions that are carried out at fair market conditions. Disclosures on related parties (individuals) are reported under note (39) Relations to key management.

in LEK thousand	31 December 2023	31 December 2022
Selected financial assets		
Debt securities	-	-
Raiffeisenbank a.s.	-	-
Loans and advances	12,401,228	11,069,330
Raiffeisen Bank International AG (parent company)	7,276,481	4,800,863
Raiffeisen Bank Kosovo J.S.C.	520,340	1,142,935
Other assets	4,604,406	5,125,532
Raiffeisen Bank International AG (parent company)	89,435	90,730
Regional Card Processing Center s.r.o.	88,548	82,898
Raiffeisen Bank Kosovo J.S.C.	888	7,832
Selected financial liabilities		
Deposits	**2,423,106**	**17,795**
Raiffeisen Bank International AG (parent company)	2,423,088	17,795
Raiffeisen Bank Kosovo J.S.C.	18	-
Provisions & Other liabilities	**53,613**	**81,132**
Raiffeisen Bank International AG (parent company)	53,613	81,132
Loan commitments, financial guarantees and other commitments given	**1,028,831**	**1,861,537**
Raiffeisen Bank International AG (parent company)	1,028,831	1,861,014
Raiffeisenbank Austria d.d.	-	523

in LEK thousand	31 December 2023	31 December 2022
Interest income	**310,847**	**70,308**
Raiffeisenbank a.s.	-	-
Raiffeisen Bank International AG (parent company)	198,513	37,768
RLB KI-Gruppe Salzburg	70,031	17,704
Raiffeisen Leasing Kosovo LLC	42,303	14,836
Interest expenses	**(31,710)**	**(46,158)**
Raiffeisen Bank International AG (parent company)	(31,710)	(31,006)
RLB KI-Gruppe Salzburg	-	(15,152)
Fee and commission income	**7,647**	**8,990**
Raiffeisen Bank International AG (parent company)	561	395
Raiffeisen Bank Kosovo J.S.C.	6,827	8,571
Raiffeisenbank Austria d.d.	259	24
Fee and commission expenses	**(254,509)**	**(252,760)**
Ukrainian Processing Center PJSC	(81,818)	(71,304)
Regional Card Processing Center s.r.o.	(75,103)	(97,707)
Centralised Raiffeisen International Services & Payments S.R.L.	(11,743)	(9,727)
Raiffeisen Bank International AG (parent company)	(85,845)	(74,022)

Average number of staff

Full-time equivalents	31 December 2023	31 December 2022
Salaried employees	1,235	1,222
Wage earners	40	40
Total	**1,275**	**1,262**

Relations to key management

Group relationship with key management

in LEK thousand	**31 December 2023**	**31 December 2022**
Assets	403,276	433,017
Liabilities	147,942	128,090

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards:

in LEK thousand	**31 December 2023**	**31 December 2022**
Short-term employee benefits	177,437	194,814
Other long-term benefits	84,729	74,059
Total	**262,166**	**268,873**

Remuneration of members of the Supervisory Board

in LEK thousand	**31 December 2023**	**31 December 2022**
Remuneration Supervisory Board	14,559	14,356

Regulatory capital of Supplementary Pension Funds and Investment Funds Management Company (subsidiary of the Bank)

Based on Law no 10197 and 10198 dated 10 December 2009, supplementary pension funds and investment funds Management Companies, should, at any time, maintain a minimum capital of 15,625 thousand Lek, calculated as the net assets of the Fund in the statement of financial position. When the value of funds' net assets under administration of the management company, exceeds the amount of Lek 31,250 million, the management company should increase the capital, to the extent that increase in capital is at least equal to 0.02% of the amount by which the value of funds' net assets under administration exceed the above mentioned limit. However, it is not necessary for the capital to be increased beyond a limit of Lek 1,250,000 thousand. As at 31 December 2023 and 2022, Raiffeisen INVEST is in compliance with legal requirements on regulatory capital.

Regulatory capital of Leasing Company (subsidiary of the Bank)

Based on the regulation of the Bank of Albania "Licencing of Non-banking institutions" the finance leasing activity is included in the activities of non-banking financial institutions and among others, the requirement for minimum capital to start leasing activities is 100,000 thousand Lek. As at 31 December 2022 and 2021, Raiffeisen Leasing sh.a is in compliance with legal requirements on regulatory capital.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possi-ble with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period.

Unconsolidated structured entities

Based on IFRS 10 requirements, exposure to variable returns should be well above the exposure from market level asset management fees in order to consider consolidation of the funds managed by the entity, which is not the case for the Group which is entitled to 1.5% of the Funds's net assets value. Further, the Group does not own any invest-ment units either in the pension fund or in the investment funds. The Fund's assets are "ring fenced" from the Ad-ministration company (subsidiary of the Group). According to the Albanian legislation on pension fund and invest-ment funds, the legal title on the assets of the Fund remains with the contributors. As a consequence, the Group did not consolidate any of the Funds administered by one of its subsidiaries in 2022 consolidated financial statements. Information about unconsolidated structured entities is as follows:

	Year ended 31 December 2023		At 31 December 2023	
In thousands of LEK	Income from the structured entity for the year	Carrying amount of assets of the struc-tured entity	Carrying amount of liabilities of struc-tured entity	Net assets of the structured entity
Prestige Fund	1,248,014	31,081,117	56,302	31,024,815
Pension Fund	76,351	1,400,982	4,450	1,396,533
Vizion Fund	455,226	8,798,573	33,720	8,764,853
Euro Fund	69,499	3,322,931	5,708	3,317,223
Mix Fund	5,828	320,635	552	320,083
Total	**1,854,918**	**44,924,238**	**100,732**	**44,823,507**

39. Events after the end of the reporting date

The management of the Group is not aware of any subsequent events that would require either adjustments or addi-tional disclosures in the financial statements.

Statement of legal representatives

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

The Management Board

Christian Canacaris

Chief Executive Officer

Alexander Zsolnai

Vice-chairman of the Management Board

Erion Serti

Member of the Management Board responsible for CIO/COO

Vilma Bace

Member of the Management Board responsible for Retail Customers

Elona Mullahi

Member of the Management Board responsible for Corporate& SE Customers

Raiffeisen Leasing

Raiffeisen Leasing Sh.a. (the "Company") is an Albanian joint stock Company, registered in the Albanian Commercial Register by Tirana District Court, decision No. 35733, dated May 15, 2006. The Company started the activity in May 2006.

The Company's principal activity is providing finance leasing to companies and individuals.

The share capital is registered in Albanian Lek. From October 10, 2016, Raiffeisen Bank Sh.a. is the sole immediate parent of Raiffeisen Leasing Sh.a. The registered office of the Company is at the address; Rruga "Tish Daija", Kompleksi "Haxhiu", Godina nr.1, Kati 7, Tirana.

The Company's main shareholder is registered in Tirana. The ultimate controlling party is Raiffeisen Bank International AG.

The financial statements for the fiscal year ending on December 31, 2023, were approved by the Board of Directors on March 20, 2024. The financial statements are subject to final approval by the Shareholders in the Annual General Meeting. The Shareholders have the power to amend the financial statements after issue.

As of December 31, 2023, the composition of the Board of Directors and Managing Board is as follows:

Board of Directors (Supervisory Board)

Dieter Schiedl	Chairman Supervisory Board
Erion Balli	Supervisory Board Member
Migena Arkaxhiu	Supervisory Board Member

Managing Board

Ankleida Shehu	Front Office Managing Director
Estela Themeli	Back Office Managing Director

Throughout the year 2023, Raiffeisen Leasing Albania maintained its position as the leader in the Albanian leasing market.

The value of new business in 2023 amounted to EUR 22,7 million, of which EUR 20,8 million or 92% used for vehicle financing, and € 1.9 million or 8% of new business used for equipment.

The basic products of Raiffeisen Leasing are vehicle and equipment leasing. All leasing products were offered to business segments, both corporate and medium sized businesses, while individuals used these leasing products mainly for personal cars.

In 2023, Raiffeisen Leasing predominantly conducted its new business as follows: 43% with corporate customers, 19% with SE (small and medium-sized enterprise) customers, 22% with micro customers, and the remaining 16% with individuals.

One of the goals of RLAL is to further increase the ESG related business by offering ESG product financing to foster this business and to contribute to a green and social environment. Only during 2023 there are ESG leasing assets financed in the amount of approx. EUR 4.6 million or 20% of RLAL new business.

Company continues to maintain a satisfactory level of liquidity while the total active covers the total liabilities by about 112% on December 31, 2023, same value as the previous year, for which the receivables from financial rents cover about 96% long-term debt versus 98% of the year before. Payments of short-term liabilities against suppliers have not been influenced and company has not reduced operational activity with suppliers. Raiffeisen Leasing does not anticipate sale of financial rent portfolio.

Our goal was mainly focusing on strengthening long-term partnership with clients of Raiffeisen Banking Group, providing them with efficient support they needed in their business. Also, aiming at improving its offer, Raiffeisen Leasing devoted special attention to further strengthening of partnerships and establishing strategic cooperation with the network of the most important dealers operating in Albania.

By fostering the high professional standards set by its founders, Raiffeisen Leasing provides its clients with superior quality products and services, as well as complete information regarding the structure and simplicity of all transactions involved.

Part of our activity is also vehicles remarketing and resale. We are also positioned in the ranks of experts concerning establishment of standards in the re-sale market due to procedures we have implemented. However, the company used the know-how and experience of International Leasing Steering and Product Management and other leasing companies operating in the region, concerning its products, financial leasing services and marketing. Moreover, the company has full access to the large network of international suppliers of heavy tonnage vehicles, machinery and equipment, with which the Raiffeisen Group keeps stable relations, in order that the existing and prospective customers of the company benefit and realize their plans for investment.

At the end of 2023, Raiffeisen Leasing accounted 21 employees, providing their clients with prompt and highly competent services.

Raiffeisen Leasing continues to be active also in other channels like social media platforms Instagram, Facebook, LinkedIn and has been very involved in increasing its present by promoting Leasing products and services, mainly based on policies and marketing activities of local concessionaires as our key business partners.

We would like to use this opportunity to thank our clients and business partners for the excellent cooperation in 2023 and especially for the trust they placed in us. We are also especially grateful to our employees for their commitment and efforts expressing our deep conviction that Raiffeisen Leasing team will be able to keep its strong market position in 2023 as well.

Prospect 2024

Raiffeisen Leasing sh.a will continue to actively support the business and investment plans of its clients in 2024 as well, by offering financing for vehicles and equipment with a high focus on ESG products.

Furthermore, based on the company strategy during Year 2024 for individual customers RLAL would like to pilot successfully in Albanian market a new product "Residential Real Estate". Our company will be a pioneer in leasing market to offer this long-term product based on the market requirement.

We will stay fully committed to further developing our long-lasting cooperation with our clients and dealers and will continue to proactively respond to their needs by improving our range of products and services.

Our major objectives will be increasing of new business, improving cross-sales with Raiffeisen bank in all segments, constant improvement of existing products and innovation of new ones, adequate risk management, cost reduction and efficiency improvement. We are fully dedicated to keeping the stability of our portfolio by applying the principle of quality, instead of quantity and strict risk policy.

Our experience and support of Raiffeisen Group, strong capital base and quality portfolio represent a guarantee that we will remain a secure and reliable partner to our clients and dealers in the forthcoming period as well.

Raiffeisen INVEST

2023 has been an excellent year for the asset management company. Despite the uncertain economic landscape, we have achieved outstanding financial performance and kept the leader's position in the investment funds' industry, with 86% of the market share. Our dedication and unwavering commitment to our clients have paid off, resulting in an impressive increase in assets under management and robust revenue growth.

We have experienced a remarkable 21% increase in assets under management and 11% increase in number of clients. Our assets reached 431 mill EUR with more than 35,000 clients that have placed trust and confidence in us. This would not have been possible without the hard work and dedication of our team members, who have consistently demonstrated their expertise and commitment to our clients' financial goals.

Furthermore, our disciplined investment strategies, rigorous risk management practices and markets development have generated remarkable returns for our clients. We also provided strong financial results to our shareholders with PBT + Distribution expenditures at 3.9 mill EUR, surpassing significantly our initial forecasts.

In addition to our financial performance, we remained focused on client service to foster long-lasting partnerships. We have also invested in a new webpage, making it easier for clients to track their investments and access personalized information.

Another important achievement was the approval of the Law "On Private Pension Funds", which brings significant fiscal incentives for pension fund members.

The number of investment plans sold increased by 37% vs 2022, at more than 8,000 plans.

However, it is crucial to acknowledge the challenges we encountered along the way. The crisis of 2022 and its impact on funds left its mark and our main challenge was to re-establish trust in our products and switch to growth again, which we did starting from August 2023.

Looking ahead, we remain committed to continuously improving our asset management business. The year 2024 presents new hurdles that we must overcome. Geopolitical uncertainties, market volatility, and increasing customer expectations present challenges that demand our vigilance, adaptability, and strategic vision. We are actively exploring improvements in technology and contribution to sustainability. Launching the first ESG fund in Albanian market is part of our strategy for 2024.

Funds performance and financial markets development during 2023

During 2023, the funds under management provided the following net returns to the investors:

- Raiffeisen Private Pension Fund: +4.54 percent on annual basis
- Raiffeisen Prestige Fund: +6.28 percent on annual basis
- Raiffeisen Vision Fund: +12.18 percent on annual basis
- Raiffeisen Invest Euro Fund: +5.29 percent on annual basis
- Raiffeisen Mix Fund: +7.67 percent on annual basis

In the international markets, the Central Banks continued with interest rate hikes, managing to partially subdue inflation. Respectively, FED made 4 interest rate hikes with 1% in total and ECB made 6 interest rate hikes with 2% in total.

The tightening monetary policy cycle in US and EU ended in the last quarter of 2023 and there was an increasing perspective for cutting interest rates starting from 2024. As a result, 2023 ended in a very positive note for both bond and equity markets.

Stocks have mostly rallied during the year, supported by strong economic data and the tightening cycle coming to an end. Many major share indices recorded double-digit gains during the year, as falling inflation made traders more hopeful of an interest rate cut in 2024. Technology with a focus on AI was the highest grossing sector, with some IT companies reaching record-high valuations.

Bond market returns were subtle for most of the year as uncertainties about the direction of monetary policy prevailed. However, a major rally was noticed during the last two months of 2023 as expectations for interest rate cuts became stronger. This turnaround led to positive returns across fixed income for the calendar year.

In Albania, the base rate is lower compared to EU countries since the Central Bank was not very aggressive to increase interest rates (only 2 hikes were made during 2023 with a total of 0.5%). Key contributors to this decision were the strong appreciation of the domestic currency and the strong fiscal consolidation. During the 1st quarter of 2023, the yield of Albanian government securities recorded a significant drop of 2% up to 2.5 %. Despite the main trend of falling interest rates, an upward movement in the yields of Albanian government securities was recorded after summer, especially during the last quarter of the year. In general, the yield curve has shifted downward with 1% up to 2%, except for the Repo and 3M T-Bill.

In Raiffeisen Invest, the fund managers tried to reduce the risk and volatility level of the funds, by shifting to instruments that could benefit from the new developments in the financial markets while also focusing in solid liquidity management.

Funds in FCY partially recovered the losses of 2022, ending the year with high performances.

The same goes for funds in LCY, which managed to completely recover losses that incurred during the last year. Vizion fund recorded the highest annual return since launch and the best annual return in the domestic market among funds denominated in LEK.

Raiffeisen Private Pension Fund delivered a satisfying performance for 2023, recording the highest net annual return compared to other private pension funds operating in the domestic market.

Social responsibility

As a financial institution we recognize our role in fostering sustainable development and contributing to the welfare of our community. Thus, we continued to be very active in our involvement in various areas by supporting community projects and local NGOs with the aim to do good deeds for society.

During 2023, Raiffeisen Invest supported 40 organizations and institutions with their projects, making an impact and promoting a culture of responsibility.

One of the key areas where we made a significant impact is the contribution in environmental protection and climate change awareness.

Furthermore, Raiffeisen Invest contribution is extended to supporting other important fields and projects in Art and Culture, with 19 projects mainly exhibitions and concerts from various artists, including collaboration with Austrian Embassy.

To continue with support in social events and activities for families in need and public institutions for reconstructing public spaces or organizing community events.

One of the most impactful sponsorships is the support given for "Albanian Center of Family Development" with their annual program on domestic violence for women and children. By engaging in this partnership and raising awareness, we strive to create a safer environment inside the family aiming at providing information, safety, and support.

Raiffeisen Invest sh.a., as part of a large and important banking group and a leading asset management company in the domestic market, considers Corporate Social Responsibility one of the main components of business.

We will remain active supporters of the community, motivated to help society shaping a better future.

2024 Outlook

While inflation in the US and EU has yet to grasp the lowest level, it could prove challenging for Central Banks to quickly reach their targets of 2%. Nevertheless, the situation appears manageable.

The focus is shifted to the global economy, which is widely expected to weaken during 2024, thus not being able to sustain a tight monetary policy for long. As a result, Central Banks are projected to start lowering interest rates during 2024, though the timing remains up to debate.

Investors are expecting the first interest rate cut in summer. Markets are pricing a fall in interest rates of approximately 1% up to 1.5% for both the FED and ECB.

These developments would contribute to creating a very favorable and supporting environment for the bond market, with yields falling and prices increasing. The outlook for the equity market is positive too. Nonetheless, the equity market performance will depend on the level of the recession in the economy, a highly likely scenario, especially for the EU.

Since the Albanian government's fiscal policy in 2024 is focused on supporting wage growth, it could bring inflationary pressures in the 2nd half of the year. Consequently, Bank of Albania could continue tightening monetary policy and increase the base rate with 25 - 50bp, in contrast with other Central Banks.

Furthermore, the government will increase the demand for domestic debt, with a significant increase starting by the 2nd quarter of 2024. Therefore, yields are expected to rise at a moderate pace, particularly for long-term instruments. Since the banking system appears to be holding plenty of liquidity in the beginning of 2024, the pressure on yields might be lower during H1 and could be higher during H2 of 2024.

Raiffeisen Bank International at a glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 12 markets in the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A. In total, around 45,000 RBI employees serve 18.6 million customers from more than 1,500 business outlets, the vast majority of which are in CEE.

The regional Raiffeisen banks hold approximately 61.17 percent of RBI's shares. The remaining shares are held in free float.

Raiffeisen Bank Sh.a Network

Tirana 1 District

Rruga e Kavajës,
Pallati 71, Shkalla 1, Ap 4, Tiranë
Tel: +355 4 2253 644/6.
+355 4 2233 396
+355 4 2224 540

Southeast District

Shëtitore "Fan S. Noli", Silver Center, Korçë
Tel: +355 82 43179
Fax: +355 82 45870

Tirana 2 District

Rruga "Vangjel Noti",
Nd.: 12, H 6, Laprakë, Tiranë
Tel: +355 4 2357828

North District

Hotel Rozafa, Lagja "Vasil Shanto",
Rruga "Teuta", Shkodër
Tel: +355 22 43171
+355 22 43764

Southwest District

Lagja "Pavarësia",
Blvd. "Ismail Qemali", përballë
"Kullave Aleksandria", Vlorë

Ju mund të vizitoni faqen tonë të WEB-it: **www.raiffeisen.al**

Addresses

Raiffeisen Bank International AG

Austria
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707-0
SWIFT/BIC: RZBATWW
www.rbinternational.com

CEE banking network

Albania
Raiffeisen Bank Sh.a.
Rruga "Tish Daija"
Kompleksi Kika 2
1000 Tirana
Tel: +355-4-23 81 381
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus
Priorbank JSC
V. Khoruzhey St. 31A
220002 Minsk
Tel: +375-17-28 9-9090
SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina
Raiffeisen BANK d.d. BiH
Zmaja od Bosne bb
71000 Sarajevo
Tel: +387-33-75 50 10
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Croatia
Raiffeisenbank Austria d.d.
Magazinska cesta 69
10000 Zagreb
Tel: +385-72-626 262
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic
Raiffeisenbank a.s.
Hvězdova 1716/2b
14078 Prague 4
Tel: +420-412 440 000
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary
Raiffeisen Bank Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-48 444-00
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo
Raiffeisen Bank Kosovo J.S.C.
Robert Doll St. 99
10000 Prishtinë
Tel: +383-38-222 222
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

Romania
Raiffeisen Bank S.A.
FCC Building
Calea Floreasca 246D
014476 Bucharest
Tel: +40-21-30 610 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia
AO Raiffeisenbank
Smolenskaya-Sennaya Sq. 28
119002 Moscow
Tel: +7-495-721 99 00
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia
Raiffeisen banka a.d. Beograd
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-32 021 00
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava 1
Tel: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine
Raiffeisen Bank JSC
Generala Almazova Str., 4A
01011 Kiev
Tel: +38-044-490 8888
SWIFT: AVALUAUK
www.raiffeisen.ua

Leasing companies

Austria
Raiffeisen-Leasing
Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-716 01-0
www.raiffeisen-leasing.at

Albania
Raiffeisen Leasing Sh.a.
Rruga "Tish Daija"
Kompleksi "Haxhiu" Godina 1
Kati 7-te
1000 Tirana
Tel: +355-4-22 749 20
www.raiffeisen-leasing.al

Belarus
„Raiffeisen-Leasing" JLLC
V. Khoruzhey St. 31 A
220002 Minsk
Tel: +375-17-28 9-9394
www.rl.by

Bosnia and Herzegovina
Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb.
71000 Sarajevo
Tel: +387-33-254 340
www.rlbh.ba

Croatia
Raiffeisen Leasing d.o.o.
Magazinska cesta 69
10000 Zagreb
Tel: +385-1-65 9-5000
www.raiffeisen-leasing.hr

Czech Republic
Raiffeisen-Leasing s.r.o.
Hvězdova 1716/2b
14000 Prague 4
Tel: +420-2-215 116 11
www.rl.cz

Hungary
Raiffeisen Corporate Lízing Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-486 5177
www.raiffeisenlizing.hu

Kosovo
Raiffeisen Leasing Kosovo LLC
St. UÇK no. 222
10000 Pristina
Tel: +383-38-222 222-340
www.raiffeisenleasing-kosovo.com

Romania
Raiffeisen Leasing IFN S.A.
Calea Floreasca 246 C
014476 Bucharest
Tel: +40-21-30 644 44
www.raiffeisen-leasing.ro

Russia
OOO Raiffeisen-Leasing
Smolenskaya-Sennaya Sq. 28
119121 Moscow
Tel: +7-495-72 1-9980
www.raiffeisen-leasing.ru

Serbia
Raiffeisen Leasing d.o.o.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-220 7400
www.raiffeisen-leasing.rs

Slovakia
Tatra-Leasing s.r.o.
Hodžovo námestie 3
81106 Bratislava
Tel: +421-2-5919-5919
www.tatraleasing.sk

Slovenia
Raiffeisen Leasing d.o.o.
Letališka cesta 29a
1000 Ljubljana
Tel: +386-8-281-6200
www.raiffeisen-leasing.si

Ukraine
LLC Raiffeisen Leasing
Pyrohov Str. 7-7b
Office 503
01601 Kiev
Tel: +38-044-590 24 90
www.raiffeisen-leasing.com.ua

Branches and representative offices – Europe

Belgium
RBI Liaison Office Brussels
Rue de l'Industrie 26-38
1040 Brussels
Tel: +32 2 28968–56

France
RBI Representative Office Paris
9 - 11 avenue Franklin D. Roosevelt
75008 Paris
Tel: +33 (0) 1 45 61 27 00

Germany
RBI Frankfurt Branch
Wiesenhüttenplatz 26
60329 Frankfurt
Tel: +49-69-29 921 924

Poland
Raiffeisen Bank International AG
(Spółka Akcyjna) Oddział w Polsce
Plac Konesera 8
03-736 Warsaw
Tel: +48-22-5785602

Slovakia
RBI Slovak Branch
Karadžičova 14
821 08 Bratislava
Tel: +421 2 57203041
https://sk.rbinternational.com

Sweden
RBI Representative Office
Nordic Countries
Drottninggatan 89, 14th Floor
113 60 Stockholm
Tel: +46 73 091 05 89

Turkey
Raiffeisen Investment
Financial Advisory Services Ltd. Co.
Bahtiyarlar Sok. No. 8 Etiler
34337 Istanbul
Tel: +90 212 287 10 80

United Kingdom
RBI London Branch
Tower 42, Leaf C 9th Floor
25 Old Broad Street
London EC2N 1HQ
Tel: +44-207-933-8000

Branches and representative offices – Asia

China
RBI Beijing Branch
Unit 700 (7th Floor), Building No. 6
Jianguomenwai Dajie 21
100020 Beijing
Tel: +86-10-65 32-3388

India
RBI Representative Office Mumbai
501, Kamla Hub,
Gulmohar Rd, Juhu
Mumbai 400049
Tel: +91-22-26 230 657

Korea
RBI Representative Office Korea
#1809 (Jongno 1 ga,
Le Meilleur Jongno Town)
19, Jong-ro, Jongno-gu
Seoul 03157
Tel: +82-2-725-7951

Singapore
RBI Singapore Branch
50 Raffles Place
#31-03 Singapore Land Tower
Singapore 048623
Tel: +65-63 05-6000

Vietnam
RBI Representative Office
Ho-Chi-Minh-City
35 Nguyen Hue Str.,
Harbour View Tower
Room 601A, 6th Floor, Dist. 1
Ho-Chi-Minh-City
Tel: +842-8-38 214 718,
+842-8-38 214 719

Selected subsidiaries

Austria

Elevator Ventures Beteiligungs GmbH
Mooslackengasse 12
1190 Vienna
www.elevator-ventures.com

Kathrein Privatbank AG
Wipplingerstraße 25
1010 Vienna
Tel: +43-1-53 451-0
www.kathrein.at

Raiffeisen Bausparkasse Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-54 646-0
www.bausparen.at

Raiffeisen Continuum GmbH
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707 8510
www.raiffeisen-continuum.at

Raiffeisen Digital Bank AG
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707 5560
www.raiffeisendigital.com

Raiffeisen Factor Bank AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-219 74 57
www.raiffeisen-factorbank.at

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 170-0
www.rcm.at

Raiffeisen Wohnbaubank Aktiengesellschaft
Mooslackengasse 12
1190 Vienna
mailbox@rwbb.at
https://raiffeisen-wohnbaubank.at

Valida Holding AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-31 648-0
www.valida.at

USA

RB International Markets (USA) LLC
1177 Avenue of the Americas, 5th Floor
New York, NY 10036