Banka Kombëtare Tregtare Sh.a.

Independent auditor’s report and

Consolidated financial statements

as at and for the year ended 31 December 2023

Contents

mazars

Emin Duraku Str. Binjaket Build.
No.5, 1009, Tirana
Albania

Tel: +355 4 2222 889
www.mazars.al

INDEPENDENT AUDITOR'S REPORT

To management and Shareholders of Banka Kombëtare Tregtare sh.a

Qualified Opinion

We have audited the consolidated financial statements of **Banka Kombëtare Tregtare sh.a** (the Bank), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for the Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2023, its consolidated financial performance and its consolidated cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Conclusion

The Bank has treated its share capital issues in United States Dollar (USD) as a monetary item in the consolidated financial information and recognized the revaluation differences for the year ended December 31, 2023 within net profits in the consolidated statement of profit or loss and other comprehensive income. This treatment is not in accordance with International Accounting Standard (IAS) 21 "The effects of Changes in Foreign Exchange Rates" which requires share capital to be treated as a non-monetary item and carried at the exchange rate of the date of the transaction. Had the Bank treated its share capital in accordance with IAS 21 requirements, the share capital as of 31 December 2023 would have been increased by USD 56,257,369, retained earnings would have been decreased by USD 17,169,712 and the net profit would have been decreased by USD 39,087,657 for the year period ended 31 December 2023. Nevertheless, this would not have affected the total shareholder's equity.

Other matters

Consolidated financial statements for the year ended December 31, 2022 have been audited by another auditor who issued a modified audit opinion regarding the accounting treatment of share capital on March 30, 2023.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Bank prepared by Management in accordance with Article 53 of Law no. 9662, dated 18 December 2006 "On Banks in the Republic of Albania", amended and with article no. 18 of the law no. 25/2018 "On Accounting and financial statements". The Annual Report of the Bank is expected to be made available to us after the date of our audit 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 inconsistent with the financial statements or knowledge obtained in the audit, or appears to be materially misstated.

When reading the Annual Report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

The objectives of our audit 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 accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether 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 activities within the Bank 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 are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

March 26, 2024

mazars
Ermin Duraku Str., Binjaket Build.,
No.5, 1013, Tirana, Albania
NUIS: K32123006W

Teit Gjini

Statutory Auditor

Consolidated statement of financial position as at 31 December 2023

(Amounts in USD)

	Notes	31 December 2023	31 December 2022
Assets			
Cash and balances with Central Bank	7	676,805,203	537,491,661
Placement and balances with banks	8	342,462,320	473,902,012
Investment securities	9	3,416,247,364	2,911,791,378
Loans to banks	10	134,830,538	145,894,324
Loans to customers	11	1,694,028,984	1,383,681,949
Investment in associates	12	934,512	1,090,943
Property and equipment	13	43,567,945	42,260,800
Intangible assets	14	13,821,035	7,434,937
Right of use asset	15	15,263,559	14,838,905
Deferred tax assets	20	11,339,037	12,918,087
Other assets	16	59,360,383	56,677,071
Total assets		**6,408,660,880**	**5,587,982,067**
Liabilities and shareholder's equity			
Liabilities			
Customer deposits	17	5,479,014,067	4,591,435,866
Due to banks and financial institutions	18	159,424,037	305,784,334
Due to third parties	19	8,138,846	4,294,958
Accruals and other liabilities	21	24,657,661	77,855,311
Lease Liability	15	14,182,808	14,449,939
Debt securities issued	22	34,072,463	-
Subordinated debt	23	52,182,032	50,319,179
Total liabilities		**5,771,671,914**	**5,044,139,587**
Shareholder's equity			
Share capital	24	300,000,000	300,000,000
Legal reserve	24	72,819,171	60,093,852
Translation reserve	24	5,028,839	4,182,671
Fair value reserve and impairment of FVOCI	24	(6,071,188)	(28,093,813)
Retained earnings	24	265,212,144	207,659,770
Total shareholder's equity		**636,988,966**	**543,842,480**
Total liabilities and shareholder's equity		**6,408,660,880**	**5,587,982,067**

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 6 to 88.

The consolidated financial statements were authorised for release by the Board of Directors on 26 January 2024 and signed on its behalf by:

Seyhan Pencabligil
CEO and Board Member

Skender Emini
Head of Finance Group

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

(Amounts in USD)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Interest			
Interest income	25	243,107,603	172,784,025
Interest expense	26	(50,122,934)	(29,597,962)
Net interest margin		**192,984,669**	**143,186,063**
Non-interest income, net			
Fees and commissions, net	27	33,775,264	29,130,738
Foreign exchange revaluation, net	28	(14,175,863)	(2,795,117)
Foreign exchange trading activities income, net		5,295,526	2,111,244
Securities trading gain, net		34,090	53,476,297
Other (expense) / income, net	29	1,094,394	5,833,191
Total non-interest income, net		**26,023,411**	**87,756,353**
Operating expenses			
Personnel expenses	30	(37,516,591)	(27,683,420)
Administrative expenses	31	(51,487,777)	(43,817,673)
Depreciation and amortization	13,14,15	(11,318,155)	(9,378,577)
Total operating expenses		**(100,322,523)**	**(80,879,670)**
Impairment losses on loans to customers	11	5,369,981	7,284,287
Impairment losses on financial assets, other than loans to customers	32	(18,405,243)	(36,098,059)
Profit before taxes		**105,650,295**	**121,248,974**
Income tax	33	(14,787,765)	(15,933,697)
Net profit for the year		**90,862,530**	**105,315,277**
Foreign currency translation differences		5,028,839	6,540,795
Net change in fair value reserves and impairment of FVOCI		22,022,625	(72,636,653)
Other comprehensive income/ (expense) for the year, net of income tax		**27,051,464**	**(66,095,858)**
Total comprehensive income for the year		**117,913,994**	**39,219,419**

The consolidated statement of profit or loss and comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 6 to 88.

Consolidated statement of changes in equity for the year ended 2023

(Amounts in USD)

	Share capital	Legal Reserve	Translation reserve	Fair value reserve and impairment of FVOCI	Retained earnings	Total
Balance as at 31 December 2021	**300,000,000**	**52,315,511**	**(2,358,124)**	**44,542,840**	**161,467,079**	**555,967,306**
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Creation of legal reserves	-	8,027,579	-	-	(8,027,579)	**-**
Adjustment for translation of legal reserve	-	(249,238)	-	-	249,238	**-**
Dividend payable	-	-	-		(50,000,000)	**(50,000,000)**
Transfer of revaluation surplus	**-**	**-**	**-**	**-**	9,887,370	**9,887,370**
Appropriation of year 2021 translation difference	-	-	-	-	(2,358,124)	**(2,358,124)**
Adjustment of retained earnings with December 2022 year end exchange rate	-	-	-	-	(8,873,491)	**(8,873,491)**
Total transactions with owners recorded in equity	-	7,778,341	-	-	(59,122,586)	**(51,344,245)**
Comprehensive income for the year						
Net profit for the year	-	-	-	-	105,315,277	**105,315,277**
Other comprehensive income, net of income tax						
Net change in fair value reserve	-	-	-	(99,837,565)	-	**(99,837,565)**
Net change in impairment of FVOCI	-	-	-	27,200,912	-	**27,200,912**
Foreign currency translation differences	-	-	6,540,795	-	-	**6,540,795**
Total other comprehensive income	**-**	**-**	**6,540,795**	**(72,636,653)**	**-**	**(66,095,858)**
Total comprehensive income for the year	**-**	**-**	**6,540,795**	**(72,636,653)**	**105,315,277**	**39,219,419**
Balance as at 31 December 2022	**300,000,000**	**60,093,852**	**4,182,671**	**(28,093,813)**	**207,659,770**	**543,842,480**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 6 to 88.

Consolidated statement of changes in equity for the year ended 2023

(Amounts in USD)

	Share capital	Legal Reserve	Translation reserve	Fair value reserve and impairment of FVOCI	Retained earnings	Total
Balance as at 31 December 2022	**300,000,000**	**60,093,852**	**4,182,671**	**(28,093,813)**	**207,659,770**	**543,842,480**
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Creation of legal reserves	-	3,906,700	-	-	(3,906,700)	**-**
Adjustment for translation of legal reserve	-	8,818,619	-	-	(8,818,619)	**-**
Dividend payable	-	-	-		(50,000,000	**(50,000,000)**
Appropriation of year 2022 translation difference	-	-	(4,182,671)	-	4,182,671	**-**
Adjustment of retained earnings with December 2023 year end exchange rate	-	-	-	-	25,232,492	**25,232,492**
Total transactions with owners recorded in equity	-	12,725,319	(4,182,671)	-	(33,310,156	**(24,767,508)**
Comprehensive income for the year						
Net profit for the year	-	-	-	-	90,862,530	**90,862,530**
Other comprehensive income, net of income tax						
Net change in fair value reserve	-	-	-	10,630,451	-	**10,630,451**
Net change in impairment of FVOCI	-	-	-	11,392,174	-	**11,392,174**
Foreign currency translation differences	-	-	5,028,839	-	-	**5,028,839**
Total other comprehensive income	**-**	**-**	**5,028,839**	**22,022,625**	**-**	**27,051,464**
Total comprehensive income for the year	**-**	**-**	**5,028,839**	**22,022,625**	**90,862,530**	**117,913,994**
Balance as at 31 December 2023	**300,000,000**	**72,819,171**	**5,028,839**	**(6,071,188)**	**265,212,144**	**636,988,966**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 6 to 88.

Consolidated statement of cash flows for the year ended 31 December 2023

(Amounts in USD)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities:			
Profit before taxes		105,650,295	121,248,974
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Interest expense	26	50,122,934	29,597,962
Interest income	25	(243,107,603)	(172,784,025)
Depreciation and amortization	13,14,15	11,318,155	9,378,577
Gain on sale of property and equipment		(23,884)	(143,467)
Gain on sale of investment securities		(34,090)	(53,476,297)
Gain on sale of non-current assets		(893,540)	(348,875)
Gain on recovery of written-off loans to customers		(1,592,015)	(1,151,425)
Write-off of loans to customers		33,504	894,256
Write off of fixed assets and repossessed assets		66,160	14,061
Provision on other debtors		3,081,750	6,778,236
Reversal of other debtors		(560,095)	(1,142,328)
Movement in the fair value reserve and impairment of FVOCI		22,022,625	(72,636,653)
Dividend income from securities		(468,267)	(2,795,904)
Impairment of loans to customers	11	(5,369,981)	(7,284,287)
Impairment of financial instruments, other than loans	32	18,405,243	36,098,059
Cash flows from operating profits before changes in operating assets and liabilities		**(41,348,809)**	**(107,753,136)**
(Increase)/decrease in operating assets:			
Restricted balances with central banks		(67,413,199)	(37,480,820)
Placements and balances with banks		61,985,087	(36,722,712)
Loans to banks		29,520,518	(7,555,470)
Loans to customers		(100,528,375)	(67,669,581)
Other assets		(15,153,950)	(38,996,619)
		(91,589,919)	**(188,425,202)**
Increase/(decrease) in operating liabilities:			
Customer deposits		222,955,222	402,222,496
Due to third parties		3,029,099	2,235,834
Accruals and other liabilities		(9,494,283)	(4,066,353)
		216,490,038	**400,391,977**
Dividend payment		(100,000,000)	(45,000,000)
Interest paid		(42,620,305)	(25,000,907)
Interest received		241,722,066	165,492,165
Income taxes paid		(17,235,472)	(15,307,100)
Net cash flows from operating activities		**165,417,599**	**184,397,797**
Cash flows from investing activities			
Purchases of investment securities		(511,199,073)	(618,864,483)
Purchases of treasury bills		(153,235,120)	(112,063,026)
Investment in associates		288,188	(152,889)
Purchases of property and equipment		(10,464,875)	(5,735,824)
Proceeds from sale of investment securities		304,208,453	414,471,037
Proceeds from sale of treasury bills		267,693,004	30,745,318
Net cash flows used in investing activities		**(102,709,423)**	**(291,599,867)**
Cash flows from financing activities			
Proceeds from short term borrowings	18	(176,405,093)	(62,173,825)
Debt securities issued		31,715,301	-
Subordinated debt		(4,834,526)	20,789,259
Net cash from financing activities		**(149,524,318)**	**(41,384,566)**
Net change in cash and cash equivalents		**(86,816,142)**	**(148,586,636)**
Effects of exchange rate changes on the balance of cash held in foreign currencies / (Translation difference)		36,124,437	(1,239,942)
Cash and cash equivalents at the beginning of the year	7	**573,035,990**	**722,862,568**
Cash and cash equivalents at the end of the period	7	**522,344,285**	**573,035,990**

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 6 to 88.

1. General

Banka Kombetare Tregtare Sh.a. is a commercial bank offering a wide range of universal services. The consolidated financial statements comprise the bank in Albania, Kosovo BKT Pay and its associate Albania Leasing (together referred to as the "Bank" "BKT" or the "Group").

The Bank provides banking services to state and privately owned enterprises and to individuals. The main sources of funding for the Bank are deposits, which are accepted in various forms including current accounts, demand and term deposits, in both Lek and foreign currency. BKT offers a variety of corporate and consumer loans, Europay / MasterCard / Visa ("EMV") – compliant debit and credit cards, ATMs, sophisticated internet banking, mobile banking, on-line banking facilities, qualified international banking services and various treasury products. It also invests in securities and takes part actively in the local and international inter-bank markets.

BKT was established in its present legal form on 30 December 1992, although its first branch was opened on 30 November 1925.

BKT is subject to Law no. 8269 "On the Bank of Albania" dated December 1997 and Law no. 9662 "On Banks on the Republic of Albania", dated 18 December 2006.

Upon the Shareholder's Decision dated 30 March 2023, the Bank created legal reserves of Lek 407,586 thousand (equivalent of USD 3,906,700) and decided to distribute Lek 5,216,500 thousand as dividends (equivalent of USD 50,000,000, using the exchange rate published by Bank of Albania as at 30 March 2023 - 104.33 Lek per USD), using part of the statutory net profit for the year ended December 31, 2022 and part of the net profit of the year 2021. The remaining part of the net profit of the year 2022 was kept as retained earnings. The dividend was paid in May 2023. Meanwhile, the suspended dividend payment during 2022 was paid in February 2023 following the respective Bank of Albania decision.

As at 31 December 2023 and 31 December 2022, the registered share capital was USD 300,000,000.3 divided into 24,291,498 shares with a nominal value of USD 12.35, while the shareholding structure was as follows:

	31 December 2023			*31 December 2022*		
	No. of shares	**Total in USD**	**%**	**No. of shares**	**Total in USD**	**%**
Calik Holding A.S.	24,291,498	300,000,000.3	100	24,291,498	300,000,000.3	100

The headquarters of BKT is located in Tirana. The network of the Bank in Albania includes 60 branches and 3 custom agencies. Twenty-five branches are located in Tirana, and the other branches are located in Durres, Elbasan, Vlora, Shkodra, Fier, Pogradec, Korca, Bilisht, Gjirokastra, Delvina, Saranda, Orikum, Berat, Kucova, Lushnja, Librazhd, Peqin, Rrogozhina, Shkozet, Kavaja, Vora, Kamza, Fushe Kruja, Lac, Lezha, Rreshen, Kukes, Peshkopi, Bushat, Koplik, Gramsh and Skrapar, followed by custom agencies in Durrës Seaport, Rinas Airport and Corovoda.

The network in Kosovo includes 22 units. Seven units are located in Prishtina, and the other units are located in Prizren, Peja, Gjilan, Ferizaj, Mitrovica, Gjakova, Vushtrri, Fushe Kosova, Podujeva, Drenas, Rahovec, Viti and Lipjan, Dheu i Bardhe, Prishtina Airport and Skenderaj.

The Bank had 1,516 (31 December 2022: 1,406) employees as at 31 December 2023, out of which 466 (31 December 2022: 427) employees belong to BKT Kosovo.

The average number of employees of the Bank for the period ended 31 December 2023 is 1,448 (31 December 2022: 1,349) out of which 447 (31 December 2022: 411) employees belong to BKT Kosovo.

2. Basis of preparation

(a) Statement of compliance and going concern assumption

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). They have been prepared under the assumption that the Bank operates on a going concern basis.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for trading and available-for-sale financial assets, which are measured at fair value.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Functional and presentation currency

These consolidated financial statements are presented in USD. Albanian Lek ("Lek") is the Bank's functional currency.

The Bank has chosen to present its financial statements in USD, as its equity is wholly owned by international investors, who have issued the start-up capital in USD and view the performance of the investment in terms of USD.

(d) Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in notes 4 and 5.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Bank entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

On 3 September 2007 BKT opened its first branch outside of the territory of the Republic of Albania. The Administrative Office of this branch was opened in Prishtina, Kosovo. Pursuant to the request of "Banka Kombetare Tregtare" Kosovo dated 14.02.2018, in reference to the change of the transformation from a *branch* to a *subsidiary,* the Central Bank of Kosovo has approved on 30 April 2018 the transformation into subsidiary of Banka Kombetare Tregtare – Kosovo Branch. Under this decision, all the rights and obligations deriving from BKT – Kosovo Branch shall remain rights and obligations of BKT Kosovo Sh.A as a subsidiary. The Spin Off date of BKT Kosovo is effective as at 1 January 2019. The functional currency is the EURO. The effect of translating foreign operations into the Bank's functional currency is explained in note 3.(b).(ii) below.
BKT has established in 2022 the electronic money company "BKT Pay" investing EUR 2,300,000 into its share capital at a participation rate of 100%. BKT Pay was legally registered on 26 September 2022, obtained the license from the Bank of Albania on 3 November 2023, and is expected to start the activity within 2024.

(ii) Transactions eliminated on consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows (except for foreign currency transaction gains or losses) relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign 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 into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historic cost, are translated at the foreign exchange rate ruling at the date of the transaction, with the exception of the share capital, which is issued and maintained in USD as per the legislation in Albania as well as per Special Law No. 8634, dated 6 July 2000, between the Bank's shareholders and the Republic of Albania on the Bank's privatisation. Furthermore, the Operating Policy Guidelines of the Bank require that the share capital be hedged by USD assets, and it is therefore treated as a monetary item, with the revaluation difference being taken to profit or loss together with the revaluation difference of the corresponding USD asset, which offset each other in a natural hedge.

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Lek at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Lek at spot exchange rates at the dates of the transactions. Foreign currency differences on the translation of foreign operations are recognised directly in other comprehensive income. Such differences have been recognised in the foreign currency translation reserve.

(iii) Translation of financial statements from functional currency to presentation currency

Translation of financial statements from functional currency to presentation currency is done as follows:

- assets and liabilities for reporting date (including comparatives) are translated at the closing rate at the date of that reporting date, which is Bank of Albania's rate at 1 USD = 93.94 Lek (2022: 107.05).
- income and expenses (including comparatives) are translated at exchange rates at the dates of the transactions.
- equity items other than the net profit for the period and share capital, are translated at exchange rates at the dates of the transactions.
- share capital has been translated as described in paragraph 3.(b).(i) above; and
- all resulting exchange differences are recognised through other comprehensive income as a separate component of equity in the "Translation reserve" account.

(iv) Spot foreign exchange transactions

The Bank during the normal course of business enters into spot foreign exchange transactions with settlement dates 1 or 2 days after the trade date. These transactions are recorded in the financial statements on the settlement date. Foreign currency differences are recognised in profit or loss on the settlement date.

(c) Interest

Interest income and expense are recognised in the profit or loss 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 shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank 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 all fees 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 liability.

(d) 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 are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Lease payments made

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.

(f) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

(f) Income tax expense (continued)

The Bank determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2023, tax on profit is equal to 15% of the taxable income. Taxable income is calculated by adjusting the statutory profit before taxes for certain income and expenditure items as required under the Albanian law. The statutory profit is based on the financial records kept by the Bank for regulatory purposes and may differ from the International Financial Reporting Standards reported financial result. However, current income tax payable for the 2023 financial year is equal according to both standards.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Tax applications for foreign subsidiaries of the Bank:

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10%. Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to seven years.

(g) Financial assets and liabilities

(i) Recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

The Bank initially recognises loans, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset, with the exception of spot foreign exchange transactions which are recognized on settlement date (see note 3(b) (iv)). All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(ii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Bank writes off certain loans and investment securities when they are determined to be uncollectible.

(iii) Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity’s business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets are recognised in profit or loss.

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(iii) Classification and initial measurement of financial assets (continued)

– ***Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)***
As per the new standard, one of the conditions for financial assets to be classified either under ‘amortised cost’ or ‘Fair Value Through Profit or Loss (“FVTPL”) category is that the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank has performed the SPPI test and has determined the business models for its financial assets.

– ***Business model assessment***
There are three business models under IFRS 9 – ‘Held to Collect (“HTC”)’, ‘Held to Collect and Sell (“HTCS”)’ and ‘Other (“Other BM”)’.

1. Under the HTC model, cash flows result from collecting contractual payments. If an SPPI product is HTC, it is measured at amortised cost.
2. Under HTCS, cash flows result from contractual payments, as well as from selling the financial assets. If an SPPI product is HTCS, it is measured at fair value though other comprehensive income (“FVOCI”).
3. Other BM are those that are neither HTC, nor HTCS. One example could be a model under which trading is the primary purpose with contractual payment collection not constituting an integral part of the model. If a product (SPPI or not) is held under Other BM, it is measured at fair value though profit or loss (“FVTPL”).

The Bank has assessed the business model for its financial assets as follows;

Treasury
Treasury assets consist of cash or equivalents, Government Bonds, Investment securities such as Eurobonds, Bonds and Certificates.
The Bank also considers Loans to banks such as Syndicated Loans, Bilateral Loans and Murabaha as treasury products.
Investment securities are accounted for depending on their classification as either Held-to-Maturity (“HTM”), or Available-for-Sale (“AFS”) and in some cases as Held-for-Trading (“TRD”).

The business model of the Bank under IFRS 9 is:
- "HTC" for HTM products. Such products shall be measured at amortised cost;
- “HTCS” for AFS products. Such products shall be measured at FVOCI; and
- “Other BM” for TRD products and shall be measured at FVTPL.

Retail
The Retail assets consist of various financing facilities to individuals (e.g. Mortgage loans, Consumer loans, Home improvement loans, Car loans, Credit cards). These products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are held for collection of contractual cash flows of principal and interest.
The fair value of the Retail assets is not a critical aspect in the Bank’s management of the portfolio.
The business model of the Banks under IFRS 9 is "HTC" and the Retail loans shall be measured at amortised cost.

Corporate
The Corporate assets consist of various financing facilities to corporates (e.g. Cash loans, Non-cash loans, Agro loans, Project & structured finance, Business credit cards). These products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are held for collection of contractual cash flows of principal and interest.
The fair value of the Corporate assets is not a critical aspect in the Bank’s management of the portfolio.
The business model of the Banks under IFRS 9 is "HTC" and the corporate loans shall be measured at amortised cost.

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(iv) Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method.
Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, loans and most of other receivables fall into this category of financial instruments as well as government bonds and forfeiting instruments that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in Albania Leasing Sh.a and equity securities at fair value through other comprehensive income (FVOCI). The equity investment in Albania Leasing Sh.a. and certain equity securities were measured at cost less any impairment charges in the comparative period under IAS 39, as it was determined that their fair value could not be estimated reliably. In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Bank determined that in the current period the Fair Value of these investments approximates to their carrying amount. The Group's government bonds that were previously classified as held-for-trading under IAS 39 fall into this category.

Financial assets at fair value through other comprehensive income (T)
The Group accounts for financial assets at FVOCI if the assets meet the following conditions:
- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset. The Group's government bonds and treasury bills, corporate bonds, promissory notes, assets backed securities and equity portfolio that were previously classified as available for sale under IAS 39 fall into this category.

(v) Reclassifications of financial assets

The Bank has made a reclassification of AFS (FVOCI) securities to HTM (Amortized Cost) securities between 24th February – 3rd March 2022. The Board of Directors and Senior Management have decided to change the business model of treasury investments recognized and measured under IFRS9. The change of business model is very rare for the Bank. Based on the new business model, the entity objective is to keep the majority of its treasury investments at Amortized Cost by holding to collect their contractual cash flows. The Management intention is solely to benefit from the spread between the yield of financial assets and cost of liabilities. As such, the new business model is not for an individual asset but for a higher level of aggregation which makes a significant part of Bank's financial assets.

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(v) Reclassifications of financial assets (continued)

Considering the above, the Bank has reclassified a significantly high portion of its ALL (Albanian Lek) and FX securities from AFS portfolio (‘Hold to collect and sell’ measured at Fair Value through Other Comprehensive Income) to HTM portfolio (‘Hold to collect’ measured at Amortized cost), with the following exceptions:

For FX portfolio:
- Corporate bonds with composite credit rating lower than BB- and duration longer than 4 years;
- Corporate bonds with composite credit rating equal to or higher BB-, but with duration longer than 7.5 years;
- Financial Institutions and Sovereign bonds with composite credit rating less than BB- and duration longer than 4-years, and
- Financial Institutions and Sovereign bonds with composite credit rating equal or higher than BB-, but with duration longer than 7.5 years.

For ALL portfolio:
- T-bills, because they are discounted papers and they have maturity shorter than a year;
- Up to 20% of 3-years and 5-years benchmark ALL securities. This is to comply with requirements of Market Making mechanism since BKT is Market Maker on these benchmark bonds.

The Bank's objective is that securities with lower credit ratings and long-term maturities (with higher risk), as well as to have a real-time Marked-to-Market assessment, should not be kept in Amortized Cost. Meanwhile, Turkish and Albanian government bonds can be measured at Amortized Cost, since they represent the shareholder's country of origin (Turkey) and the country where BKT operates (Albania). The Bank has considered all the available information at the moment of decision for changing its business model.

Accordingly, securities portfolio measured at FVOCI was more than halved in February-March 2022 by contracting the nominal value at US$947mio, out of which US$615mio from Lek portfolio and US$332mio from FX portfolio. Following the change of business model and the consequent reclassification of its financial assets, the nominal amount portion of investment securities measured at amortized cost to total securities portfolio (excluding Treasury bills) on a consolidated basis reached to 62% as at 31 December 2022 (31 December 2021: 9%), while the portion of investment securities measured at fair value contracted to 38% as at 31 December 2022 (31 December 2021: 91%).

Paragraph 4.4.1 requires an entity to reclassify financial assets if the entity changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the entity’s senior management as a result of external or internal changes and must be significant to the entity’s operations and demonstrable to external parties.

Accordingly, based on the accounting requirements for asset reclassifications from FVOCI to Amortized Cost, any cumulative gain or loss previously recognized in OCI has been removed from equity and applied against the fair value of the financial asset at the reclassification date.

The reclassification of securities has been also performed in accordance with the requirements of financial reporting methodology and accounting manual of the Bank of Albania, sections 3.2.2 and 3.2.3, by also meeting the liquidity requirements through the eligibility criteria applied for these financial assets.

The nominal value and fair value gains or losses of the reclassified portfolio at the reclassification date and each reporting date are presented as following:

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(v) Reclassifications of financial assets (continued)

Reclassified portfofolio	Nominal value (*original currency*)	Nominal value (*USD equivalent*)	Fair value gain/(loss) (*USD equivalent*)		
			At reclassification date	31-Dec-22	31-Dec-23
ALL	65,790,000,000	614,572,630	30,923,490	(29,632,131)	(1,231,659)
USD	131,000,000	131,000,000	(1,330,139)	(8,623,182)	(4,334,671)
EUR	156,500,000	166,996,684	(5,473,107)	(22,849,911)	(11,484,365)
GBP	28,352,000	34,144,230	(893,677)	(2,905,797)	(1,536,663)
Total		**946,713,544**	**23,226,567**	**(64,011,021)**	**(18,587,358)**

The above figures as at reclassification date in original currency are converted in USD equivalent using the exchange rate published by Bank of Albania as at 31 December 2022.

From the reclassified portfolio in Lek, Lek11.3billion~USD120million were matured during 2023.
The Bank has met all the criteria of IFRS9 applicable for the reclassification of financial assets. In addition, no further reclassifications were made during 2023 and no sales have occurred from the reclassified portfolio during 2022 and 2023 after the reclassification date.

(vi) Offsetting

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

(vii) Amortised cost measurement

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

viii) Fair value measurement

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.

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

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

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(viii) Fair value measurement (continued)

The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price). In many cases the transaction price equals the fair value (that might be the case when on the transaction date the transaction to buy an asset takes place in the market in which the asset would be sold). When determining whether fair value at initial recognition equals the transaction price, the Bank takes in account factors specific to the transaction and to the asset or liability.
When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(ix) Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.
Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.
Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.
In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.
Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(x) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. The Group's financial liabilities include Customer deposits borrowings from banks and other financial institutions, subordinated debt and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(xi) Derivative financial instruments and hedge accounting

The Group applies the new hedge accounting requirements in IFRS 9 prospectively.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item. If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

- ***Futures***

The Bank enters into derivatives for trading and risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements.

As part of its asset and liability management, the Bank uses derivatives for economic hedging purposes in order to reduce its exposure to market risks. This is achieved by hedging specific financial instruments, portfolios of fixed rate financial instruments and forecast transactions, as well as hedging of aggregate financial position exposures. Where possible, the Bank applies hedge accounting.

The Bank has entered into financial derivatives through interest rate future contracts so as to hedge the price movement of its financial assets measured at fair value to help prevent losses from unfavorable price changes. Concretely, the Bank has opened (sold) short positions of long-term US Treasury Eurobond Futures for hedging the interest risk component of the USD denominated Eurobonds. Similarly, the Bank has opened short positions of long-term European Sovereign Eurobond Futures (German, French, Italian and Spanish) for hedging the interest risk component of the EUR denominated Eurobonds. The futures positions are accounted for at fair value through profit and loss (FVTPL).

The table below shows the fair values of futures position together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

3. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(xi) Derivative financial instruments and hedge accounting (continued)

- ***Futures (continued)***

31 December 2023	**Notional Amount**	**Market Value**	**Unrealized gains/(losses)**
Derivatives held for trading			
Interest rate Futures	**-**	**-**	**-**
- EUR	-	-	-
- USD	-	-	-

31 December 2022	**Notional Amount**	**Market Value**	**Unrealized gains/(losses)**
Derivatives held for trading			
Interest rate Futures	**457,020,275**	**448,686,507**	**8,333,768**
- EUR	285,996,814	277,360,257	8,636,557
- USD	171,023,461	171,326,250	(302,789)

The Futures position was closed in June 2023. In addition, the realized gains and losses resulted from the closure and renewal of the total futures position (EUR and USD) during 2023 amounted at a net loss of USD 3,009,244 (2022: net gain of USD 64,612,634).

The above unrealized gains/(losses) for 2022 are reported as part of “Other income/(expense), net” item, while the realized gains/(losses) are reported as part of “Securities trading gain, net” item of Profit and Loss Statement.

- ***Interest rate swaps***

During 2023, the Bank has entered into interest rate swaps with a total notional amount of EUR85 million and USD10 million, to manage its exposure to interest rate fluctuations between deposit rates and securities portfolio measured at amortized cost. These swaps allow the Bank to mitigate the impact of changing interest rates on its financial position. The swaps pay a fixed interest rate and receive a floating interest rate based on the 6-month EURIBOR and 6-month SOFR.

The summarized information is given below:

31 December 2023	**Notional Amount**	**Total interest income FY23**	**Total interest expense FY23**
Interest rate swap			
- EUR	85,000,000	1,990,206	1,837,127
- USD	10,000,000	939,840	946,953

The above figures are reported in original currency.

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks 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. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3. Significant accounting policies (continued)

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

(j) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

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

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Bank chooses to carry the loans at fair value through profit or loss as described in accounting policy 3(g)(iii).

(k) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property 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 property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings and leasehold improvements	20 years
• Motor vehicles and other equipment	5 years
• Office equipment	5 years
• Computers and electronic equipment	4 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

3. Significant accounting policies (continued)

(l) Intangible assets

Intangible assets comprise software acquired by the Bank. Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four years.

(m) Assets acquired through legal process (repossessed collateral)

Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. The Group applies its accounting policy for non-current assets held for sale or disposal groups to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the purchase method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Group obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

(n) Impairment of non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased 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 amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

(o) Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(p) Deposits, borrowings and subordinated liabilities

Deposits, borrowings and subordinated liabilities are part of the Bank's sources of debt funding.

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

Deposits, borrowings and subordinated liabilities are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(q) Provisions

A provision is recognised if, as a result of a past event, the Bank 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.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(r) Employee benefits

(i) 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 Bank makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

(ii) Defined benefit plans

The Bank created a fully employer sponsored pension plan fund-Staff Support Program (See note 21), during 2002. The amount charged to this fund (SSP) was decided as 5% of yearly budgeted personnel salary expenses.

The amount due to employees based on the above plan would be grossed up by the interest that will accrue from the date the employees leave the Bank until their retirement. It would be paid to employees only when they reach the Albanian statutory retirement age, in monthly instalments equal to a minimum of 75% of their state monthly pension until the accumulated fund for the employee is consumed.

3. Significant accounting policies (continued)

(r) Employee benefits (continued)

(ii) Defined benefit plans (continued)

Based on the Board of Directors resolution effective on 30 September 2010, the Bank stopped the investment in this fund (SSP), by transforming it into the Staff Retention Credit Program (SRCP). The demographic changes in labour force during the last ten years and the employees' average age at 31, where 80% of employees are below the age of 40, has resulted in SSP not being attractive for most employees of the Bank, as it can only be enjoyed at retirement. In contrast, SRCP will be more readily beneficial for all the Bank's staff, as it will provide consumer and home loans with preferential terms. The entire due amount calculated for eligible employees in Staff Support Program has been frozen on the same date. The frozen amount due to change of SSP into SRCP on 30 September 2010 and the corresponding annual interest that will be gained by the investment in AAA sovereign bonds in the future until retirement age, is recorded as a liability by the Bank.

(iii) 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 Bank 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.

(s) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other Components, whose operating results are reviewed regularly by the management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available (see Note 6). The Bank's format for segment reporting is based on geographical segments.

(t) Application of new and revised international financial reporting standards.

(i) Standards and Interpretations effective in the current period

There are no accounting announcements which have become effective from 1 January 2023 that have a significant impact on the Entities' financial statements.

Other Standards and amendments that are effective for the first time in 2023 and could be applicable to the entity are:

- IAS 1 — Presentation of Financial Statements
- IFRS 17 – Insurance Contracts
- IFRS for Small and Medium-sized Entities (IFRS for SMEs)
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 12- Income Taxes

These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.

3. Significant accounting policies (continued)

(t) Application of new and revised international financial reporting standards. (continued)

(ii) Standards and interpretations issued but not yet adopted.

The International Board of Accounting Standards has issued several standards and interpretations that are effective in future accounting periods, which the company has decided not to apply in advance. The company plans to apply these standards and interpretations when they become effective.

The following standards and interpretations have been issued but are not mandatory for the current reporting period ended 31 December 2023:

- IAS 1 — Presentation of Financial Statements (Amendments regarding the classification of debt with covenants) - Effective January 1st, 2024
- IFRS 7 - Financial Instruments: Disclosures - Effective January 1st, 2024
- IFRS 16 - Leases - Effective from January 1st, 2024
- IAS 7- Statement of Cash Flows - Effective from January 1st, 2024
- IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information-Effective from January 1st, 2024
- IFRS S2 - Climate-related Disclosures- Effective from January 1st, 2024

4. Use of estimates and judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 5).

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test (note 3, (g), (iii)). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

ECL Determination

Significant increase of credit risk: As explained in note 3 (g) (ix) and 5 (b) (ii), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 3 (g) (ix) and 5 (b) (ii), for more details.

4. Use of estimates and judgements (continued)

ECL Determination

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 3 (g) (ix) and 5 (b) (ii), for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3 (g) (ix) and 5 (b) (ii), for more details on ECL and note 3 (g) (viii) for more details on fair value measurement.

Input in data model of application of IFRS 16 requirements

Initial direct costs

An entity may exclude initial direct costs from the measurement of the Right of Use asset at the date of initial application. Based on IFRS 16, if a lessee elects to apply the standard with the modified retrospective application, the lessee shall choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

Option 1 – its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. The practical expedient to exclude initial direct costs from the measurement of the Right of Use asset at the date of initial application is applicable under Option 1 or;

Option 2 – an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. Although it is not stated explicitly in the new standard, the practical expedient on initial direct costs is not relevant under Option 2. The Bank does not adjust the Right of Use asset for historical amounts e.g. initial direct costs.

The Bank has opted to apply the modified retrospective method under Option 2.

Low-value assets

Lessees can also make an election to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low-value. IFRS 16 does not define the term low-value.

Banka Kombëtare Tregtare uses the EUR 10,000 as a threshold and simultaneously analyses the nature of the asset in order to assess whether a leased asset qualifies for the low-value asset exemption. The types of assets that qualify for the low-value asset exemption might change over time if, due to market developments, the price of a particular type of asset changes.

Incremental Borrowing Rate

The rate used for calculation of the RoU asset and Lease liability has taken into consideration the term, FX denomination, risk associated with the bank, security, risk associated with the asset and economic environment.

The closest values matching this definition are Funds Transfer Pricing (FTP) rates. The term and FX denomination are taken into consideration when constructing the EUR/USD/ALL yield curves. The Bank considered at the initial application date the rates published by 31 December 2018.

4. Use of estimates and judgements (continued)

Input in data model of application of IFRS 16 requirements –(continued)

After consideration, the Bank determined that there are no differences in terms of security, due to the fact that the lessor effectively has security of owning the asset. Therefore, no adjustments were required. Since the starting point is in the same jurisdiction and in the same currency as leases, no adjustment is required for this segment as well. In addition, for assets such as an office building, considering that they are in a frequented area, are not highly illiquid or specialized assets, specific asset premium would be nil. Meanwhile, the risk associated with the economic environment is incorporated in the government bonds yield.

The Bank has adjusted the rate for the credit spread, the cost that the bank would pay if it were required to borrow the respective funds to finance the acquisition of such an asset.

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.59%. The incremental borrowing rate is determined as the base rate yield curve plus the credit spread.

a. Base rate yield curve

Input data in the model are money market rates (inter-bank rates in maturity bucket ON-10Y). These data are published on daily basis in “Reuters” (inter-bank trading platform). For higher maturities, the rate is calculated by extrapolating starting from the money market rates of initial application date.

The Bank uses the Nelson-Siegel-Svensson model for extrapolation purposes for USD yield curve construction, which fits an exponential approximation of the discount rate function directly to market prices. The Bank introduced the application of the augmented NSS (Nelson-Siegel-Svensson) model as a version that has the ability to combine different forms of graphs, allowing in essence negative rates as well as atypical interest rate distributions, which are not captured accurately by the classic Nelson-Siegel model.

The Bank uses the Cubic spline interpolation for EUR yield curve construction. Cubic spline interpolation is a special case of spline type interpolation that is used very often to avoid the problem of Runge's phenomenon. This method gives an interpolating polynomial that is smoother and has smaller error than some other interpolating polynomials such as Lagrange polynomial and Newton polynomial. Cubic smoothing splines fitted to univariate time series data can be used to obtain local linear forecasts. The approach is based on a stochastic state space model which allows the use of a likelihood approach for estimating the smoothing parameter, and which enables easy construction of prediction intervals. In essence the same mathematical mechanic is followed by the NSS (Nelson-Siegel-Svensson) model. Whereas an interpolation typically begins with specifying a functional form either to approximate discount function or forward rates, and then estimates the unknown parameters. The cubic spline approach, brings more flexibility on the shape of a yield curve and is thus good for financial practitioners who are looking for small pricing anomalies.

To construct local currency, Albanian Lek (ALL), yield curve (YC) the Bank is using the Cubic spline interpolation, as described above. Yields of government bonds (ON-1Y) are auction results published by Ministry of Finance and Bank of Albania at the end of each respective auction. For auctions that are not so frequent, the rate is calculated by extrapolating between rate values of the last 2Y bond and the rate derived from the last auction of the bond in question. The issue encountered by the bank's forecasts on Treasury Yields is of the Runge's phenomenon type, which is a problem of oscillation at the edges of an interval that occurs when using polynomial interpolation with polynomials of high degree over a set of equispaced interpolation points.

4. Use of estimates and judgements (continued)

Input in data model of application of IFRS 16 requirements –(continued)

b. Credit spread

For the credit spread calculations, the Bank has approached the following logic:

1) Identify the international long-term Issuer Default Rating of the financial institution ("Bank"). International long-term IDR is given by the External Credit Rating Agency such as Moody's, Fitch or Standard & Poor. The Bank will use only the official, world-wide accepted, external credit rating agencies such as Fitch, Moody's and S&P because only these 3 agencies do the analyses world-wide, make and publish the studies on PDs, LGD's (where credit spread will be determined as PD*LGD) etc. on the global level. These three agencies are also the only ones allowed to be used for the purpose of relying on the expert-data parameters for e.g. in EU (as per CRD/CRR regulation etc.).
2) If the financial institution (Bank) does not have such a rating and it is part of a Group, the lower rating of the country ceiling for the country where Bank is located and the external agency's international long-term Issuer Default Rating of the ultimate parent is used. The underlying reason for this approach is that when a bank is part of a group, support is more likely.
3) If neither of these steps results in a rating, country ceiling for the country in which Bank is located is identified and at least one notch is subtracted. The country ceiling is the best rating that an entity based in that country can receive, so this is used as a benchmark as we tend to work with the biggest and most robust institutions. Additionally, the downward risk adjustment is made for the sake of prudence.

That particular rating of the Bank is assigned proper probability of default rate (PD rate), which is externally calculated – expert data given by the external credit rating agency. However, PD is just a probability. In order to approximate full credit risk, LGD is needed. By multiplying the PD rate and LGD rate, credit loss rate is obtained, and this is the approximation of credit risk.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (g) (viii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgments made in applying the Bank's accounting policies include:

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 3 (g) (viii).

The Bank measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4. Use of estimates and judgements (continued)

Valuation of financial instruments (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Bank uses proprietary valuation models, which usually are developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

4. Use of estimates and judgements (continued)

Fair values

The table below sets out the carrying amounts and fair values of the financial assets and liabilities and analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

		Carrying Amount	**Fair Value**			
31 December 2023	**Note**		**Level 1**	**Level 2**	**Level 3**	**Total**
Placement and balances with banks	8	342,462,320	-	342,462,320	-	342,462,320
Treasury bills	9	136,864,848	-	136,918,438	-	136,918,438
Trading and available-for-sale securities	10	1,108,565,120	948,148,904	160,416,216	-	1,108,565,120
Held-to-maturity securities	11	2,170,817,396	1,099,563,287	1,045,051,662	-	2,144,614,949
Loans to banks	12	134,830,538	-	134,830,538	-	134,830,538
Loans to customers	13	1,694,028,984	-	-	1,694,028,984	1,694,028,984
Total financial assets		**5,587,569,206**	**2,047,712,191**	**1,819,679,174**	**1,694,028,984**	**5,561,420,349**
Customer deposits	18	5,479,014,067	-	-	5,479,014,067	5,479,014,067
Due to banks and financial institutions	19	159,424,037	-	159,424,037	-	159,424,037
Debt securities issued	22	34,072,463	-	34,072,463	-	34,072,463
Subordinated debt	23	52,182,032	-	52,182,032	-	52,182,032
Total financial liabilities		**5,724,692,599**	**-**	**245,678,532**	**5,479,014,067**	**5,724,692,599**

31 December 2022	**Note**	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Placement and balances with banks	8	473,902,012	-	473,902,012	-	473,902,012
Treasury bills	9	226,996,072	-	226,996,072	-	226,996,072
Trading and available-for-sale securities	10	986,499,726	758,546,493	227,953,233	-	986,499,726
Held-to-maturity securities	11	1,698,295,580	793,952,719	791,065,070	-	1,585,017,789
Loans to banks	12	145,894,324	-	145,894,324	-	145,894,324
Loans to customers	13	1,383,681,949	-	-	1,383,681,949	1,383,681,949
Total financial assets		**4,915,269,663**	**1,552,499,212**	**1,865,810,711**	**1,383,681,949**	**4,801,991,872**
Customer deposits	18	4,591,435,866	-	-	4,591,435,866	4,591,435,866
Due to banks and financial institutions	19	305,784,334	-	305,784,334	-	305,784,334
Subordinated debt	23	50,319,179	-	50,319,179	-	50,319,179
Total financial liabilities		**4,947,539,379**	**-**	**356,103,513**	**4,591,435,866**	**4,947,539,379**

The fair value of foreign exchange contracts approximates their carrying amount, which is disclosed in Notes 16 and 21. The Fair value of loan to customers and customer deposits approximates to their carrying value either due to interest rates approximating the market rates or due to short term maturities.

5. Financial risk management

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risks
- operational risks

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

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments result in certain risks to the Bank. The most significant risks facing the Bank are credit risk, liquidity risk and market risk. Market risk includes foreign currency risk, interest rate risk and other price risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank’s risk management framework. The Board has established the Bank Risk Committee, Asset and Liability Committee (ALCO), Investment Committee, Risk Management Group and Credit Committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All these bodies report regularly to the Board of Directors on their activities.

The Bank’s risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

(b) Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank’s Loans to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Bank has formed a Credit Committee to oversee the approval of requests for credits. Credit requests with amounts over EUR 2,500,000 are approved only upon decision of the Board of Directors of the Bank. There is a continuous focus on the quality of credits extended both at the time of approval and throughout their lives.

Each business unit is required to comply with Bank credit policies and procedures. Regular audits of business units and Bank Credit Risk Management Department processes are undertaken by Internal Audit.

5. Financial risk management (continued)

(b) Credit Risk (continued)

i. Maximum credit exposure

The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets. Maximum exposures to credit risk before collateral and other credit enhancements as at 31 December 2023 and 31 December 2022 are as follows:

Financial Instruments Credit Risk	**31 December 2023**			**31 December 2022**		
	Exposure before impairment	**Impairment**	**Net exposure for credit risk**	**Exposure before impairment**	**Impairment**	**Net exposure for credit risk**
A. Credit risk exposure relating to balance sheet items						
Cash and Balances with Central Bank	676,805,203	-	676,805,203	537,491,661	-	537,491,661
Placements and Balances with banks	342,476,395	(14,075)	342,462,320	473,931,098	(29,086)	473,902,012
Investment securities - measured at FVTPL	11,759,570	-	11,759,570	4,387,015	-	4,387,015
Investment securities - measured at FVOCI	1,103,640,557	-	1,103,640,557	1,187,394,054	-	1,187,394,054
Investment securities - measured at amortised cost	2,320,318,180	(19,470,943)	2,300,847,237	1,730,849,064	(10,838,755)	1,720,010,309
Loans to banks	136,349,523	(1,518,985)	134,830,538	147,307,556	(1,413,232)	145,894,324
Loans to customers	1,748,606,735	(54,577,751)	1,694,028,984	1,441,294,092	(57,612,143)	1,383,681,949
Other assets	10,598,516	(896,549)	9,701,967	11,414,120	(522,566)	10,891,554
Total Assets	**6,350,554,679**	**(76,478,303)**	**6,274,076,376**	**5,534,068,660**	**(70,415,782)**	**5,463,652,878**
Off balance sheet items						
Undrawn credit commitments	290,078,945	-	290,078,945	164,784,323	-	164,784,323
Outstanding cheques of non-resident banks	326,566	-	326,566	315,525	-	315,525
Spot foreign currency contract	128,493,054	-	128,493,054	224,560,300	-	224,560,300
Collaterals for loan portfolio	4,654,093,419	-	4,654,093,419	3,861,262,871	-	3,861,262,871
Securities pledged as collateral	145,749,308	-	145,749,308	343,225,900	-	343,225,900
Interest rate swaps	103,994,039	-	103,994,039	-	-	-
Total off balance sheet	**5,322,735,331**	**-**	**5,322,735,331**	**4,594,148,919**	**-**	**4,594,148,919**
Total credit risk exposure	**11,673,290,010**	**(76,478,303)**	**11,596,811,707**	**10,128,217,579**	**(70,415,782)**	**10,057,801,797**

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement

Under IFRS 9's impairment framework, banks are required to recognize ECLs at all times, considering past events, current conditions and forward-looking information, and to update the amount of ECLs recognized at each reporting date to reflect changes in an asset's credit risk. This is a more forward-looking approach and results in a timelier recognition of credit losses.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. Based on the change of credit risk since initial recognition, assets are classified into 3 stages:

"Stage 1" comprises of assets that have not suffered any significant deterioration of credit quality since initial recognition;

"Stage 2" comprises of assets that have suffered significant deterioration since initial recognition;

"Stage 3" concerns all assets where a default has occurred.

Under this general approach, the ECL for an asset is calculated over different time horizons according to the stage it was assigned to:

ECL over one year for assets in stage 1;

ECL over remaining lifetime for assets in stage 2 and stage 3.

The stage assignment is done according to the following rules:

Impairment: if the counterparty for the considered asset has defaulted, the asset is assigned to "Stage 3". An asset is considered as having defaulted if any repayment (principal or interest) is overdue for more than 90 days or if the counterparty is in a proven situation of default (bankruptcy).

Rating D (lower than C): Assets with this rating are currently considered to be in "Stage 3".

Qualitative factors: IFRS 9 has advised to take in account qualitative factors such as watch lists or financial analysis by experts. Similar to the previous case, there is also a second time threshold. In case the repayment of an asset is overdue for more than 30 days and less than 90 days, it is assigned to "Stage 2".

Relative Threshold: if the counterparty has suffered significant deterioration in credit risk, that is if its credit quality since initial recognition has dropped more than a specific pre-defined relative threshold, then it is assigned to "Stage 2".

All assets that are not in the previous cases are assigned to "Stage 1".

Grouping of instruments for losses measured on a collective basis

In order to model expected losses on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such as credit rating, product type, remaining maturity, etc.

The subsequent ECL calculation is based on historical performance data for the relevant group. Where sufficient internal historical data is not available, the Group has used benchmarking internal/external supplementary data for modelling purposes..

The Bank has three main portfolios, which are:

- Loan portfolio

  This category includes wholesale and individual/retail accounts loans.

- Treasury portfolio

  This category includes bonds, treasury bills and equity accounts.

- Project and Structured Finance

  This category includes letters of credit and bank guarantees.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

Significant Deterioration through relative threshold
The bank computes a relative threshold matrix that gives for each rating a prediction of what the expected rating for each time horizon should be.

Through-the-cycle (TTC) transition matrices give the percentage of counterparties which moved from one rating to another over a specific time interval. TTC matrices over a 10 year horizon are taken since this gives a comfortable horizon for a relative threshold.

Computing relative thresholds for SICR
Given that the Bank does not have sufficient internal historical data to compile transition matrices, the bank relied on proxies provided by external credit rating agencies. External TTC transition matrices for all European/World entities provided by international credit rating agencies are used. The following steps are then carried out:
First the mapping between the internal and external rating systems is performed;
From there, a TTC transition matrix with the number of observations (number of entities that changed from one specific rating to another) is used and a weighted average per mapped rating is computed in order to compute the internal ratings TTC matrix.

Once TTC matrices are computed, the following steps are taken:

- The weighted average 1-year probability of default for each rating and for each time horizon is computed by multiplying each TTC matrix (for the different time horizons) by the PD vector over one year;
- Then the weighted average 1-year PDs are mapped to the closest corresponding ratings, which yields the average degradation matrix in terms of ratings;
- A downgrade is considered significant, with subsequent classification into Stage 2, if the current rating is worse than the relative threshold for the respective initial rating and time passed since initial recognition.

Forward-looking information incorporated in the ECL models
The TTC PDs are transformed into PIT PDs by taking in account the macroeconomic environment through a set of macroeconomic variables, such as real GDP growth rate, inflation rate, unemployment rate, investments, import change , current account balance, debt, export change etc. This data is sourced from the IMF's World Economic Outlook, including historical data starting from 1990 up to today and projections for the upcoming 4 years under three scenarios: baseline, best and adverse. The PIT PD model consists of a simplified form of the Merton model. In this framework, a systemic variable *"Xt"* which represents the macroeconomic environment is introduced. The sensitivity of each rating's PD to this variable is obtained via the calibration of the *"ρ"* parameter. The model takes in account the default rate of each year and calculates "Xt" for each year, which is then regressed with different combinations of macro-economic variables. Using projections of the macroeconomic variables, the regression formula is used to deduce projections of *"Xt"*, and based on the one factor Merton model the PIT PDs are obtained. The second PD model considers the default rate per rating in each year, which enables the calibration of the sensitivity ρi for all ratings.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques
The ECL calculation is based on the following key parameters:

1. Probability of default (PD);
2. Loss given default (LGD); and
3. Exposure at default (EAD).

ECL is estimated under Baseline (typical), Best (favourable) and Adverse (unfavourable) conditions.
The only Point-in-Time estimates are for Probability of Default. LGD assumes Basel estimates and EAD uses amortisation type payment schedules. Once all components (PD, EAD, LGD) have been computed, the ECL is estimated under three different scenarios: Baseline (typical), Best (favourable) and Adverse (unfavourable) condition, with weights 52%, 18% and 30% respectively. The final ECL is the probability-weighted ECL under those three scenarios.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

1. Probability of Default

The probability of default has been modelled on the basis of the one factor Merton model. The approach to model the point-in-time forward looking and macroeconomic PD is divided into three different steps: - The first step is to calibrate the cumulated TTC PDs; - The second step is to include the forward look information and transform the cumulated TTC PDs to PIT PDs; - The final step is to describe the conversion of PIT PDs to TTC PDs after a certain horizon.

Default rates are essential for the calculation of Point-in-Time Probability of Default (PD) and for the estimation of ECL.

The Bank uses internal default rate data for wholesale and individual segments and external default rate data for other segments. A number of macro-economic variables sourced from the IMF, including historical data starting from 1990 up to today and projections for the upcoming 4 years under three scenarios: baseline, best and adverse, were considered in modelling of PIT PD.

For non-rated accounts, PD are estimated using the nominal weighted average PD of all rated accounts within the same rating system.

2. Loss Given Default (LGD)

Loss Given Default is defined as the percentage of the Exposure at Default (EAD) that is ultimately lost in case of default of a counterparty, after all possible recoveries through selling of collateral or collection procedures. As regards to the loan to customers' portfolio, LGD is modelled based on collateral value and a number of parameters, such as Collateral Value, Time from Default to Possession, Probability of Cure, Probability of Possession, Time from Default to write off, Forced Sale Discount etc. All of these parameters are calculated based on internal credit history.

A defaulted collateralised asset can move through different stages post default. The bank can seize the collateral ("Possession") in order to sell it ("Sale") and make up for the potential loss due to the default of the counterparty. Possession of collateral can occur voluntarily ("handing over the keys") or via litigation (court proceedings). And sales may be carried out by the institution (after obtaining possession) or by means of a customer self-sale. On the date of collateral sale, any shortfall is recognised in the P&L (write-off expense) and subsequent recoveries (debt collection either internal or external) may occur. Write-off occurs when there is a shortfall on collateral sale. Closed and cures occur when the full outstanding is recovered with the former resulting in the account closing (i.e. no lending). Cure refers to both closed and curing accounts. For the unsecured/uncollateralised types of assets the value of the collateral is supposed to be 0 and the actual model is still applied taking in account pure debt collection. In the light of this recovery process, the Bank defines LGD as the expected severity (loss) given a default.

For the Treasury and Project and Structured Finance accounts, the Bank applies a fixed LGD of 25% for secured exposures, and 45% for unsecured exposures, based on the Basel III framework. For the Treasury and Project and Structured Finance portfolios, LGD values are assigned on an asset type level.

3. Exposure at Default (EAD)

An asset can have a customised, linear or bullet amortisation type. For assets with a customised amortisation type, repayment schedules are used to estimate EAD. For assets without any amortisation type, a linear repayment plan is assumed. For off balance sheet exposures, it is required that provisions are held against undrawn commitments. BKT's calculation of the credit conversion factor (CCF) values is in line with Basel II requirements under the standardised approach: "Commitments with an original maturity up to one year and commitments with an original maturity over one year will receive a CCF of 20% and 50%, respectively." Early repayment/refinance assumptions are also incorporated into the calculation. However the early repayments are considered to be 0 for all assets as the Bank's historical data suggests insignificant material impact.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in gross carrying amount of loans to customers at amortised cost.

CHANGES IN GROSS CARRYING AMOUNT OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2023	Retail lending				Corporate lending			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**615,100,726**	**14,363,501**	**11,047,248**	**640,511,475**	**635,022,727**	**127,455,682**	**43,193,554**	**805,671,963**
Transfer to Stage 1 (from 2 or 3)	5,664,683	(4,961,139)	(703,544)	-	10,751,351	(7,838,949)	(2,912,402)	-
Transfer to Stage 2 (from 1 or 3)	(7,395,284)	7,847,918	(452,634)	-	(15,360,557)	15,873,732	(513,175)	-
Transfer to Stage 3 (from 1 or 2)	(1,110,339)	(924,858)	2,035,197	-	(2,743,833)	(1,610,068)	4,353,901	-
New financial assets originated or purchased	262,698,759	550,346	823,785	264,072,890	275,961,522	1,455,370	719,408	278,136,300
Derecognition of financial assets	(62,735,403)	(973,418)	(1,255,337)	(64,964,158)	(67,320,310)	(2,359,255)	(3,555,372)	(73,234,937)
Changes due to modifications that did not result in derecognition	(31,147,480)	(333,974)	(199,965)	(31,681,419)	(56,153,341)	(4,442,421)	(1,871,554)	(62,467,316)
Write-offs	(30,189,383)	(1,002,638)	(1,450,587)	(32,642,608)	(43,964,031)	(15,578,259)	(1,071,232)	(60,613,522)
Foreign exchange and other changes	46,722,498	1,786,994	1,054,770	49,564,262	38,075,466	2,563,892	1,831,533	42,470,891
Gross Balance at 31 December 2023	**797,608,777**	**16,352,732**	**10,898,933**	**824,860,442**	**774,268,994**	**115,519,724**	**40,174,661**	**929,963,379**

The gross carrying amounts include principal and interest. Unamortized deferred fee is not included.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in gross carrying amount of loans to customers at amortised cost.

CHANGES IN GROSS CARRYING AMOUNT OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2022	Retail lending				Corporate lending			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**508,492,588**	**16,775,728**	**9,725,657**	**534,993,973**	**636,238,970**	**154,201,092**	**57,873,686**	**848,313,748**
Transfer to Stage 1 (from 2 or 3)	2,339,622	(2,336,493)	(3,129)	-	20,319,332	(3,037,917)	(17,281,415)	-
Transfer to Stage 2 (from 1 or 3)	(3,977,688)	4,045,358	(67,670)	-	5,542,926	(7,623,076)	2,080,150	-
Transfer to Stage 3 (from 1 or 2)	(2,263,912)	(1,773,605)	4,037,517	-	(2,332,109)	(747,636)	3,079,745	-
New financial assets originated or purchased	223,682,737	1,054,925	140,240	224,877,902	191,921,805	7,734,390	8,931,208	208,587,403
Derecognition of financial assets	(50,712,637)	(1,499,725)	(1,117,465)	(53,329,827)	(96,335,531)	(7,993,066)	(6,733,847)	(111,062,444)
Changes due to modifications that did not result in derecognition	(49,877,436)	(1,425,167)	(953,926)	(52,256,529)	(101,101,532)	(11,112,509)	(2,780,068)	(114,994,109)
Write-offs	(637)	-	(514,443)	(515,080)	-	-	(429,001)	(429,001)
Foreign exchange and other changes	(12,581,911)	(477,520)	(199,533)	(13,258,964)	(19,231,134)	(3,965,596)	(1,546,904)	(24,743,634)
Gross Balance at 31 December 2022	**615,100,726**	**14,363,501**	**11,047,248**	**640,511,475**	**635,022,727**	**127,455,682**	**43,193,554**	**805,671,963**

The gross carrying amounts include principal and interest. Unamortized deferred fee is not included.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in allowance of loans to customers at amortised cost

ALLOWANCE OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2023	Retail lending				Corporate lending			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023	**3,115,930**	**863,802**	**4,177,522**	**8,157,254**	**18,014,022**	**17,144,748**	**14,296,117**	**49,454,887**
Transfer to Stage 1 (from 2 or 3)	330,381	(141,526)	(275,712)	(86,857)	760,478	(265,485)	(623,564)	(128,571)
Transfer to Stage 2 (from 1 or 3)	(49,829)	205,795	(103,283)	52,683	(369,153)	426,246	(64,788)	(7,695)
Transfer to Stage 3 (from 1 or 2)	(9,889)	(39,100)	538,531	489,542	(79,893)	(91,589)	590,766	419,284
New financial assets originated or purchased	1,407,520	33,530	462,325	1,903,375	5,727,311	142,783	252,313	6,122,407
Derecognition of financial assets	(353,879)	(41,561)	(537,192)	(932,632)	(1,289,117)	(101,145)	(1,244,510)	(2,634,772)
Changes due to modifications that did not result in derecognition	(854,407)	46,295	367,347	(440,765)	(9,332,484)	(703,074)	581,069	(9,454,489)
Write-offs	-	-	(353,242)	(353,242)	-	-	(159,430)	(159,430)
Foreign exchange and other changes	189,226	106,990	397,343	693,559	800,864	71,345	611,004	1,483,213
Allowance at 31 December 2023	**3,775,053**	**1,034,225**	**4,673,639**	**9,482,917**	**14,232,028**	**16,623,829**	**14,238,977**	**45,094,834**

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in allowance of loans to customers at amortised cost

ALLOWANCE OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2022	Retail lending				Corporate lending			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**5,481,002**	**323,819**	**4,102,128**	**9,906,949**	**21,925,152**	**17,482,866**	**17,875,396**	**57,283,414**
Transfer to Stage 1 (from 2 or 3)	129,533	(58,736)	(103,125)	(32,328)	4,027,229	(223,044)	(4,469,881)	(665,696)
Transfer to Stage 2 (from 1 or 3)	41,314	48,382	(89,698)	(2)	(635,574)	517,540	91,902	(26,132)
Transfer to Stage 3 (from 1 or 2)	89,130	(36,962)	1,146,927	1,199,095	(122,401)	(22,942)	778,139	632,796
New financial assets originated or purchased	1,296,924	45,421	81,613	1,423,958	6,511,103	368,669	2,533,045	9,412,817
Derecognition of financial assets	(526,759)	(31,919)	(435,001)	(993,679)	(3,164,503)	(422,144)	(1,676,632)	(5,263,279)
Changes due to modifications that did not result in derecognition	(3,303,372)	501,718	92,356	(2,709,298)	(10,013,942)	(970,828)	60,930	(10,923,840)
Write-offs	(9)	-	(465,834)	(465,843)	-	-	(330,506)	(330,506)
Foreign exchange and other changes	(91,833)	72,079	(151,844)	(171,598)	(513,042)	414,631	(566,276)	(664,687)
Allowance at 31 December 2022	**3,115,930**	**863,802**	**4,177,522**	**8,157,254**	**18,014,022**	**17,144,748**	**14,296,117**	**49,454,887**

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in in gross carrying amount of financial assets where impairment requirements apply (other than loans to customers).

CHANGES IN GROSS CARRYING AMOUNT OF FINANCIAL ASSETS WHERE IMPAIRMENT REQUIREMENTS APPLY (OTHER THAN LOANS TO CUSTOMERS)

31 December 2023	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**339,981,928**	**-**	**-**	**339,981,928**	**1,253,800,492**	**20,718,381**	**38,496,204**	**1,313,015,077**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	(8,643,279)	8,643,279	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	(18,003,036)	18,003,036	-
New financial assets originated or purchased	237,428,723	-	-	237,428,723	502,533,218	-	-	502,533,218
Derecognition of financial assets	(261,984,885)	-	-	(261,984,885)	(618,463,030)	-	-	(618,463,030)
Changes due to modifications that did not result in derecognition	(6,363,897)	-	-	(6,363,897)	(2,985,126)	9,232,777	138,589	6,386,240
Reclassification of instruments	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	3,602,414	-	-	3,602,414	(22,876,757)	332,511	1,467,159	(21,077,087)
Gross Balance at 31 December 2023	**312,664,283**	**-**	**-**	**312,664,283**	**1,103,365,518**	**20,923,912**	**58,104,988**	**1,182,394,418**

31 December 2023	Investment Securities at amortised cost				Loan Commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**1,694,278,290**	**17,797,564**	**5,548,157**	**1,717,624,011**	**89,632,927**	**-**	**-**	**89,632,927**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	687,772,917	-	-	687,772,917	32,034,605	104,925	104,877	32,244,407
Derecognition of financial assets	(226,207,179)	(8,963,400)	-	(235,170,579)	(19,941,057)	-	-	(19,941,057)
Changes due to modifications that did not result in derecognition	(6,166,333)	(9,154,895)	68,522	(15,252,706)	(1,496,816)	55,291	-	(1,441,525)
Reclassification of instruments	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	166,923,919	320,731	117,927	167,362,577	2,719,342	-	-	2,719,342
Gross Balance at 31 December 2023	**2,316,601,614**	**-**	**5,734,606**	**2,322,336,220**	**102,949,001**	**160,216**	**104,877**	**103,214,094**

The gross carrying amounts include only Nominal amounts. Unamortized discount; Accrued interest and Marked to market gain/ (loss) are not included.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in in gross carrying amount of financial assets where impairment requirements apply (other than loans to customers).

CHANGES IN GROSS CARRYING AMOUNT OF FINANCIAL ASSETS WHERE IMPAIRMENT REQUIREMENTS APPLY (OTHER THAN LOANS TO CUSTOMERS)

31 December 2022	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**437,548,067**	**1,704,676**	**-**	**439,252,743**	**2,169,291,960**	**5,667,355**	**-**	**2,174,959,315**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	(2,454,181)	452,723	2,001,458	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	(18,701,032)	18,701,032	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	(29,494,176)	(5,667,355)	35,161,531	-
New financial assets originated or purchased	253,974,590	-	-	253,974,590	730,352,014	2,000,000	2,134,143	734,486,157
Derecognition of financial assets	(311,950,554)	(1,604,815)	-	(313,555,369)	(651,482,337)	-	-	(651,482,337)
Changes due to modifications that did not result in derecognition	(36,591,900)	-	-	(36,591,900)	(8,872,638)	62,623	902,220	(7,907,795)
Reclassification of instruments measured at FVOCI to amortised cost	-	-	-	-	(946,713,544)	-	-	(946,713,544)
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	(2,998,275)	(99,861)	-	(3,098,136)	11,874,426	(497,997)	(1,703,148)	9,673,281
Gross Balance at 31 December 2022	**339,981,928**	**-**	**-**	**339,981,928**	**1,253,800,492**	**20,718,381**	**38,496,204**	**1,313,015,077**

31 December 2022	Investment Securities at amortised cost				Loan Commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**216,321,458**	**2,266,942**	**-**	**218,588,400**	**65,034,366**	**557,782**	**-**	**65,592,148**
Transfer to Stage 1 (from 2 or 3)	(9,908,818)	8,854,061	1,054,757	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	106,707	(106,707)	-	-
Transfer to Stage 3 (from 1 or 2)	(2,300,000)	(2,266,942)	4,566,942	-	-	-	-	-
New financial assets originated or purchased	696,203,324	8,963,400	-	705,166,724	58,899,165	-	-	58,899,165
Derecognition of financial assets	(92,430,193)	-	-	(92,430,193)	(32,087,953)	(365,045)	-	(32,452,998)
Changes due to modifications that did not result in derecognition	(1,252,353)	(19,897)	59,257	(1,212,993)	(31,600)	-	-	(31,600)
Reclassification of instruments measured at FVOCI to amortised cost	946,713,544	-	-	946,713,544	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	(59,068,672)	-	(132,799)	(59,201,471)	(2,287,758)	(86,030)	-	(2,373,788)
Gross Balance at 31 December 2022	**1,694,278,290**	**17,797,564**	**5,548,157**	**1,717,624,011**	**89,632,927**	**-**	**-**	**89,632,927**

The gross carrying amounts include only Nominal amounts. Unamortized discount; Accrued interest and Marked to market gain/ (loss) are not included.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in in gross carrying amount of financial assets where impairment requirements apply (other than loans to customers).

Reconciliation of the accumulated impairment allowance of financial assets where impairment requirements apply (other than loans to customers)

31 December 2023	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**1,442,318**	**-**	**-**	**1,442,318**	**2,561,734**	**5,802,980**	**24,659,086**	**33,023,800**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	(312,214)	312,214	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	(3,046,315)	4,500,759	1,454,444
New financial assets originated or purchased	954,106	-	-	954,106	432,180	-	-	432,180
Derecognition of financial assets	(959,551)	-	-	(959,551)	(675,289)	-	-	(675,289)
Reclassification of instruments	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Changes in models/risk parameters	56,156	-	-	56,156	925,943	1,877,904	6,688,848	9,492,695
Foreign exchange and other movements	40,032	-	-	40,032	(237,707)	19,082	906,769	688,144
Allowance at 31 December 2023	**1,533,061**	**-**	**-**	**1,533,061**	**2,694,647**	**4,965,865**	**36,755,462**	**44,415,974**

31 December 2023	Debt Investment Securities at amortised cost				Loan Commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**4,528,553**	**2,870,605**	**3,439,597**	**10,838,755**	**522,566**	**-**	**-**	**522,566**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	3,331,652	-	-	3,331,652	362,867	20,052	45,342	428,261
Derecognition of financial assets	(572,237)	(11,524)	-	(583,761)	(186,541)	-	-	(186,541)
Reclassification of instruments	-	-	-	-				-
Write-offs	-	-	-	-	-	-	-	-
Changes in models/risk parameters	5,514,913	(2,962,881)	1,967,292	4,519,324	104,035	-	-	104,035
Foreign exchange and other movements	1,163,456	103,800	97,717	1,364,973	28,228	-	-	28,228
Allowance at 31 December 2023	**13,966,337**	**-**	**5,504,606**	**19,470,943**	**831,155**	**20,052**	**45,342**	**896,549**

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii Expected credit loss measurement (continued)

The following table sets out the changes in in gross carrying amount of financial assets where impairment requirements apply (other than loans to customers).

Reconciliation of the accumulated impairment allowance of financial assets where impairment requirements apply (other than loans to customers)

31 December 2022	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**1,415,309**	**3,211**	**-**	**1,418,520**	**5,404,593**	**65,761**	**-**	**5,470,354**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	(12,695)	6,331	6,364	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	(14,521)	14,521	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	(96,534)	(65,761)	8,790,383	8,628,088
New financial assets originated or purchased	973,140	-	-	973,140	509,547	417,202	1,506,705	2,433,454
Derecognition of financial assets	(481,452)	-	-	(481,452)	(1,072,214)	-	-	(1,072,214)
Reclassification of instruments measured at FVOCI to amortised cost	-	-	-	-	(2,155,991)	-	-	(2,155,991)
Write-offs	-	-	-	-	-	-	-	-
Changes in models/risk parameters	(511,919)	(3,023)	-	(514,942)	24,487	5,437,165	15,496,456	20,958,108
Foreign exchange and other movements	47,240	-188	-	47,052	-24,938	-72,239	-1,140,822	(1,237,999)
Allowance at 31 December 2022	**1,442,318**	**-**	**-**	**1,442,318**	**2,561,734**	**5,802,980**	**24,659,086**	**33,023,800**

31 December 2022	Debt Investment Securities at amortised cost				Loan Commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**1,272,206**	**29,690**	**-**	**1,301,896**	**694,376**	**6,292**	**-**	**700,668**
Transfer to Stage 1 (from 2 or 3)	(124,453)	123,820	633	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	3,792	(3,792)	-	-
Transfer to Stage 3 (from 1 or 2)	(7,297)	(29,690)	1,141,736	1,104,749	-	-	-	-
New financial assets originated or purchased	1,298,283	11,524	-	1,309,807	256,624	-	-	256,624
Derecognition of financial assets	(251,403)	-	-	(251,403)	(210,415)	(2,131)	-	(212,546)
Reclassification of instruments measured at FVOCI to amortised cost	2,155,991	-	-	2,155,991				
Write-offs	-	-	-	-	-	-	-	-
Changes in models/risk parameters	(292,242)	2,735,261	2,383,548	4,826,567	(195,930)	-	-	(195,930)
Foreign exchange and other movements	477,468	-	(86,320)	391,148	(25,881)	(369)	-	(26,250)
Allowance at 31 December 2022	**4,528,553**	**2,870,605**	**3,439,597**	**10,838,755**	**522,566**	**-**	**-**	**522,566**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis

The following table sets out information about the credit quality of loan to customers in 2023 by asset quality at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

LOANS TO CUSTOMERS BY ASSET QUALITY AT AMORTISED COST

	Stage 1					Stage 2				
31 December 2023	**Non Past Due**	**Past due**	**Total**	**Allowance**	**Total Carrying Amount**	**Non Past Due**	**Past due**	**Total**	**Allowance**	**Total Carrying Amount**
Retail lending	**754,334,034**	**38,393,036**	**792,727,070**	**3,696,582**	**789,030,488**	**3,311,762**	**13,040,971**	**16,352,733**	**1,034,141**	**15,318,592**
Mortgage	464,392,963	27,351,980	491,744,943	1,688,399	490,056,544	2,703,764	9,372,186	12,075,950	797,604	11,278,346
Consumer	276,563,243	9,871,770	286,435,013	1,826,399	284,608,614	607,851	3,459,622	4,067,473	212,032	3,855,441
Credit cards	13,377,828	1,169,286	14,547,114	181,784	14,365,330	147	209,163	209,310	24,505	184,805
Corporate lending	**744,893,042**	**28,040,571**	**772,933,613**	**14,204,105**	**758,729,508**	**60,500,087**	**55,019,638**	**115,519,725**	**16,623,583**	**98,896,142**
Corporate	607,756,503	17,550,117	625,306,620	11,777,606	613,529,014	55,381,044	49,070,154	104,451,198	15,887,929	88,563,269
SME	92,609,388	6,752,698	99,362,086	1,562,507	97,799,579	2,935,517	4,576,828	7,512,345	456,875	7,055,470
Micro	44,527,151	3,737,756	48,264,907	863,992	47,400,915	2,183,526	1,372,656	3,556,182	278,779	3,277,403
Total	**1,499,227,076**	**66,433,607**	**1,565,660,683**	**17,900,687**	**1,547,759,996**	**63,811,849**	**68,060,609**	**131,872,458**	**17,657,724**	**114,214,734**
Off balance sheet	**-**	**-**	**-**	**106,727**						
Retail Credit cards	-	-	-	78,557						
Business Credit cards	-	-	-	28,170						

	Stage 3						
31 December 2023	**Non Past Due**	**Past due**	**Total**	**Allowance**	**Total Carrying Amount**	**Total net amount at amortised cost**	**Value of discounted collateral**
Retail lending	**2,428,219**	**8,470,714**	**10,898,933**	**4,673,637**	**6,225,296**	**810,574,376**	**929,497,041**
Mortgage	1,963,548	3,344,313	5,307,861	1,190,394	4,117,467	505,452,357	667,747,428
Consumer	409,962	4,167,564	4,577,526	2,862,290	1,715,236	290,179,291	261,749,613
Credit cards	54,709	958,837	1,013,546	620,953	392,593	14,942,728	-
Corporate lending	**17,324,449**	**22,850,212**	**40,174,661**	**14,238,976**	**25,935,685**	**883,561,335**	**1,903,643,532**
Corporate	14,271,469	13,611,077	27,882,546	9,224,064	18,658,482	720,750,765	1,438,085,636
SME	2,208,569	3,120,170	5,328,739	1,989,682	3,339,057	108,194,106	311,709,967
Micro	844,411	6,118,965	6,963,376	3,025,230	3,938,146	54,616,464	153,847,929
Total	**19,752,668**	**31,320,926**	**51,073,594**	**18,912,613**	**32,160,981**	**1,694,135,711**	**2,833,140,573**

Past due related to each stage is referred as follows:
Stage 1: Past due 1-30 DPD, otherwise Non Past Due, Stage 2: Past due 31-90 DPD, otherwise Non Past Due, Stage 3: Past due over 90 DPD, otherwise Non Past Due.

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis

The following table sets out information about the credit quality of loan to customers in 2022 by asset quality at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

LOANS TO CUSTOMERS BY ASSET QUALITY AT AMORTISED COST

	Stage 1					Stage 2				
31 December 2022	**Non Past Due**	**Past due**	**Total**	**Allowance**	**Total Carrying Amount**	**Non Past Due**	**Past due**	**Total**	**Allowance**	**Total Carrying Amount**
Retail lending	**577,390,722**	**34,082,820**	**611,473,542**	**3,044,735**	**608,428,807**	**3,865,405**	**10,498,097**	**14,363,502**	**863,735**	**13,499,767**
Mortgage	350,260,052	24,141,178	374,401,230	1,391,043	373,010,187	3,113,587	7,474,922	10,588,509	706,975	9,881,534
Consumer	215,976,345	9,494,467	225,470,812	1,498,141	223,972,671	751,629	2,910,144	3,661,773	141,827	3,519,946
Credit cards	11,154,325	447,175	11,601,500	155,551	11,445,949	189	113,031	113,220	14,933	98,287
Corporate lending	**601,167,966**	**32,408,243**	**633,576,209**	**17,970,011**	**615,606,198**	**85,492,831**	**41,965,929**	**127,458,760**	**17,142,500**	**110,316,260**
Corporate	483,284,134	22,667,737	505,951,871	14,896,602	491,055,269	77,388,036	38,907,783	116,295,819	16,368,566	99,927,253
SME	80,719,924	5,315,561	86,035,485	1,912,386	84,123,099	5,870,996	1,652,688	7,523,684	452,825	7,070,859
Micro	37,163,908	4,424,945	41,588,853	1,161,023	40,427,830	2,233,799	1,405,458	3,639,257	321,109	3,318,148
Total	**1,178,558,688**	**66,491,063**	**1,245,049,751**	**21,014,746**	**1,224,035,005**	**89,358,236**	**52,464,026**	**141,822,262**	**18,006,235**	**123,816,027**

Off balance sheet	**-**	**-**	**-**	**119,772**
Retail Credit cards	-	-	-	72,127
Business Credit cards	-	-	-	47,645

	Stage 3						
31 December 2022	**Non Past Due**	**Past due**	**Total**	**Allowance**	**Total Carrying Amount**	**Total net amount at amortised cost**	**Value of discounted collateral**
Retail lending	**3,205,847**	**7,868,933**	**11,074,780**	**4,176,657**	**6,898,123**	**628,826,697**	**734,034,204**
Mortgage	2,514,789	3,646,574	6,161,363	1,350,846	4,810,517	387,702,238	541,541,387
Consumer	666,485	3,533,346	4,199,831	2,395,125	1,804,706	229,297,323	192,492,817
Credit cards	24,573	689,013	713,586	430,686	282,900	11,827,136	-
Corporate lending	**23,082,314**	**20,264,983**	**43,347,297**	**14,294,731**	**29,052,566**	**754,975,024**	**1,561,082,826**
Corporate	17,424,325	12,435,583	29,859,908	9,788,929	20,070,979	611,053,501	1,164,522,241
SME	4,159,794	4,933,049	9,092,843	2,925,384	6,167,459	97,361,417	267,231,206
Micro	1,498,195	2,896,351	4,394,546	1,580,418	2,814,128	46,560,106	129,329,379
Total	**26,288,161**	**28,133,916**	**54,422,077**	**18,471,388**	**35,950,689**	**1,383,801,721**	**2,295,117,030**

Past due related to each stage is referred as follows:

Stage 1: Past due 1-30 DPD, otherwise Non Past Due, Stage 2: Past due 31-90 DPD, otherwise Non Past Due, Stage 3: Past due over 90 DPD, otherwise Non Past Due.

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the aging analyses of loan to customers in 2023 by business lines' products.

	Retail lending											
31 December 2023	**Mortgage**				**Consumer**				**Credit cards**			
	Stage1	Stage2	Stage3	**Total**	Stage1	Stage2	Stage3	**Total**	Stage1	Stage2	Stage3	**Total**
Current	462,811,209	1,509,883	770,796	465,091,888	274,789,759	465,435	132,109	275,387,303	13,206,961	117	4,887	13,211,965
1 - 30 days	27,245,335	894,781	478,978	28,619,094	9,818,855	96,521	75,904	9,991,280	1,158,369	(12)	1,545	1,159,902
31 - 90 days	-	8,873,682	590,738	9,464,420	-	3,293,485	138,520	3,432,005	-	184,700	530	185,230
91 - 180 days	-	-	456,514	456,514	-	-	253,181	253,181	-	-	12,575	12,575
181 - 360 days	-	-	254,279	254,279	-	-	287,188	287,188	-	-	373,056	373,056
> 361 days	-	-	1,566,162	1,566,162	-	-	828,334	828,334	-	-	-	-
Total	**490,056,544**	**11,278,346**	**4,117,467**	**505,452,357**	**284,608,614**	**3,855,441**	**1,715,236**	**290,179,291**	**14,365,330**	**184,805**	**392,593**	**14,942,728**
Value of discounted collateral	631,523,243	21,912,426	14,311,759	667,747,428	253,190,277	5,490,753	3,068,583	261,749,613	-	-	-	-

LOANS TO CUSTOMERS AT AMORTISED COST

	Corporate lending											
31 December 2023	**Large Corporate**				**SME Corporate**				**Micro Corporate**			
	Stage1	Stage2	Stage3	**Total**	Stage1	Stage2	Stage3	**Total**	Stage1	Stage2	Stage3	**Total**
Current	596,395,496	37,672,515	3,225,125	637,293,136	91,235,662	2,751,431	1,057,119	95,044,212	43,778,229	1,756,325	523,645	46,058,199
1 - 30 days	17,133,518	9,753,112	976,127	27,862,757	6,563,917	328,735	443,215	7,335,867	3,622,686	247,598	109,740	3,980,024
31 - 90 days	-	41,137,642	6,343,632	47,481,274	-	3,975,304	482,331	4,457,635	-	1,273,480	409,018	1,682,498
91 - 180 days	-	-	-	-	-	-	342,728	342,728	-	-	442,432	442,432
181 - 360 days	-	-	-	-	-	-	451,973	451,973	-	-	395,653	395,653
> 361 days	-	-	8,113,598	8,113,598	-	-	561,691	561,691	-	-	2,057,658	2,057,658
Total	**613,529,014**	**88,563,269**	**18,658,482**	**720,750,765**	**97,799,579**	**7,055,470**	**3,339,057**	**108,194,106**	**47,400,915**	**3,277,403**	**3,938,146**	**54,616,464**
Value of discounted collateral	1,296,647,142	89,939,636	51,498,858	1,438,085,636	270,915,015	23,973,229	16,821,723	311,709,967	124,852,813	9,822,589	19,172,527	153,847,929

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the aging analyses of loan to customers in 2022 by business lines' products.

LOANS TO CUSTOMERS AT AMORTISED COST

Retail lending

31 December 2022	Mortgage				Consumer				Credit cards			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Current	349,011,644	2,011,418	940,985	351,964,047	214,539,131	337,101	287,016	215,163,248	11,002,564	(31)	9,631	11,012,164
1 - 30 days	23,998,543	721,103	569,096	25,288,742	9,433,540	367,390	22,747	9,823,677	443,385	168	572	444,125
31 - 90 days	-	7,149,013	495,092	7,644,105	-	2,815,455	111,280	2,926,735	-	98,150	854	99,004
91 - 180 days	-	-	476,953	476,953	-	-	211,431	211,431	-	-	7,605	7,605
181 - 360 days	-	-	329,794	329,794	-	-	345,721	345,721	-	-	264,239	264,239
> 361 days	-	-	1,998,597	1,998,597	-	-	826,511	826,511	-	-	-	-
Total	**373,010,187**	**9,881,534**	**4,810,517**	**387,702,238**	**223,972,671**	**3,519,946**	**1,804,706**	**229,297,323**	**11,445,949**	**98,287**	**282,901**	**11,827,137**
Value of discounted collateral	506,743,996	18,915,822	15,881,569	**541,541,387**	184,514,046	4,785,454	3,193,317	**192,492,817**	-	-	-	-

LOANS TO CUSTOMERS AT AMORTISED COST

Corporate lending

31 December 2022	Large Corporate				SME Corporate				Micro Corporate			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Current	469,278,163	66,851,046	7,137,429	543,266,638	78,987,416	5,103,747	2,720,177	86,811,340	36,156,816	1,497,689	844,949	38,499,454
1 - 30 days	21,777,106	1,165,380	4,258,702	27,201,188	5,135,683	447,569	441,396	6,024,648	4,271,014	491,049	63,393	4,825,456
31 - 90 days	-	31,910,827	1,270,578	33,181,405	-	1,519,543	117,236	1,636,779	-	1,329,410	275,451	1,604,861
91 - 180 days	-	-	32,099	32,099	-	-	306,841	306,841	-	-	383,735	383,735
181 - 360 days	-	-	-	-	-	-	995,401	995,401	-	-	190,363	190,363
> 361 days	-	-	7,372,171	7,372,171	-	-	1,586,408	1,586,408	-	-	1,056,237	1,056,237
Total	**491,055,269**	**99,927,253**	**20,070,979**	**611,053,501**	**84,123,099**	**7,070,859**	**6,167,459**	**97,361,417**	**40,427,830**	**3,318,148**	**2,814,128**	**46,560,106**
Value of discounted collateral	1,030,789,896	88,301,609	45,430,736	**1,164,522,241**	223,430,089	21,707,824	22,093,293	**267,231,206**	105,427,207	10,488,120	13,414,052	**129,329,379**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality of financial assets, other than loans to customers, measured at amortised cost, FVOCI debt investments in 2023. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	2023				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit-impaired**	**Total**
Placements and Balances with banks at amortised cost					
Aa1 to Aa3	15,497,198	-	-	-	15,497,198
A1 to A3	124,693,889	-	-	-	124,693,889
Baa1 to Baa3	11,061,633	-	-	-	11,061,633
Ba1 to Ba3	16,313,184	-	-	-	16,313,184
B1 to B3	5,530,674	-	-	-	5,530,674
Caa1 to Caa3	-	-	-	-	-
Unrated	4,536,709	-	-	-	4,536,709
Exposure before impairment	**177,633,287**	-	-	-	**177,633,287**
Loss allowance	14,075	-	-	-	14,075
Carrying amount	**177,619,212**	**-**	**-**	**-**	**177,619,212**
Loans to Banks at amortised cost					
Aa1 to Aa3	-	-	-	-	-
A1 to A3	-	-	-	-	-
Baa1 to Baa3	20,044,767	-	-	-	20,044,767
Ba1 to Ba3	25,854,592	-	-	-	25,854,592
B1 to B3	69,441,326	-	-	-	69,441,326
Caa1 to Caa3	21,008,838	-	-	-	21,008,838
Unrated	-		-	-	-
Exposure before impairment	**136,349,523**	-	-	-	**136,349,523**
Loss allowance	1,518,985	-	-	-	1,518,985
Carrying amount	**134,830,538**	**-**	**-**	**-**	**134,830,538**
Investment Securities at FVOCI					
Aa1 to Aa3	354,725,265	-	-	-	354,725,265
A1 to A3	142,774,566	-	-	-	142,774,566
Baa1 to Baa3	153,728,822	-	-	-	153,728,822
Ba1 to Ba3	117,485,443	-	-	-	117,485,443
B1 to B3	182,660,544	-	-	-	182,660,544
Caa1 to Caa3	-	13,098,912	-	-	13,098,912
Unrated	108,346,429	-	5,954,458	-	114,300,887
Rating Withdrawn	-	-	24,866,118		24,866,118
Exposure before impairment	**1,059,721,069**	**13,098,912**	**30,820,576**	-	**1,103,640,557**
Loss allowance	-	-	-	-	-
Carrying amount	**1,059,721,069**	**13,098,912**	**30,820,576**	**-**	**1,103,640,557**
Investment Securities at Amortised Cost					
Aa1 to Aa3	120,542,820	-	-	-	120,542,820
A1 to A3	122,966,551	-	-	-	122,966,551
Baa1 to Baa3	262,813,211	-	-	-	262,813,211
Ba1 to Ba3	130,128,225	-	-	-	130,128,225
B1 to B3	1,530,743,067	-	-	-	1,530,743,067
Caa1 to Caa3	-	-	-	-	-
Unrated	28,744,128	-	3,563,310	-	32,307,438
Rating Withdrawn	-	-	2,419,402	-	2,419,402
Exposure	**2,195,938,002**	**-**	**5,982,712**	**-**	**2,201,920,714**
Loss allowance	25,598,712	-	5,504,606	-	31,103,318
Carrying amount	**2,170,339,290**	**-**	**478,106**	**-**	**2,170,817,396**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality of financial assets, other than loans to customers, measured at amortised cost, FVOCI debt investments in 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	2022				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit-impaired**	**Total**
Placements and Balances with banks at amortised cost					
Aaa to Aa3	-	-	-	-	**-**
A1 to A3	49,378,375	-	-	-	**49,378,375**
Baa1 to Baa3	60,960,641	-	-	-	**60,960,641**
Ba1 to Ba3	46,974,174	-	-	-	**46,974,174**
B1 to B3	16,896,997	-	-	-	**16,896,997**
Caa1 to Caa3	-				**-**
Unrated	19,546,419	-	-	-	**19,546,419**
Exposure before impairment	193,756,606	-	-	-	**193,756,606**
Loss allowance	29,086	-	-	-	**29,086**
Carrying amount	**193,727,520**	**-**	**-**	**-**	**193,727,520**
Loans to Banks at amortised cost					
Aa1 to Aa3	-	-	-	-	**-**
A1 to A3	-	-	-	-	**-**
Baa1 to Baa3	-	-	-	-	**-**
Ba1 to Ba3	71,015,185	-	-	-	**71,015,185**
B1 to B3	76,292,371	-	-	-	**76,292,371**
Caa1 to Caa3	-	-	-	-	**-**
Unrated	-		-	-	**-**
Exposure before impairment	147,307,556	-	-	-	**147,307,556**
Loss allowance	1,413,232	-	-	-	**1,413,232**
Carrying amount	**145,894,324**	**-**	**-**	**-**	**145,894,324**
Investment Securities at FVOCI					
Aa1 to Aa3	235,919,915	-	-	-	**235,919,915**
A1 to A3	105,862,748	-	-	-	**105,862,748**
Baa1 to Baa3	115,324,368	-	-	-	**115,324,368**
Ba1 to Ba3	140,796,457	-	-	-	**140,796,457**
B1 to B3	471,330,948	-	-	-	**471,330,948**
Caa1 to Caa3	7,248,572	1,079,564	-	-	**8,328,136**
Unrated	80,416,112	-	5,745,851	-	**86,161,963**
Rating Withdrawn	-	13,082,907	10,586,612		**23,669,519**
Exposure before impairment	1,156,899,120	14,162,471	**16,332,463**	-	**1,187,394,054**
Loss allowance	-	-	-	-	**-**
Carrying amount	**1,156,899,120**	**14,162,471**	**16,332,463**	**-**	**1,187,394,054**
Investment Securities at Amortised Cost					
Aa1 to Aa3	14,931,896	-	-	-	**14,931,896**
A1 to A3	58,317,334	-	-	-	**58,317,334**
Baa1 to Baa3	223,301,489	-	1,116,009	-	**224,417,498**
Ba1 to Ba3	134,982,147	-	-	-	**134,982,147**
B1 to B3	1,254,662,002	8,943,491	-	-	**1,263,605,493**
Caa1 to Caa3	1,062,430	8,834,164	-	-	**9,896,594**
Unrated	15,262,415	-	2,238,599	-	**17,501,014**
Rating Withdrawn	-	-	2,388,283	-	**2,388,283**
Exposure	**1,702,519,713**	**17,777,655**	**5,742,891**	**-**	**1,726,040,259**
Loss allowance	21,434,478	2,870,605	3,439,596	-	**27,744,679**
Carrying amount	**1,681,085,235**	**14,907,050**	**2,303,295**	**-**	**1,698,295,580**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality loans to customers for the corporate portfolio in 2023. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST - CORPORATE PORTFOLIO

31 December 2023	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Large Corporate				
Strong (rating A)	6,040,176	-	-	**6,040,176**
Satisfactory (rating B&C)	596,932,022	47,000,654	56,496	**643,989,172**
Watch list (higher risk) (rating D lower than C)	-	-	13,796,615	**13,796,615**
Default (Lower than D and over 90 days past due)	-	-	14,006,798	**14,006,798**
Total Rated	**602,972,198**	**47,000,654**	**27,859,909**	**677,832,761**
Non Rated	22,334,422	57,450,544	22,637	**79,807,603**
Total gross amount	**625,306,620**	**104,451,198**	**27,882,546**	**757,640,364**
Loss allowance	11,777,606	15,887,929	9,224,064	**36,889,599**
Carrying amount	613,529,014	88,563,269	18,658,482	**720,750,765**
Discounted collateral held for credit impaired assets	1,296,647,142	89,939,636	51,498,858	**1,438,085,636**
SME Corporate				
Strong (rating A)	4,936,906	-	-	**4,936,906**
Satisfactory (rating B&C)	93,538,901	7,278,208	39,369	**100,856,478**
Watch list (higher risk) (rating D lower than C)	-	-	2,105,917	**2,105,917**
Default (Lower than D and over 90 days past due)	-	-	3,134,947	**3,134,947**
Total Rated	**98,475,807**	**7,278,208**	**5,280,233**	**111,034,248**
Non Rated	886,279	234,137	48,506	**1,168,922**
Total gross amount	**99,362,086**	**7,512,345**	**5,328,739**	**112,203,170**
Loss allowance	1,562,507	456,875	1,989,682	**4,009,064**
Carrying amount	97,799,579	7,055,470	3,339,057	**108,194,106**
Discounted collateral held for credit impaired assets	270,915,015	23,973,229	16,821,723	**311,709,967**
Micro Corporate				
Strong (rating A)	4,387,631	-	-	**4,387,631**
Satisfactory (rating B&C)	36,118,600	2,019,214	19,250	**38,157,064**
Watch list (higher risk) (rating D lower than C)	-	-	532,559	**532,559**
Default (Lower than D and over 90 days past due)	-	-	6,186,653	**6,186,653**
Total Rated	**40,506,231**	**2,019,214**	**6,738,462**	**49,263,907**
Non Rated	7,758,676	1,536,968	224,914	**9,520,558**
Total gross amount	**48,264,907**	**3,556,182**	**6,963,376**	**58,784,465**
Loss allowance	863,992	278,779	3,025,230	**4,168,001**
Carrying amount	47,400,915	3,277,403	3,938,146	**54,616,464**
Discounted collateral held for credit impaired assets	124,852,813	9,822,589	19,172,527	**153,847,929**
OFF BALANCE SHEET				
Credit cards Loss allowance	28,170			**28,170**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality loans to customers for the corporate portfolio in 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST - CORPORATE PORTFOLIO

31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Large Corporate				
Strong (rating A)	6,374,636	-	-	**6,374,636**
Satisfactory (rating B&C)	419,083,906	50,279,076	47,101	**469,410,083**
Watch list (higher risk) (rating D lower than C)	-	-	16,532,286	**16,532,286**
Default (Lower than D and over 90 days past due)	-	-	13,265,397	**13,265,397**
Total Rated	**425,458,542**	**50,279,076**	**29,844,784**	**505,582,402**
Non Rated	**80,493,329**	**66,016,743**	**15,124**	**146,525,196**
Total gross amount	**505,951,871**	**116,295,819**	**29,859,908**	**652,107,598**
Loss allowance	14,896,602	16,368,566	9,788,929	**41,054,097**
Carrying amount	*491,055,269*	*99,927,253*	*20,070,979*	***611,053,501***
Discounted collateral held for credit impaired assets	**1,030,789,896**	**88,301,609**	**45,430,736**	**1,164,522,241**
SME Corporate				
Strong (rating A)	4,107,745	-	-	**4,107,745**
Satisfactory (rating B&C)	80,287,770	7,358,756	50,102	**87,696,628**
Watch list (higher risk) (rating D lower than C)	-	-	3,799,332	**3,799,332**
Default (Lower than D and over 90 days past due)	-	-	5,225,322	**5,225,322**
Total Rated	*84,395,515*	*7,358,756*	*9,074,756*	***100,829,027***
Non Rated	1,639,970	164,928	18,087	**1,822,985**
Total gross amount	**86,035,485**	**7,523,684**	**9,092,843**	**102,652,012**
Loss allowance	*1,912,386*	*452,825*	*2,925,384*	***5,290,595***
Carrying amount	**84,123,099**	**7,070,859**	**6,167,459**	**97,361,417**
Discounted collateral held for credit impaired assets	**223,430,089**	**21,707,824**	**22,093,293**	**267,231,206**
Micro Corporate				
Strong (rating A)	3,895,056	-	-	**3,895,056**
Satisfactory (rating B&C)	31,420,973	2,579,824	29,601	**34,030,398**
Watch list (higher risk) (rating D lower than C)	-	-	842,048	**842,048**
Default (Lower than D and over 90 days past due)	-	-	3,334,309	**3,334,309**
Total Rated	*35,316,029*	*2,579,824*	*4,205,958*	***42,101,811***
Non Rated	6,272,824	1,059,433	188,588	**7,520,845**
Total gross amount	**41,588,853**	**3,639,257**	**4,394,546**	**49,622,656**
Loss allowance	1,161,023	321,109	1,580,418	**3,062,550**
Carrying amount	**40,427,830**	**3,318,148**	**2,814,128**	**46,560,106**
Discounted collateral held for credit impaired assets	105,427,207	10,488,120	13,414,052	**129,329,379**
OFF BALANCE SHEET				
Credit cards Loss allowance	47,645	-	-	**47,645**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality loans to customers for the retail portfolio in 2023. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST – RETAIL PORTFOLIO

31 December 2023	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Mortgage				
Strong	26,299,810	61,771	-	**26,361,581**
Satisfactory	347,294,005	11,315,466	110,355	**358,719,826**
Watch list (higher risk)	-	-	1,823,943	**1,823,943**
Defaults	-	-	3,373,563	**3,373,563**
Non Rated	118,151,128	698,713	-	**118,849,841**
Total gross amount	**491,744,943**	**12,075,950**	**5,307,861**	**509,128,754**
Loss allowance	1,688,399	797,604	1,190,394	**3,676,397**
Carrying amount	490,056,544	11,278,346	4,117,467	**505,452,357**
Discounted collateral held for credit impaired assets	631,523,243	21,912,426	14,311,759	**667,747,428**
Consumer				
Strong	16,867,942	54,875	184	**16,923,001**
Satisfactory	31,663,218	2,393,857	3,525	**34,060,600**
Watch list (higher risk)	-	-	353,776	**353,776**
Defaults	-	-	4,195,815	**4,195,815**
Non Rated	237,903,853	1,618,741	24,226	**239,546,820**
Total gross amount	**286,435,013**	**4,067,473**	**4,577,526**	**295,080,012**
Loss allowance	1,826,399	212,032	2,862,290	**4,900,721**
Carrying amount	284,608,614	3,855,441	1,715,236	**290,179,291**
Discounted collateral held for credit impaired assets	253,190,277	5,490,753	3,068,583	**261,749,613**
Credit cards				
Defaults	-	-	1,002,060	**1,002,060**
Non Rated	14,547,114	209,310	11,486	**14,767,910**
Total gross amount	**14,547,114**	**209,310**	**1,013,546**	**15,769,970**
Loss allowance	181,784	24,505	620,953	**827,242**
Carrying amount	14,365,330	184,805	392,593	**14,942,728**
Discounted collateral held for credit impaired assets	-	-	-	**-**
OFF BALANCE SHEET				
Credit cards Loss allowance	78,557			**78,557**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality loans to customers for the retail portfolio in 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST – RETAIL PORTFOLIO

31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Mortgage				
Strong	15,866,129	-	43,585	**15,909,714**
Satisfactory	274,086,702	9,765,112	576,679	**284,428,493**
Watch list (higher risk)	-	-	1,735,853	**1,735,853**
Defaults	-	-	3,805,246	**3,805,246**
Non Rated	84,448,399	823,397	-	**85,271,796**
Total gross amount	**374,401,230**	**10,588,509**	**6,161,363**	**391,151,102**
Loss allowance	1,391,043	706,975	1,350,846	**3,448,864**
Carrying amount	**373,010,187**	**9,881,534**	**4,810,517**	**387,702,238**
Discounted collateral held for credit impaired assets	506,743,996	18,915,822	15,881,569	**541,541,387**
Consumer				
Strong	13,853,525	36,192	2,860	**13,892,577**
Satisfactory	38,733,252	1,908,033	59,708	**40,700,993**
Watch list (higher risk)	-	-	380,265	**380,265**
Defaults	-	-	3,694,498	**3,694,498**
Non Rated	172,884,035	1,717,548	62,500	**174,664,083**
Total gross amount	**225,470,812**	**3,661,773**	**4,199,831**	**233,332,416**
Loss allowance	1,498,141	141,827	2,395,125	**4,035,093**
Carrying amount	**223,972,671**	**3,519,946**	**1,804,706**	**229,297,323**
Discounted collateral held for credit impaired assets	**184,514,046**	**4,785,454**	**3,193,317**	**192,492,817**
Credit cards				
Defaults	-	-	689,013	**689,013**
Non Rated	11,601,500	113,220	24,573	**11,739,293**
Total gross amount	**11,601,500**	**113,220**	**713,586**	**12,428,306**
Loss allowance	155,551	14,933	430,686	**601,170**
Carrying amount	**11,445,949**	**98,287**	**282,900**	**11,827,136**
Discounted collateral held for credit impaired assets	-	-	-	**-**
OFF BALANCE SHEET				
Credit cards Loss allowance	72,127	-	-	**72,127**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider.

Once the loan is restructured, its performance is closely monitored for the purpose of impairment testing.

Set out below are the carrying amounts of loans to customers whose term have been renegotiated and are under monitoring:

FORBORNE LOANS TO CUSTOMERS ACCORDING TO THEIR CREDIT QUALITY AT AMORTISED COST

31 December 2023	Total amount of Loans	Total amount of Forborne Loans (Permanent modification)	Forborne Loans (%)
Stage 1	1,565,660,683	2,302,413	0.1%
Stage 2	131,872,458	72,469,274	55.0%
Stage 3	51,073,594	10,404,405	20.4%
Exposure before impairment	**1,748,606,735**	**85,176,092**	**4.9%**
Stage 1 Allowance	17,900,687	13,170	0.1%
Stage 2 Allowance	17,657,724	11,959,319	67.7%
Stage 3 Allowance	18,912,613	3,084,572	16.3%
Total net amount	**1,694,135,711**	**70,119,031**	**4.1%**
Discounted value of collateral	2,833,140,573	92,674,443	3.3%
Off Balance Sheet Allowance	**106,727**	**-**	**-**

FORBORNE LOANS TO CUSTOMERS ACCORDING TO THEIR CREDIT QUALITY AT AMORTISED COST

31 December 2022	Total amount of Loans	Total amount of Forborne Loans (Permanent modification)	Forborne Loans (%)
Stage 1	1,245,049,751	10,719,083	0.9%
Stage 2	141,822,262	75,015,566	52.9%
Stage 3	54,422,077	11,493,576	21.1%
Exposure before impairment	**1,441,294,090**	**97,228,225**	**6.7%**
Stage 1 Allowance	21,014,746	232,357	1.1%
Stage 2 Allowance	18,006,235	13,606,329	75.6%
Stage 3 Allowance	18,471,388	3,135,690	17.0%
Total net amount	**1,383,801,721**	**80,253,849**	**5.8%**
Discounted value of collateral	2,295,117,030	116,268,877	5.1%
Off Balance Sheet Allowance	**119,772**	**-**	**-**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iv. Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.
The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Financial Assets
- Charges over business assets such as premises, machineries, and accounts receivable;

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

Set out below is an analysis of collateral and credit enhancement obtained during the years:

	Loans to customers		
31 December 2023	**Retail**	**Corporate**	**Total Loans**
Residential, commercial or industrial Property	1,309,399,510	1,655,454,035	2,964,853,545
Financial assets	66,945,882	1,091,081,252	1,158,027,134
Other	269,953,371	261,259,369	531,212,740
Total	**1,646,298,763**	**3,007,794,656**	**4,654,093,419**

	Loans to customers		
31 December 2022	**Retail**	**Corporate**	**Total Loans**
Residential, commercial or industrial Property	1,075,167,285	1,443,429,538	2,518,596,823
Financial assets	52,563,863	924,229,550	976,793,413
Other	160,759,194	205,113,437	365,872,631
Total	**1,288,490,342**	**2,572,772,525**	**3,861,262,867**

5. Financial risk management (continued)

(b) Credit Risk (continued)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). The Risk Committee of BKT is engaged with the grading of the customers and their scoring according to the appropriate categories. It decides the changes of grading and takes the necessary actions according to the monitoring procedures. The Risk Committee grades each loan according to these factors:

- Ability to Pay
- Financial Condition
- Management ability
- Collateral and Guarantors
- Loan Structure
- Industry and Economics

Past due but not impaired loans

Past due but not impaired loans are those loans and securities, where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio and other financial assets. It relates to the specific loss component for individually significant exposures.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) with the decision of the Board of Directors, in accordance with the regulation of Bank of Albania “On Credit Risk Management”. The write-off decision is taken after considering information such as the occurrence of significant changes in the borrower / issuer’s financial position, such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

5. Financial risk management (continued)

(b) Credit Risk (continued)

v. Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and investment securities as at 31 December 2023 and 31 December 2022 is shown below:

	Note	Loans to customers		Loans to banks		Investment Securities	
		31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Carrying amount	9,10,11	**1,694,028,984**	**1,383,681,949**	**134,830,538**	**138,246,339**	**3,416,247,364**	**2,558,621,973**
Concentration by sector							
Corporate		882,738,293	753,572,033	3,396,419	-	360,933,122	342,014,464
Government		794,872	1,355,346	4,692,563	16,465,437	2,480,597,956	2,030,613,264
Banks		-	-	126,741,556	129,428,887	574,716,286	539,163,650
Retail		810,495,819	628,754,570	-	-	-	-
Total		**1,694,028,984**	**1,383,681,949**	**134,830,538**	**145,894,324**	**3,416,247,364**	**2,911,791,378**

Concentration by location	**Note**	**Loans to customers**		**Loans to banks**		**Investment securities**	
		31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Albania		978,277,354	767,785,462	-	-	1,661,623,750	1,527,106,476
Kosovo		670,879,294	558,697,265	-	-	39,803,280	44,769,360
Europe		11,584,104	21,525,333	89,655,048	92,977,620	1,119,504,537	813,078,001
Asia		-	-	3,613,272	19,755,072	219,772,164	218,982,412
Middle East and Africa		-	-	41,562,218	33,161,632	124,531,273	113,629,254
America		33,288,232	35,673,889			221,243,815	165,011,032
Australia		-	-	-	-	29,768,545	29,214,843
Total	9,10,11	**1,694,028,984**	**1,383,681,949**	**134,830,538**	**145,894,324**	**3,416,247,364**	**2,911,791,378**

5. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The purpose of Liquidity Risk Management (LRM) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Bank’s LRM policy includes how the Bank identifies, measures, monitors and control that risk.

Organization of LRM: Bank’s LRM Organization includes two different bodies in the monitoring and management of liquidity. The involvement of different bodies helps provide clear allocation of the responsibility for monitoring/reporting and management of Liquidity Risk. Day-to-day management of liquidity belongs to the Treasury Group but day-to-day monitoring of Liquidity risk and compliance to the limits belongs to the Risk Management Group. The main purpose of the Risk Management Group, which conducts daily overview of LRM reports, is to provide an early warning signal of liquidity risk to the senior management of the Bank.

LRM Reports: Bank’s LRM policy includes sets of daily and monthly reports to be reviewed and monitored by Market Risk Department. Daily reports include Maximum Cumulative Outflow table and Cumulative Assets and Liabilities Breakdown table, which control respectively daily and monthly inflows/outflows of liquidity till 1-year maturity under “business as usual” scenario. Monthly reports include stress testing liquidity breakdown tables, which control daily and monthly inflows/ outflows of liquidity under separate bank specific and market specific crisis scenarios till 3-months maturity.

The LRM approach of the Bank results in positive liquidity gaps for all time stages up to one year as at 31 December 2023. This resulted mainly because of the following three assumptions:

- Using statistical method and historical data (derived since 2001), the actual LRM reports include analysis into the behavioural re-investment pattern of deposits;
- Short term securities available for sale are considered liquid through the secured funding from Bank of Albania;
- Bank’s reserve requirements held with BoA are considered as non-liquid assets.

An analysis of the Bank’s expected timing of cash flows by simple remaining maturity is shown in the following tables.

5. Financial risk management (continued)

(c) Liquidity risk (continued)

As at 31 December 2023, the Bank's monetary assets and liabilities have remaining contractual maturities as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances with Central Bank	676,805,203	-	-	-	-	676,805,203
Placement and balances with banks	253,190,785	52,069,783	37,201,752	-	-	342,462,320
Investment securities	301,651,950	346,903,166	504,536,596	1,817,493,361	445,662,291	3,416,247,364
Loans to banks	2,207,756	-	80,699,254	37,712,049	14,211,479	134,830,538
Loans to customers	70,263,128	47,928,175	377,116,267	688,165,772	510,555,642	1,694,028,984
Other assets	9,701,967	-	-	-	-	9,701,967
Total assets	**1,313,820,789**	**446,901,124**	**999,553,869**	**2,543,371,182**	**970,429,412**	**6,274,076,376**
Liabilities						
Customer deposits	3,037,197,834	284,653,010	1,224,118,500	879,319,670	53,725,053	5,479,014,067
Due to banks and financial institutions	148,959,097	-	10,453,903	11,037	-	159,424,037
Due to third parties	8,138,846	-	-	-	-	8,138,846
Accruals and other liabilities	15,807,527	-	-	-	749,795	16,557,322
Lease liabilities	218,590	438,703	1,892,511	5,639,327	5,993,677	14,182,808
Debt securities issued	-	-	101,912	33,970,551	-	34,072,463
Subordinated debt	-	-	208,857	27,645,306	24,327,869	52,182,032
Total liabilities	**3,210,321,894**	**285,091,713**	**1,236,775,683**	**946,585,891**	**84,796,394**	**5,763,571,575**
Net Position	**(1,896,501,105)**	**161,809,411**	**(237,221,814)**	**1,596,785,291**	**885,633,018**	**510,504,801**
Cumulative Net Position	**(1,896,501,105)**	**(1,734,691,694)**	**(1,971,913,508)**	**(375,128,217)**	**510,504,801**	**-**

LRM reports are produced for each single currency Lek, Euro and USD and for the total statement of financial position as well. Maximum cumulative outflow limits, which are managed and monitored on a daily-basis, have been assigned for each of the above currencies.

5. Financial risk management (continued)

(c) Liquidity risk (continued)

As at 31 December 2022, the Bank's monetary assets and liabilities have remaining contractual maturities as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances with Central Bank	537,491,661	-	-	-	-	537,491,661
Placement and balances with banks	438,682,238	6,328,325	28,891,449	-	-	473,902,012
Investment securities	57,368,597	260,564,100	400,369,021	1,653,219,584	540,270,076	2,911,791,378
Loans to banks	-	-	112,272,638	33,621,686	-	145,894,324
Loans to customers	45,960,431	40,355,069	315,585,244	609,582,263	372,198,942	1,383,681,949
Other assets	10,891,554	-	-	-	-	10,891,554
Total assets	**1,090,394,481**	**307,247,494**	**857,118,352**	**2,296,423,533**	**912,469,018**	**5,463,652,878**
Liabilities						
Customer deposits	2,516,787,705	236,541,685	1,044,534,502	747,297,697	46,274,277	4,591,435,866
Due to banks and financial institutions	280,220,583	10,127,391	10,683,881	4,752,479	-	305,784,334
Due to third parties	4,294,958	-	-	-	-	4,294,958
Accruals and other liabilities	19,982,011	-	-	-	835,074	20,817,085
Lease liabilities	192,067	382,969	1,612,033	6,797,368	5,465,502	14,449,939
Subordinated debt	-	-	166,821	26,676,787	23,475,571	50,319,179
Total liabilities	**2,821,477,324**	**247,052,045**	**1,056,997,237**	**785,524,331**	**76,050,424**	**4,987,101,361**
Net Position	**(1,731,082,843)**	**60,195,449**	**(199,878,885)**	**1,510,899,202**	**836,418,594**	**476,551,517**
Cumulative Net Position	**(1,731,082,843)**	**(1,670,887,394)**	**(1,870,766,279)**	**(359,867,077)**	**476,551,517**	**-**

5. Financial risk management (continued)

(c) Liquidity risk (continued)

Exposure to liquidity risk

One of the key ratios used by the Bank for managing liquidity risk, which is required by Bank of Albania (BoA) at the same time, is the ratio of total liquid assets to total short-term liabilities on a daily basis. Based on the regulation No.71 dated 14.10.2009 "Liquidity risk management policy" the total liquidity ratio should be at a minimum of 20%, whereas the minimum of individual ratios for local and foreign currencies (FX) should be at respectively 15% and 20%.

As per this regulation, article 19 point 4, liquid assets are considered: cash balance, current accounts with BoA including mandatory reserve, T-bills and securities according to their remaining maturity and ability to turn into liquidity, where the non-resident counterparties' balances are discounted with the respective haircuts according to international credit rating. Short-term liabilities are considered all liabilities with remaining maturity up to one year.

Details of the reported Bank ratio at the reporting dates were as follows:

	31-Dec-2023	**31-Dec-2022**
Total Liquid Assets/Total Short Term Liabilities Ratio	40.59%	40.38%
Liquid Assets in local currency/Short Term Liabilities in local currency Ratio	67.36%	62.56%
Liquid Assets in foreign currency/Short Term Liabilities in foreign currency Ratio	25.06%	27.39%

(d) Market risk

1) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank manages this risk by establishing and monitoring limits on open positions and also ensuring that these positions remain in compliance with the Bank of Albania guidelines and Bank's internal operational covenants. The Bank has in place procedures for the independent checking of open foreign currency positions.

5. Financial risk management (continued)

(d) Market risk (continued)

1) Foreign currency risk (continued)

The following tables present the USD equivalent amounts of monetary assets and liabilities by currency as at 31 December 2023 and 31 December 2022:

31 December 2023	*Lek*	*USD*	*Euro*	*Other*	*Total*
Assets			*(In USD equivalent)*		
Cash and balances with Central Bank	215,431,044	24,375,937	406,289,022	30,709,200	676,805,203
Placements and balances with banks	485,883	68,000,574	253,398,411	20,577,452	342,462,320
Investment securities	1,277,530,509	512,564,120	1,538,773,083	87,379,652	3,416,247,364
Loans to banks	-	26,580,192	108,250,346	-	134,830,538
Loans to customers	634,721,230	55,180,360	1,004,127,394	-	1,694,028,984
Other assets	4,650,423	(215,733)	5,234,531	32,746	9,701,967
Total assets	**2,132,819,089**	**686,485,450**	**3,316,072,787**	**138,699,050**	**6,274,076,376**
Foreign exchange contracts	**10,755,269**	**10,159,265**	**107,121,779**	**456,741**	**128,493,054**
Liabilities					
Customer deposits	1,997,932,572	219,203,721	3,161,459,029	100,418,745	5,479,014,067
Due to banks and financial institutions	104,625,687	9,512,103	41,915,154	3,371,093	159,424,037
Due to third parties	8,134,168	-	4,678	-	8,138,846
Accruals and other liabilities	7,106,428	4,879,651	4,462,038	109,205	16,557,322
Lease liabilities	741,391	164,301	13,277,116	-	14,182,808
Debt securities issued	-	-	34,072,463	-	34,072,463
Subordinated debt	-	-	52,182,032	-	52,182,032
Total liabilities	**2,118,540,246**	**233,759,776**	**3,307,372,510**	**103,899,043**	**5,763,571,575**
Foreign exchange contracts	**497,711**	**74,208,130**	**20,111,236**	**33,675,977**	**128,493,054**
Net position (GAP)	**28,383,563**	**388,676,809**	**95,710,820**	**1,580,772**	**514,351,964**
Total assets / Total liabilities	101.34%	226.21%	102.88%	101.15%	108.73%
GAP / FX denominated assets		0.56	0.028	0.0114	0.08
Sensitivity analysis					
Lek depreciates by 10%		35,334,255	8,700,984	143,706	44,178,945
Lek depreciates by 5%		18,508,419	4,557,658	75,275	23,141,352
Lek appreciates by 5%		(20,456,674)	(5,037,412)	(83,198)	(25,577,284)
Lek appreciates by 10%		(43,186,312)	(10,634,536)	(175,641)	(53,996,489)

5. Financial risk management (continued)

(d) Market risk (continued)

1) Foreign currency risk (continued)

31 December 2022	*Lek*	*USD*	*Euro*	*Other*	*Total*
Assets			*(In USD equivalent)*		
Cash and balances with Central Bank	174,945,328	26,485,556	316,295,130	19,765,647	537,491,661
Placements and balances with banks	945,085	155,034,396	301,560,884	16,361,647	473,902,012
Investment securities	1,196,565,978	476,177,089	1,151,923,336	87,124,975	2,911,791,378
Loans to banks	-	31,842,665	114,051,659	-	145,894,324
Loans to customers	551,195,906	69,412,573	763,073,457	13	1,383,681,949
Other assets	4,721,405	(80,947)	6,218,341	32,755	10,891,554
Total assets	**1,928,373,702**	**758,871,332**	**2,653,122,807**	**123,285,037**	**5,463,652,878**
Foreign exchange contracts	**2,489,514**	**34,735,414**	**164,652,063**	**22,683,309**	**224,560,300**
Liabilities					
Customer deposits	1,670,949,482	210,063,198	2,623,103,658	87,319,528	4,591,435,866
Due to banks and financial institutions	256,060,877	16,705,976	23,275,589	9,741,892	305,784,334
Due to third parties	4,294,958	-	-	-	4,294,958
Accruals and other liabilities	9,686,000	4,363,111	6,636,948	131,026	20,817,085
Lease liabilities	554,134	243,227	13,652,578	-	14,449,939
Subordinated debt	-	-	50,319,179	-	50,319,179
Total liabilities	**1,941,545,451**	**231,375,512**	**2,716,987,952**	**97,192,446**	**4,987,101,361**
Foreign exchange contracts	**251,355**	**124,940,234**	**58,581,829**	**40,786,882**	**224,560,300**
Net position (GAP)	**(10,933,590)**	**437,291,000**	**42,205,089**	**7,989,018**	**476,551,517**
Total assets / Total liabilities	99.44%	222.73%	101.52%	105.79%	109.14%
GAP / FX denominated assets		0.55	0.015	0.0547	0.08
Sensitivity analysis					
Lek depreciates by 10%		39,753,727	3,836,826	726,274	44,316,827
Lek depreciates by 5%		20,823,381	2,009,766	380,429	23,213,576
Lek appreciates by 5%		(23,015,316)	(2,221,320)	(420,475)	(25,657,111)
Lek appreciates by 10%		(48,587,889)	(4,689,454)	(887,669)	(54,165,012)

2) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Treasury Department of the Bank manages the interest rate risk through monitoring the market conditions and taking necessary re-pricing or reallocation decisions with the approval of the Asset and Liability Committee. The sensitivity analysis has been determined based on the exposure to interest rates for both financial assets and financial liabilities assuming that their amounts outstanding at the reporting date were outstanding for the whole year.

5. Financial risk management (continued)

(d) Market risk (continued)

2) Interest rate risk (continued)

The average effective yields of significant categories of financial assets and liabilities of the Bank as at 31 December 2023 are as follows:

	ALL	*USD*	*EUR*
Assets			
Cash and balances with Central Bank	3.25%	-	0.00%
Placement and balances with banks	3.70%	5.28%	3.86%
Treasury bills	4.12%	-	-
Investment securities	3.88%	5.62%	3.84%
Loans to banks	-	8.55%	7.10%
Loans to customers	6.47%	8.98%	5.34%
Liabilities			
Customer deposits	1.26%	0.93%	0.85%
Due to banks and financial institutions	3.28%	7.76%	4.07%
Lease Labilities	6.93%	4.27%	2.32%
Debt securities issued	-	-	4.00%
Subordinated debt	-	-	8.51%

The average effective yields of significant categories of financial assets and liabilities of the Bank as at 31 December 2022 were as follows:

	ALL	*USD*	*EUR*
Assets			
Cash and balances with Central Bank	2.75%	-	-
Placement and balances with banks	3.40%	4.49%	2.20%
Investment securities	3.38%	5.21%	3.46%
Loans to banks	-	7.68%	4.58%
Loans to customers	5.25%	5.34%	4.66%
Liabilities			
Customer deposits	1.02%	0.62%	0.64%
Due to banks and financial institutions	2.80%	4.54%	1.10%
Lease Labilities	7.06%	4.25%	2.16%
Subordinated debt	-	-	7.04%

5. Financial risk management (continued)

(d) Market risk (continued)

2) Interest rate risk (continued)

The interest re-pricing dates of significant categories of financial assets and liabilities of the Bank as at 31 December 2023 are as follows:

	Up to 1 month	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 year*	*Total*
Assets						
Cash and balances with Central Bank	676,805,203	-	-	-	-	676,805,203
Placement and balances with banks	253,190,785	52,069,783	37,201,752	-	-	342,462,320
Investment securities	330,849,762	350,742,343	512,793,026	1,765,398,272	456,463,961	3,416,247,364
Loans to banks	-	-	134,830,538	-	-	134,830,538
Loans to customers	479,688,228	74,399,146	580,511,199	249,657,693	309,772,718	1,694,028,984
Total	**1,740,533,978**	**477,211,272**	**1,265,336,515**	**2,015,055,965**	**766,236,679**	**6,264,374,409**
Liabilities						
Customer deposits	3,037,197,834	284,653,010	1,224,118,500	879,319,670	53,725,053	5,479,014,067
Due to banks and financial institutions	148,970,134	-	10,453,903	-	-	159,424,037
Debt securities issued	-	-	101,912	33,970,551	-	34,072,463
Subordinated debt	-	-	52,182,032	-	-	52,182,032
Total	**3,186,167,968**	**284,653,010**	**1,286,856,347**	**913,290,221**	**53,725,053**	**5,724,692,599**

5. Financial risk management (continued)

(d) Market risk (continued)

2) Interest rate risk (continued)

The interest re-pricing dates of significant categories of financial assets and liabilities of the Bank as at 31 December 2022 were as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 year	Total
Assets						
Cash and balances with Central Bank	537,491,661	-	-	-	-	537,491,661
Placement and balances with banks	438,682,238	6,328,325	28,891,449	-	-	473,902,012
Investment securities	544,221,909	842,902,193	1,524,667,276	-	-	2,911,791,378
Loans to banks	-	112,115,708	33,778,616	-	-	145,894,324
Loans to customers	465,842,887	53,095,097	486,797,952	212,380,453	165,565,560	1,383,681,949
Total	**1,986,238,695**	**1,014,441,323**	**2,074,135,293**	**212,380,453**	**165,565,560**	**5,452,761,324**
Liabilities						
Customer deposits	2,516,787,705	236,541,685	1,044,534,502	747,297,697	46,274,277	4,591,435,866
Due to banks and financial institutions	290,358,300	11,110,523	4,315,511	-	-	305,784,334
Subordinated debt	-	-	50,319,179	-	-	50,319,179
Total	**2,807,146,005**	**247,652,208**	**1,099,169,192**	**747,297,697**	**46,274,277**	**4,947,539,379**

5. Financial risk management (continued)

(d) Market risk (continued)

2) Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The following is a stipulation of effects of changes in interest rate to the net profit, when the change is applied to the GAP position as per re-pricing terms presented in note above, assuming all the other variables are held constant:

	31 December 2023		*31 December 2022*	
	Up to 1 year	**Over 1 year**	**Up to 1 year**	**Over 1 year**
Interest rate increases by 2%	14,330,923	50,616,470	61,145,712	52,833,193
Interest rate increases by 1.5%	10,748,192	37,962,353	45,859,284	39,624,895
Interest rate increases by 1%	7,165,461	25,308,235	30,572,856	26,416,596
Interest rate decreases by 1%	(7,165,461)	(25,308,235)	(30,572,856)	(26,416,596)
Interest rate decreases by 1.5%	(10,748,192)	(37,962,353)	(45,859,284)	(39,624,895)
Interest rate decreases by 2%	(14,330,923)	(50,616,470)	(61,145,712)	(52,833,193)

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The implementation of controls to address operational risk is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with internal standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

5. Financial risk management (continued)

(f) Capital management

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's management of capital during the period.

Regulatory capital

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

Capital Adequacy Ratio

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

The minimum Regulatory Capital Ratio against the risk weighted exposures required by Bank of Albania is 12%. The minimum Tier 1 Capital Ratio is 6.0% and the minimum Common Equity Tier 1 Ratio is 4.5%.

In December 2023, BKT has reported the following consolidated ratios:

- Regulatory Capital Ratio 17.60% (December 2022: 17.22%);
- Tier 1 Capital Ratio 16.52% (December 2022: 15.87%);
- Common Equity Tier 1 Ratio 16.52% (December 2022: 15.87%).

Based on the regulation of BoA nr. 4/2017 "On the consolidated supervision" the Bank should also monitor its capital adequacy ratio on a stand-alone basis. The same minimum regulatory ratios mentioned above are applied.

In December 2023, BKT has reported the following stand-alone ratios:

- Regulatory Capital Ratio 20.06% (December 2022: 19.60%);
- Tier 1 Capital Ratio 19.58% (December 2022: 18.86%);
- Common Equity Tier 1 Ratio 19.58% (December 2022: 18.86%).

Risk-Weighted Assets (RWAs)

For calculation of credit risk, exposures, on- and off-balance sheet are classified in 15 exposure classes. In general terms, client/ issuer type, loan destination and collateral are the main determinants of the exposure class. Each exposure class has its own specific requirements on how to assess the appropriate risk weight and respective risk weighted exposures. For credit risk and counterparty risk is applied the Standardised Approach. Market risk capital requirements are calculated in case the Bank has a Trading portfolio that fulfils the requirements defined by the regulation and/ or a total net open currency position that is larger than the defined minimum threshold. Operational risk capital requirement is calculated based on the Basic Indicator Approach.

6. Segmental reporting

	31 December 2023			31 December 2022		
Geographical Segments	**Albania**	**Kosovo**	**Consolidated**	**Albania**	**Kosovo**	**Consolidated**
Assets						
Cash and balances with Central Bank	507,206,616	169,598,587	676,805,203	424,252,624	113,239,037	537,491,661
Placement and balances with banks	213,589,572	130,221,092	342,462,320	393,402,219	80,499,793	473,902,012
Intragroup Receivables	34,855,827	36,452	-	46,851,471	44,818	-
Investment securities	3,163,753,746	252,493,618	3,416,247,364	2,676,830,296	234,961,082	2,911,791,378
Loans to banks	80,634,375	54,196,163	134,830,538	88,639,737	57,254,587	145,894,324
Loans to customers	1,023,149,690	670,879,294	1,694,028,984	824,984,684	558,697,265	1,383,681,949
Investment in associates/subsidiaries	35,606,711	145,324	934,512	35,426,345	229,388	1,090,943
Property and equipment	26,013,962	17,553,983	43,567,945	25,632,870	16,627,930	42,260,800
Intangible assets	13,014,205	806,830	13,821,035	7,434,937	-	7,434,937
Right-of-use assets	10,965,107	4,298,452	15,263,559	11,162,148	3,676,757	14,838,905
Deferred tax assets	9,461,997	1,877,040	11,339,037	11,136,494	1,781,593	12,918,087
Other assets	50,755,898	8,604,485	59,360,383	45,308,627	11,368,444	56,677,071
Total assets	**5,169,007,706**	**1,310,711,320**	**6,408,660,880**	**4,591,062,452**	**1,078,380,694**	**5,587,982,067**
Liabilities and shareholder's equity						
Liabilities						
Customer deposits	4,428,072,615	1,052,289,796	5,479,014,067	3,741,874,637	850,623,085	4,591,435,866
Due to banks and financial institutions	106,951,814	52,472,223	159,424,037	258,294,347	47,489,987	305,784,334
Intragroup Payables	36,452	34,855,827	-	44,818	46,851,471	-
Due to third parties	8,134,168	4,678	8,138,846	4,294,958	-	4,294,958
Accruals and other liabilities	19,664,633	4,993,028	24,657,661	74,875,553	2,979,758	77,855,311
Lease Liability	9,733,967	4,448,841	14,182,808	10,650,834	3,799,105	14,449,939
Debt securities issued	34,072,463	-	34,072,463			
Subordinated debt	27,764,038	24,417,994	52,182,032	26,772,892	23,546,287	50,319,179
Total liabilities	**4,634,430,150**	**1,173,482,387**	**5,771,671,914**	**4,116,808,039**	**975,289,693**	**5,044,139,587**
Shareholder's equity						
Share capital	300,000,000	34,280,179	300,000,000	300,000,000	33,079,215	300,000,000
Legal reserve	72,819,171	-	72,819,171	60,093,852	-	60,093,852
Translation reserve	4,501,803	527,036	5,028,839	2,834,477	1,348,194	4,182,671
Fair value reserve and impairment of FVOCI	219,669	(6,290,857)	(6,071,188)	(17,833,989)	(10,259,824)	(28,093,813)
Retained earnings	157,036,913	108,712,575	265,212,144	129,160,073	78,923,416	207,659,770
Total shareholder's equity	**534,577,556**	**137,228,933**	**636,988,966**	**474,254,413**	**103,091,001**	**543,842,480**
Total liabilities and shareholder's equity	**5,169,007,706**	**1,310,711,320**	**6,408,660,880**	**4,591,062,452**	**1,078,380,694**	**5,587,982,067**

6. Segmental reporting (continued)

Geographical Segments	2023			2022		
	Albania	**Kosovo**	**Consolidated**	**Albania**	**Kosovo**	**Consolidated**
Interest						
Interest income	192,337,893	50,769,710	243,107,603	134,598,824	38,185,201	172,784,025
- Intragroup transactions	669,460	5,634	-	237,646	6,797	-
Interest expense	(38,047,207)	(12,075,727)	(50,122,934)	(22,230,432)	(7,367,530)	(29,597,962)
- Intragroup transactions	(5,634)	(669,460)	-	(6,797)	(237,646)	-
Net interest margin	**154,290,686**	**38,693,983**	**192,984,669**	**112,368,392**	**30,817,671**	**143,186,063**
Non-interest income, net						
Fees and commissions, net	24,043,064	9,732,200	33,775,264	20,508,477	8,622,261	29,130,738
Foreign exchange revaluation gain, net	(14,407,428)	231,565	(14,175,863)	(2,626,524)	(168,593)	(2,795,117)
Foreign exchange trading activities income, net	4,947,617	347,909	5,295,526	2,258,660	(147,416)	2,111,244
Securities trading gain, net	(748,644)	782,734	34,090	51,408,983	2,067,314	53,476,297
Other (expense) / income, net	1,015,620	78,774	1,094,394	5,368,409	464,782	5,833,191
Total non-interest income, net	**14,850,229**	**11,173,182**	**26,023,411**	**76,918,005**	**10,838,348**	**87,756,353**
Operating expenses						
Personnel expenses	(28,849,022)	(8,667,569)	(37,516,591)	(21,186,835)	(6,496,585)	(27,683,420)
Administrative expenses	(42,581,908)	(8,905,869)	(51,487,777)	(36,288,922)	(7,528,751)	(43,817,673)
Depreciation and amortization	(9,722,737)	(1,595,418)	(11,318,155)	(7,876,562)	(1,502,015)	(9,378,577)
Total operating expenses	**(81,153,667)**	**(19,168,856)**	**(100,322,523)**	**(65,352,319)**	**(15,527,351)**	**(80,879,670)**
Impairment of loans	6,046,670	(676,689)	5,369,981	6,869,466	414,821	7,284,287
Impairment of other financial instruments	(15,461,484)	(2,943,759)	(18,405,243)	(31,061,482)	(5,036,577)	(36,098,059)
Profit before taxes	**78,572,434**	**27,077,861**	**105,650,295**	**99,742,062**	**21,506,912**	**121,248,974**
Income tax	(12,081,939)	(2,705,826)	(14,787,765)	(14,122,786)	(1,810,911)	(15,933,697)
Net profit for the year	**66,490,495**	**24,372,035**	**90,862,530**	**85,619,276**	**19,696,001**	**105,315,277**

7. Cash and balances with Central Bank

Cash and balances with Central Bank as at 31 December 2023 and 31 December 2022 are detailed as follows:

	31 December 2023	**31 December 2022**
Cash on hand	99,242,154	71,850,887
Deposits with the Central Bank of Kosovo	117,375,213	77,593,780
Bank of Albania		
Current account	74,471,905	59,202,562
Statutory reserve	385,655,374	328,808,949
Accrued interest	60,557	35,483
	460,187,836	388,046,994
	676,805,203	**537,491,661**

In accordance with the Bank of Albania's requirement relating to the deposit reserve, the Bank should maintain a minimum requirement based on regulation no.29 "On the minimum required reserve maintained by banks with the Bank of Albania" in Albania as a statutory reserve account, which during the month can be decreased to 70% of this level, provided that the monthly average is maintained.

Balances with CBK include the minimum required statutory reserve of 10% of customer deposits in Kosova.

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

	31 December 2023	**31 December 2022**
Cash and balances with Central Bank	676,805,203	537,491,661
Statutory reserve in Albania	(385,655,374)	(328,808,949)
Statutory reserve in Kosovo	(68,900,709)	(58,333,935)
Current accounts with banks	125,812,475	234,356,201
Demand deposits with banks	30,160,022	20,262,363
Placements with maturities of 3 months or less	144,122,668	168,068,648
	522,344,285	**573,035,989**

8. Placements and balances with banks

Placements and balances with banks as at 31 December 2023 and 31 December 2022 consisted as follows:

	31 December 2023	**31 December 2022**
Placements	147,210,028	173,356,282
Cash collateral held by financial institutions	39,030,633	45,818,291
Current accounts	125,812,475	234,356,201
Demand deposits	30,160,059	20,262,407
Accrued interest	263,200	137,917
Impairment	(14,075)	(29,086)
	342,462,320	**473,902,012**

Placements are held with resident and non-resident banks, the vast majority of which is from Organisation for Economic Cooperation and Development ("OECD") countries and have contractual maturities up to 1 year. Current accounts represent balances with correspondent banks in the OECD countries.

Cash collateral represents mostly collateral held by financial institutions in relation to letters of credit issued to the Bank's clients and cash deposits that secure risks in relation to the credit cards activity of the Bank.

9. Investment securities

Investment securities as at 31 December 2023 and 31 December 2022 are presented as follows:

	31 December 2023	31 December 2022
Investment securities - measured at FVOCI (Treasury bills available-for-sale)	6,835,007	205,281,343
Investment securities - measured at FVOCI (Available-for-sale securities)	1,096,805,550	982,112,711
Investment securities - measured at FVTPL (Held-for-trading securities)	11,759,570	4,387,015
Investment securities - measured at amortised cost (Treasury bills held to maturity)	130,029,841	21,714,729
Investment securities - measured at amortised cost (Held-to-maturity securities)	2,170,817,396	1,698,295,580
Total	**3,416,247,364**	**2,911,791,378**

a) Investment securities - measured at FVOCI (Treasury bills available-for-sale)

Treasury bills available-for-sale by original maturity as at 31 December 2023 and 31 December 2022 are presented as follows:

	31 December 2023			
	Purchase Value	**Amortized discount**	**Marked to market gain (loss)**	**Fair Value**
12 months	6,661,745	170,272	2,990	6,835,007
	6,661,745	**170,272**	**2,990**	**6,835,007**

	31 December 2022			
	Purchase Value	**Amortized discount**	**Marked to market gain (loss)**	**Fair Value**
3 months	1,391,225	9,550	(45)	1,400,730
6 months	2,308,150	23,635	(1,926)	2,329,859
12 months	199,638,861	2,716,951	(805,058)	201,550,754
	203,338,236	**2,750,136**	**(807,029)**	**205,281,343**

b) Investment securities - measured at FVOCI (Available-for-sale securities)

Available-for-sale securities as at 31 December 2023 comprise as follows:

Type	Nominal value	Unamortized discount	Accrued interest	Marked to market gain/ (loss)	Fair Value
ALL denominated	90,808,477	94,032	1,576,503	9,525	92,488,537
USD denominated	254,900,180	(350,644)	2,940,936	(16,106,364)	241,384,108
EUR denominated	765,569,533	(4,407,528)	7,856,203	(44,193,312)	724,824,896
TRY denominated	991,000	-	15,779	(50,535)	956,244
CAD denominated	6,558,536	-	-	2,811,937	9,370,473
GBP denominated	25,135,883	274,825	305,628	(844,631)	24,871,705
CHF denominated	2,983,287	32,566	9,086	(115,352)	2,909,587
	1,146,946,896	**(4,356,749)**	**12,704,135**	**(58,488,732)**	**1,096,805,550**

9. Investment securities (continued)

Available-for-sale securities as at 31 December 2022 comprise as follows:

Type	Nominal value	Unamortized discount	Accrued interest	Marked to market gain/ (loss)	Fair Value
ALL denominated	164,046,707	(124,615)	2,425,359	(1,850,277)	164,497,174
USD denominated	250,439,350	(161,470)	3,074,460	(20,319,669)	233,032,671
EUR denominated	598,178,992	(7,031,054)	6,379,523	(53,919,832)	543,607,629
TRY denominated	1,564,250	-	10,400	(78,417)	1,496,233
CAD denominated	6,420,634	-	-	7,407,606	13,828,240
GBP denominated	21,626,369	459,934	264,954	(1,324,373)	21,026,884
SEK denominated	48,962	-	-	(40,149)	8,813
CHF denominated	4,773,209	(24,139)	18,363	(152,366)	4,615,067
	1,047,098,473	**(6,881,344)**	**12,173,059**	**(70,277,477)**	**982,112,711**

c) Investment securities - measured at FVTPL (Held-for-trading securities)

Held for trading securities as at 31 December 2023 comprise as follows:

Type	Nominal value	Unamortized discount	Accrued interest	Marked to market gain/ (loss)	Fair Value
ALL denominated	11,190,121	218,586	231,263	119,600	11,759,570
	11,190,121	**218,586**	**231,263**	**119,600**	**11,759,570**

Held for trading securities as at 31 December 2022 comprise as follows:

Type	Nominal value	Unamortized discount	Accrued interest	Marked to market gain/ (loss)	Fair Value
ALL denominated	2,148,529	(120,152)	21,024	(91,128)	1,958,273
EUR denominated	2,667,679	(216,722)	24,396	(46,611)	2,428,742
	4,816,208	**(336,874)**	**45,420**	**(137,739)**	**4,387,015**

d) Investment securities - measured at amortised cost (Treasury bills held to maturity)

Held-to-maturity treasury bills as at 31 December 2023 comprise as follows:

	31 December 2023			
	Purchase Value	**Amortized discount**	**Impairment**	**Net Value**
12 months	126,532,469	3,851,392	(354,020)	130,029,841
	126,532,469	**3,851,392**	**(354,020)**	**130,029,841**

Held-to-maturity treasury bills as at 31 December 2022 comprise as follows:

	31 December 2022			
	Purchase Value	**Amortized discount**	**Impairment**	**Net Value**
12 months	21,667,570	88,617	(41,458)	21,714,729
	21,667,570	**88,617**	**(41,458)**	**21,714,729**

9. Investment securities (continued)

e) Investment securities - measured at amortised cost (Held-to-maturity securities)

Held-to-maturity securities as at 31 December 2023 comprise as follows:

Type	Nominal Value	Unamortized Premium / (Discount)	Accrued interest	Impairment	Net Value
ALL denominated	1,028,111,561	(248,931)	16,258,924	(7,704,020)	1,036,417,534
USD denominated	270,981,000	344,843	3,117,668	(3,263,487)	271,180,024
EUR denominated	839,967,779	(25,836,749)	6,729,300	(6,912,137)	813,948,193
GBP denominated	47,503,127	181,418	731,498	(13,996)	48,402,047
CHF denominated	2,207,633	(151,879)	37,128	(1,223,284)	869,598
	2,188,771,100	**(25,711,298)**	**26,874,518**	**(19,116,924)**	**2,170,817,396**

Held-to-maturity securities as at 31 December 2022 comprise as follows:

Type	Nominal Value	Unamortized Premium / (Discount)	Accrued interest	Impairment	Net Value
ALL denominated	795,807,567	(2,470,735)	11,581,984	(1,804,365)	803,114,451
USD denominated	241,733,000	1,323,085	2,973,365	(2,885,028)	243,144,422
EUR denominated	628,816,883	(24,224,269)	6,831,978	(5,537,624)	605,886,968
GBP denominated	43,778,607	390,509	691,416	(12,728)	44,847,804
CHF denominated	2,006,917	(181,182)	33,753	(557,553)	1,301,935
	1,712,142,974	**(25,162,592)**	**22,112,496**	**(10,797,298)**	**1,698,295,580**

10. Loans to banks

During 2023 the Bank has purchased syndicated loans of some non-resident banks and FIs as follows:

	31 December 2023			
	Principal	**Interest**	**Impairment**	**Total**
USD denominated	26,142,857	468,741	(31,406)	26,580,192
EUR denominated	108,644,577	1,093,349	(1,487,580)	108,250,346
	134,787,434	**1,562,090**	**(1,518,986)**	**134,830,538**

During 2022 the Bank has purchased syndicated loans of some non-resident banks and FIs as follows:

	31 December 2022			
	Principal	**Interest**	**Impairment**	**Total**
USD denominated	31,428,571	572,003	(157,910)	31,842,664
EUR denominated	114,679,593	627,389	(1,255,322)	114,051,660
	146,108,164	**1,199,392**	**(1,413,232)**	**145,894,324**

11. Loans to customers

Loans to customers consisted of the following:

	31 December 2023	31 December 2022
Loans to customers, gross	1,744,795,259	1,439,309,110
Accrued interest	10,028,562	6,874,328
Less allowances for impairment on loans	(54,577,751)	(57,612,141)
Less unamortized deferred fee income	(6,217,086)	(4,889,348)
	1,694,028,984	**1,383,681,949**

Movements in the allowance for impairment on loans:

	31 December 2023	31 December 2022
At 1 January	57,612,141	67,952,698
Impairment charge for the year, net	(5,369,981)	(7,284,287)
Provision reversal of written off loans	(519,666)	(784,202)
Translation difference	2,855,257	(2,272,068)
At the end of the year	**54,577,751**	**57,612,141**

All the loans are denominated in Lek, Euro and USD and bear interest at the following rates:

Loans in Lek	0.50% to 25.00%
Loans in Euro	0.50% to 19.60%
Loans in USD	4.00% to 11.47%

The Bank has granted few loans with interest rates at the minimum limit shown above, which are lower than the rates that are generally offered by the Bank, and are covered by cash collaterals or are granted to personnel under special conditions.

The classification of business loans by industry is as follows:

	31 December 2023		31 December 2022	
	USD	%	USD	%
Wholesale and retail trade; repair of motor vehicles and motorcycles	228,867,300	24%	196,940,601	24%
Construction	194,227,291	20%	198,152,150	25%
Electricity, gas, steam and air conditioning supply	76,175,011	8%	75,202,910	9%
Transportation and storage	70,100,359	7%	25,236,100	3%
Mining and Quarrying	68,295,540	7%	80,912,355	10%
Manufacturing	67,924,390	7%	66,804,441	7%
Real estate activities	56,960,851	6%	8,599,826	1%
Accommodation and food service activities	49,056,607	5%	42,316,432	5%
Financial and insurance activities	40,368,013	4%	35,224,897	4%
Agriculture, forestry and fishing	20,354,479	2%	17,748,633	2%
Water supply; sewerage, waste management and remediation activities	14,948,498	2%	14,578,051	2%
Human health and social work activities	9,579,904	1%	16,889,568	2%
Education	9,176,616	1%	10,136,931	1%
Other service activities	8,808,155	1%	5,195,942	1%
Administrative and support service sctivities	3,355,241	1%	2,745,387	1%
Professional, scientific and technical activities	2,150,687	1%	1,738,311	1%
Public administration and defence; compulsory social security	1,133,662	1%	1,514,397	1%
Information and communication	919,076	1%	946,264	1%
Arts, entertainment and recreation	552,906	1%	-	0%
	922,954,586	**100%**	**800,883,196**	**100%**

11. Loans to customers (continued)

The classification of retail loans by type is as follows:

	31 December 2023		31 December 2022	
	USD	**%**	**USD**	**%**
Home purchase	483,814,053	58%	365,550,363	57%
Super Loan	176,807,560	22%	135,773,755	21%
Overdraft and credit cards	30,954,792	4%	23,426,023	4%
Shop purchase	21,604,711	3%	21,289,867	3%
Home improvement	20,215,656	2%	19,820,049	3%
Home reconstruction	7,501,644	1%	7,266,159	1%
Car purchase	5,549,189	1%	4,255,172	1%
Technical equipment	1,479,512	1%	1,494,990	1%
Other types	73,913,556	8%	59,549,536	9%
	821,840,673	**100%**	**638,425,914**	**100%**

12. Investment in associates

Investment in associates of USD 934,512 (31 December 2022: USD 1,090,943) represents:

a) The equivalent amount of an investment of EUR 1,199,600 (equivalent of USD 1,326,532) into the share capital of Albania Leasing Sh.a (the “Company”) at a participation ratio of 29.99%, decreased to recognise the Bank’s share of the accumulated loss at USD 537,344 (31 December 2022: USD 437,344). The Company was established in August 2, 2013 (inception date) as a Joint Stock Company. The Company obtained the license from the Bank of Albania on April 21, 2014 and started its leasing activity in June 2014.

b) The BKT Kosova’s equivalent amount of an investment of TRY 4,293,013 (equivalent of USD 145,324) into the share capital of “Mükafat Portföy Yönetimi A.Ş.” at participation rate of 20%.

13. Property and equipment

Property and equipment as at 31 December 2023 and 31 December 2022 are composed as follows:

	Land, buildings and leasehold improvements	Vehicles and other equipment	Computers and electronic equipment	Office equipment	Total
Gross value					
At 1 January 2022	**51,331,298**	**8,658,977**	**34,614,885**	**3,176,379**	**97,781,539**
Additions	3,337,948	234,948	6,271,938	14,914	**9,859,748**
Disposals / transfers	(10,485,699)	(291,166)	(4,505,303)	(6,478)	**(15,288,646)**
Translation difference	(1,286,145)	(172,069)	(572,597)	(51,618)	**(2,082,429)**
At 31 December 2022	**42,897,402**	**8,430,690**	**35,808,923**	**3,133,197**	**90,270,212**
Additions	954,350	1,142,442	17,918,448	286,070	**20,301,310**
Disposals / transfers	(11,803,571)	(23,202)	(7,640,040)	(37,693)	**(19,504,506)**
Translation difference	4,094,157	935,642	1,029,639	369,926	**6,429,364**
At 31 December 2023	**36,142,338**	**10,485,572**	**47,116,970**	**3,751,500**	**97,496,380**
Accumulated depreciation					
At 1 January 2022	**(18,617,940)**	**(6,810,174)**	**(22,952,648)**	**(2,661,382)**	**(51,042,144)**
Charge for the year	(792,425)	(751,368)	(2,246,733)	(164,529)	**(3,955,055)**
Disposals / write offs	6,043,859	274,723	45,647	5,722	**6,369,951**
Translation difference	227,440	83,694	270,175	36,527	**617,836**
At 31 December 2022	**(13,139,066)**	**(7,203,125)**	**(24,883,559)**	**(2,783,662)**	**(48,009,412)**
Charge for the year	(611,175)	(638,860)	(2,578,355)	(166,306)	**(3,994,696)**
Disposals / write offs	2,711,105	1,878	443,393	36,145	**3,192,521**
Translation difference	(1,542,240)	(865,660)	(2,370,164)	(338,784)	**(5,116,848)**
At 31 December 2023	**(12,581,376)**	**(8,705,767)**	**(29,388,685)**	**(3,252,607)**	**(53,928,435)**
Net book value					
At 1 January 2022	**32,713,358**	**1,848,803**	**11,662,237**	**514,997**	**46,739,395**
At 31 December 2022	**29,758,336**	**1,227,565**	**10,925,364**	**349,535**	**42,260,800**
At 31 December 2023	**23,560,962**	**1,779,805**	**17,728,285**	**498,893**	**43,567,945**

As at 31 December 2023 the gross value of the assets which were fully depreciated and still in use was USD 49,368,405 (2022: USD 36,353,433).

14. Intangible assets

Intangible assets as at 31 December 2023 and 31 December 2022 are composed as follows:

	Software
Gross value	
At 1 January 2022	**19,400,468**
Additions	6,349,767
Translation difference	(92,426)
At 31 December 2022	**25,657,809**
Additions	10,068,832
Translation difference	4,296,845
At 31 December 2023	**40,023,486**
Accumulated depreciation	
At 1 January 2022	**(15,266,900)**
Charge for the year	(2,924,332)
Translation difference	(31,640)
At 31 December 2022	**(18,222,872)**
Charge for the year	(4,538,532)
Translation difference	(3,441,047)
At 31 December 2023	**(26,202,451)**
Net book value	
At 1 January 2022	**4,133,568**
At 31 December 2022	**7,434,937**
At 31 December 2023	**13,821,035**

Intagible assets represents mainly the upgraded Bank’s operating and accounting system, and the license and software for providing internet and mobile banking services.

15. Right of use asset & Lease Liability

The Bank has applied IFRS 16 using the modified retrospective approach. At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank’s incremental borrowing rate. The rate used for calculation of the RoU asset and Lease liability has taken into consideration the term, FX denomination, risk associated with the Bank, security, risk associated with the asset and economic environment.

The Bank uses the EUR 10,000 as a threshold and simultaneously analyses the nature of the asset in order to assess whether a leased asset qualifies for the low-value asset exemption. The types of assets that qualify for the low-value asset exemption might change over time if, due to market developments, the price of a particular type of asset changes. The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

15. Right of use asset & Lease Liability (continued)

The recognised right-of-use assets relate to the following types of assets:

	31 December 2023	31 December 2022
Buildings	15,263,559	14,838,905
Total	**15,263,559**	**14,838,905**

The depreciation expenses of right-of-use assets are amounting at USD 2,784,926 for the financial year 2023 (USD 2,499,191 for the financial year 2022).

The lease liabilities are secured by the related underlying assets. Future minimum lease payments are presented as follows:

31 December 2023	Less than 1 year	Over 1 year	Total
Lease payments	2,875,022	15,241,065	18,116,087
Finance charges	(325,218)	(3,608,061)	(3,933,279)
Net present values	**2,549,804**	**11,633,004**	**14,182,808**

31 December 2022	Less than 1 year	Over 1 year	Total
Lease payments	2,502,072	15,012,257	17,514,329
Finance charges	(315,003)	(2,749,387)	(3,064,390)
Net present values	**2,187,069**	**12,262,870**	**14,449,939**

16. Other assets

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

	31 December 2023	31 December 2022
Assets acquired through legal process, net	37,827,990	35,378,395
Payments in transit	7,786,313	8,780,826
Prepaid expenses	4,943,512	5,356,397
Income tax receivable	3,847,163	-
Inventory	2,635,814	3,483,456
Administration costs receivable from borrowers	1,711,748	1,462,315
Advances to suppliers	403,937	442,151
Foreign exchange contracts revaluation gain	-	1,125,118
Other debtors, net	203,906	648,413
	59,360,383	**56,677,071**

Assets acquired through legal process represent the repossessed collaterals of some unrecoverable loans, the ownership of which was taken on behalf of the Bank. Repossessed collateral represents real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of the assets in the foreseeable future. The Bank has established an Asset Sale Committee, responsible for the disposal of these assets.

16. Other assets (continued)

The assets do not meet the definition of non-current assets held for sale, and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at fair value when acquired. These assets are measured at the lower of their carrying amount and fair value less cost to sell. The Bank has estimated an impaired amount of USD 16,436,805 (2022: USD 13,230,300) to the total gross amount of USD 54,264,795 (2022: USD 48,608,695).
A number of these properties are leased to third parties. Subsequent renewals are negotiated with the lessee on an annual basis. Rental income from these properties of USD 26,542 (31 December 2022: USD 119,071) is recognised in other income.
Payments in transit represent customers' payments drawn on other banks that are in the process of being collected.

Other debtors, net are composed as follows:

	31 December 2023	31 December 2022
Other debtors	2,979,487	1,936,897
Provision for other debtors	(2,775,581)	(1,288,484)
Other debtors, net	**203,906**	**648,413**

Provision for other debtors includes the 100% specific provision allocated for the debt under collection amounting to TRL 9,840,829 (equivalent of USD 333,126).

The debt under collection represents the uncollected amount of cheques issued from non-resident counterparties.

The movement in provision for other debtors is detailed as below:

	31 December 2023	31 December 2022
Balance at 1 January	(1,288,484)	(1,695,887)
Provision charge	(1,210,986)	-
Impairment charge of LG&LC	(341,159)	139,845
Translation difference	65,048	267,558
Balance at the end of the year	**(2,775,581)**	**(1,288,484)**

17. Customer deposits

Customer deposits as at 31 December 2023 and 31 December 2022 are composed as follows:

	31 December 2023	31 December 2022
Current accounts:		
Individuals	1,222,194,954	977,015,780
Private enterprises	803,570,621	675,064,759
State owned entities	64,618,282	54,222,654
	2,090,383,857	**1,706,303,193**
Deposits:		
Individuals	2,950,778,997	2,515,825,956
Private enterprises	250,863,279	189,256,298
State owned entities	94,877,928	109,864,935
	3,296,520,204	**2,814,947,189**
Other customer accounts:		
Individuals	23,899,945	23,570,073
Private enterprises	67,987,011	46,377,893
State owned entities	223,050	237,518
	92,110,006	**70,185,484**
	5,479,014,067	**4,591,435,866**

17. Customer deposits (continued)

Current accounts and deposits can be further analysed by original maturity and currency as follows:

	31 December 2023			31 December 2022		
	Local currency	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
Current accounts	**776,422,343**	**1,313,961,514**	**2,090,383,857**	**618,049,689**	**1,088,253,504**	**1,706,303,193**
Deposits						
On demand	147,326,694	434,321,404	**581,648,098**	125,227,542	376,757,844	**501,985,386**
Up to 39 days	47,353,600	38,226,518	**85,580,118**	55,578,224	31,904,263	**87,482,487**
40-99 days	21,753,787	80,112,031	**101,865,818**	23,501,114	73,860,636	**97,361,750**
100-189 days	50,452,458	107,102,268	**157,554,726**	45,635,847	81,045,362	**126,681,209**
190- 370 days	483,773,692	719,713,302	**1,203,486,994**	420,209,651	603,323,497	**1,023,533,148**
371 days and over	419,652,754	724,960,918	**1,144,613,672**	339,566,236	625,795,911	**965,362,147**
Accrued interest on deposits	10,169,602	11,601,176	**21,770,778**	5,593,234	6,947,828	**12,541,062**
Total deposits	**1,180,482,587**	**2,116,037,617**	**3,296,520,204**	**1,015,311,848**	**1,799,635,341**	**2,814,947,189**
Other customer accounts	**41,027,642**	**51,082,364**	**92,110,006**	**37,587,945**	**32,597,539**	**70,185,484**
Total customer deposits	**1,997,932,572**	**3,481,081,495**	**5,479,014,067**	**1,670,949,482**	**2,920,486,384**	**4,591,435,866**

Other customer accounts are composed as follows:

	31 December 2023			31 December 2022		
	Local currency	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
Guarantees for letters of credit	-	199,043	**199,043**	-	45	**45**
Escrow accounts	33,614,795	46,964,755	**80,579,550**	27,901,615	26,794,439	**54,696,054**
Payment orders to be executed	1,539,622	682,779	**2,222,401**	1,263,035	661,026	**1,924,061**
Other	5,873,225	3,235,787	**9,109,012**	8,423,295	5,142,029	**13,565,324**
	41,027,642	**51,082,364**	**92,110,006**	**37,587,945**	**32,597,539**	**70,185,484**

Deposit guarantee for letters of credit represent the cash collateral held by the Bank against similar collateral provided by the Bank to correspondent banks for letters of credit opened on behalf of its customers.

Escrow accounts balance represents sums blocked until the completion of an operation or the extinction of a risk. Amounts registered in these accounts mostly relate to cash coverage received from customers due to the issuance of bid and performance bonds by the Bank or due to treasury bill transactions with Bank of Albania intermediated by the Bank. Other represents deposits that are pending to be allocated into the relevant deposit category.

18. Due to banks and financial institutions

Due to banks as at 31 December 2023 and 31 December 2022 consisted as follows:

	31 December 2023	31 December 2022
Treasury bills sold under Repo agreements with Central Bank	75,682,472	187,547,023
Securities sold under Repo agreement	12,589,916	30,709,490
Deposits from banks	62,961,517	70,109,308
Current accounts of non-resident banks	3,160,521	7,815,106
Current accounts of resident banks	100,396	96,922
Borrowing from financial institutions	4,929,215	9,506,485
	159,424,037	**305,784,334**

Treasury bills and Albanian Government Bonds and Securities with a total value of USD 145,749,308 (31 December 2022: USD 343,225,900) were used to secure Repo agreements and borrowings from banks.

Deposits from banks as at 31 December 2023 represent short-term borrowings obtained from resident and non-resident banks.

Borrowing from financial institutions represents borrowings of EUR 4,444,444 outstanding as at 31 December 2023 (31 December 2022: EUR 8,888,889), which are disbursed from EFSE (European Fund for Southeast Europe) and GGF (Green for Growth Fund Southeast) to BKT Kosovo, bearing interest rates between 6.20% - 6.30%.

19. Due to third parties

The Bank acts as an agent for the tax authorities, either in the collection of taxes or in performing advance payments for the budget. In return, the Bank charges a commission to the taxpayers for the service rendered. The credit balance as at 31 December 2023 of USD 8,138,846 (31 December 2022: USD 4,294,958) represents the net outstanding amount of payments and collections made by the Bank to and from third parties, on behalf of tax authorities.

20. Deferred tax assets (liabilities)

Deferred income taxes are calculated using a tax rate of 15% for Albania and 10% for Kosovo. The movement on the deferred income tax account is as follows:

	31 December 2023	31 December 2022
Asset (liability) at 1 January	12,918,087	2,347,752
Income for the period	(21,094)	10,021,691
Exchange differences	(1,557,956)	548,644
Asset at the end of the year	**11,339,037**	**12,918,087**

Deferred income tax assets / (liabilities) are attributable to the following items:

	31 December 2023	31 December 2022
Deferred income on fees on loans	803,410	619,039
Decelerated depreciation	1,734,037	1,467,731
Provision of other debtors	618,129	542,429
Allowance for loan impairment	347,097	334,937
Fair value reserve for AFS securities	7,998,581	9,966,896
Interest expenses on deposits	18,840	60,265
Net effect of IFRS 16	(181,057)	(73,210)
	11,339,037	**12,918,087**

21. Accruals and other liabilities

	31 December 2023	31 December 2022
Payments in transit	4,355,225	7,066,845
Due to tax authorities	4,223,697	3,916,249
Foreign exchange contracts revaluation loss	3,899,869	7,259,738
Creditors	3,595,665	2,038,558
Bonus payable	3,454,222	3,189,089
Accrued expenses	3,424,438	2,806,093
Liability for retiring employees (note 3(s).ii.)	749,795	835,074
Social insurance	452,204	315,884
Payables to constructors for home loans	385,339	363,963
Cash guarantees from suppliers	117,207	63,818
Dividend payable	-	50,000,000
	24,657,661	**77,855,311**

Dividend payable represents the dividend payment suspended based on the respective decision of the Supervisory Council of Bank of Albania until 2022 end, paid in February 2023 respectively, following Bank of Albania decisions (See note 1).

Creditors mainly represent balances that relate to old transactions of the Albanian Government and are pending on the future determination of the rightful owner of these amounts.

Bonus payable represents the accrued yearly performance bonus for the Bank's staff and management, which is expected to be paid within the first quarter of 2024.

Liability for retiring employees represents a specific fund created in 2002 by the Bank, which will be paid to staff on their retirement. The investment in this fund has been stopped by the Bank on 30 September 2010 (See note 3(s).ii.).

22. Debt securities issued

On December 4th, 2023 BKT issued a 4-year term bonds with a total nominal value of EUR 30,720,000 and a coupon rate of 4%. Pursuant to the approvals granted by Bank of Albania, the bond is classified as "Eligible Liability" for MREL purposes based on Law no. 133/2016 "On the recovery and resolution of Banks in the Republic of Albania" and Bank of Albania Regulation nr 78/2020.

23. Subordinated debt

Subordinated debt of USD 52,182,032 (31 December 2022: USD 50,319,179) represents the equivalent amount of a ten-year facility of EUR 25 million, bearing an interest rate of 9.095% and payable on its maturity date with bullet payment. Subordinated debt was obtained from the Green for Growth Fund Southeast Europe, under the Subordinated Term Loan Facility Agreement, signed on 22 December 2015 with the purpose of granting loans related to Energy Efficiency and Renewable Energy investments. Pursuant to the approvals granted by Bank of Albania, the subordinated debt was classified as second-tier capital and included in the regulatory capital of the Bank. Moreover, during 2022, BKT Kosova obtained the same ten-year facility instrument from Green for Growth Fund Southeast Europe and European Fund For Southeast Europe amounting in total at EUR 22 milion, bearing an interest rate of 7.85%.

24. Shareholder's equity and reserves

Share Capital

At 31 December 2023 the authorised share capital comprised 24,291,498 ordinary shares (31 December 2022: 24,291,498). The shares have a par value of USD 12.35. All issued shares are fully paid. The holder of ordinary shares is entitled to receive dividends, if declared. All shares rank equally with regard to the Bank's residual assets.

24. Shareholder's equity and reserves (continued)

Reserves

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of consolidated financial statements from functional currency to presentation currency.

Fair value reserve and impairment of FVOCI

c) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments (investment securities measured at FVOCI), excluding impairment losses, until the investment is derecognised or impaired.

d) Impairment of FVOCI

Following the requirements of the standard "*IFRS 9-Financial Instruments*", impairment of FVOCI represents the impairment provision for debt securities measured at FVOCI recognised in other comprehensive income.

The impairment of FVOCI at USD 44,415,974 (31 December 2022: USD 33,023,800) for the financial year 2023 is composed of available-for-sale securities impairment provision at USD 44,390,980 (31 December 2022: USD 32,847,021) and treasury bills available-for-sale impairment provision at USD 24,994 (31 December 2022: USD 176,779).

Retained earnings

Retained earnings as at 31 December 2023, includes the cumulative non distributed earnings. As described in Note 1, the Bank created legal reserves of Lek 407,586 thousand (equivalent of USD 3,906,700) and decided to distribute Lek 5,216,500 thousand (equivalent of USD 50,000,000) as dividends, using part of the statutory net profit for the year ended December 31, 2022 and part of the net profit of the year 2021. The remaining part of statutory profit for the year 2022 was kept as retained earnings. Retained earnings are distributable.

Retained earnings include the amount 9,887,370 USD representing the revaluation surplus, net of taxes, created for the ex-Head Office property which was sold in 2022 year at the revaluated amount, in accordance with the requirements of IAS 16 "Property, plant and equipment".

25. Interest income

Interest income is composed as follows:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Placements with banks and balances with Central Bank	25,022,917	7,638,428
Investment securities - Treasury bills	8,299,809	3,565,677
Investment securities - Trading and available-for-sale	32,057,161	41,246,964
Investment securities - Held-to-maturity	80,827,102	48,868,541
Loans to customers	96,900,614	71,464,415
	243,107,603	**172,784,025**

26. Interest expense

Interest expense raised from financial liabilities measured at amortized cost is composed as follows:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Due to banks and financial institutions	9,396,317	6,988,940
Customer deposits	40,373,680	22,247,979
Lease liability	352,937	361,043
	50,122,934	**29,597,962**

27. Fees and commissions, net

Fee and commission revenue and expense are comprised of the following items:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Fee and commission income		
Electronic banking transactions	15,209,267	10,964,620
Payment services to clients	8,999,534	7,704,236
Customer accounts' maintenance	6,551,449	5,257,416
Inter-bank transactions	1,874,476	4,357,706
Cash transactions with clients	954,691	849,981
Lending activity	930,839	892,430
Other fees and commissions	570,337	518,912
	35,090,593	*30,545,301*
Fee and commission expense		
Inter-bank transactions	(1,024,941)	(1,177,503)
Payment services to clients	(167,021)	(138,313)
Customer accounts' maintenance	(82,306)	(80,631)
Transactions with clients	(29,465)	(15,228)
Other fees and commissions	(11,596)	(2,888)
	(1,315,329)	*(1,414,563)*
Fees and commissions, net	**33,775,264**	**29,130,738**

28. Foreign exchange revaluation gain/(loss), net

Foreign exchange revaluation gain/(loss) represents the net revaluation of the Bank's foreign currency monetary assets and liabilities. In addition, as described in Note 3(b) it also includes the revaluation of the Bank's share capital. The revaluation gain on the share capital revaluation for the year ended 31 December 2023 is USD 39,087,657 (year ended 31 December 2022 loss: USD 1,353,623).

29. Other (expense) / income, net

Other income and expenses are composed as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Other income		
Gain on recovery of written off loans to customers	1,592,015	1,151,425
Gain on sale of assets acquired through legal process	876,725	348,875
Reversal of provisions on assets acquired through legal process	560,095	729,932
Dividend income from equity investments	468,267	2,795,904
Income from operating lease	113,019	153,283
Gain on sale of property and equipment	40,699	215,549
Reversal of staff pension fund	26,250	12,914
Income from market value of held-for-trading securities	26,112	1,040,371
Sundry	836,186	12,757
	4,539,368	*6,461,010*
Other expense		
Provisions on assets acquired through legal process	(1,870,764)	(74,334)
Provision of other debtors	(1,210,986)	-
Loss on sale or write off of fixed assets and repossessed assets	(66,160)	(14,060)
Write off of loans to customers, net	(33,504)	(110,054)
Sundry	(263,560)	(429,371)
	(3,444,974)	*(627,819)*
Other (expense) / income, net	**1,094,394**	**5,833,191**

A reconciliation of expenses related to write off of loans to customers is as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Write off of loans to customers, gross	(553,170)	(894,256)
Provision reversal of written off loans	519,666	784,202
Write off of loans to customers, net	**(33,504)**	**(110,054)**

30. Personnel expenses

Personnel expenses are composed as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Salaries	24,810,516	18,162,155
Performance bonus	3,872,551	3,440,519
Social insurance	2,709,016	1,895,621
Training	372,740	248,327
Life insurance	417,855	254,093
Other	5,333,913	3,682,705
	37,516,591	**27,683,420**

31. Administrative expenses

Administrative expenses are composed as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Credit/debit cards expenses	16,503,905	12,744,641
Deposit insurance expense	12,680,586	10,670,735
Repairs and maintenance	4,405,629	3,377,371
Telephone, electricity and IT expenses	3,278,201	3,621,235
Other external services (including external audit fees)	3,179,970	2,650,700
BoA Extraordinary fund expenses	2,310,010	1,711,200
Security and insurance expenses	2,142,609	1,828,920
Marketing expenses	2,083,457	2,888,615
Transportation and business related travel	774,791	715,606
Representation expenses	664,996	308,412
Office stationery and supplies	397,931	363,966
Lease payments	387,312	73,045
Taxes other than tax on profits	369,206	961,197
Sundry	2,309,174	1,902,030
	51,487,777	**43,817,673**

The law No. 25/2018 On Accounting and Financial Reporting requires the disclosure of the Audit fee related to the Statutory Audit. The expense for statutory audit included in the Other external services (including external audit fees) amounts to USD 150,009.

32. Impairment of financial assets, other than loans to customers

Movements in the allowance for impairment financial assets other than loan:

	31 December 2023	31 December 2022
At 1 January	**45,827,439**	**9,584,090**
Impairment charge/(reversal) for the period	**18,405,243**	**36,098,059**
- on investment securities	18,023,740	36,219,706
- on placements	(15,628)	7,369
- on loans to banks	55,972	10,829
- on other assets	341,159	(139,845)
Translation difference	2,083,844	145,290
At the end of the period	**66,316,526**	**45,827,439**

33. Income tax

Income tax is comprised of:

	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax	14,766,671	16,515,803
Deferred tax (income)/expense (note 20)	21,094	(582,106)
	14,787,765	**15,933,697**

33. Income tax (continued)

The tax on profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	31 December 2023	31 December 2022
Profit before taxes	**105,650,295**	**121,248,974**
Computed tax using statutory tax rate of 15 %	11,783,870	14,961,309
Effect of tax rates in foreign jurisdictions at 10%	2,898,968	2,017,769
Non tax deductible expenses	309,765	(67,437)
Foreign exchange difference	(204,838)	(977,944)
Income tax	**14,787,765**	**15,933,697**
Effective tax rate	**14.00%**	**13.14%**

34. Related party transactions

In accordance with IAS 24 "Related Party Disclosures", a related party is any party that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Identity of related parties

The Bank has related party relationships with its shareholders and affiliates, directors and executive officers. The Bank's sole shareholder is Calik Holding at 100% as at 31 December 2023. The ultimate controlling party is Mr. Ahmet Calik. Aktif Yatirim Bankasi A.S. ("AktifGroup"), ArkEstate Investments sh.a, Kosovo Electricity Distribution and Supply Company J.S.C (KEDS), Calik Elektrik Dagitim A.S And Calik Enerji A.S. Consortium, Calik Pamuk Dogal Vesen El Tic As, Aktif Tech and Kosovo Electricity Supply Company J.S.C (KESCO) are controlled by Calik Holding. Albania Leasing sh.a represents an affiliate of the Group.

Balances and transactions with related parties

	31 December 2023	31 December 2022
Assets		
Placement and balances with banks:		
Current accounts with Aktifbank	88,410	112,198
Placements with Aktifbank	-	14,940,217
Loans to Banks	14,371,583	-
Investment Securities with Calik Holding	26,334,823	18,892,512
Loans to customers:		
ArkEstate	14,404,069	5,568,248
Total assets	**55,198,885**	**39,513,175**
Liabilities		
Due to banks and financial institutions:		
Borrowings from Aktifbank	10,762,697	15,080,244
Customer deposits:		
Albania Leasing	71,825	79,420
Calik Pamuk Dogal Vesen El Tic As	111,013	-
Calik Elektrik Dagitim A.S And Calik Enerji A.S. Consortium	12	-
KEDS / KESCO	11,700,522	19,057,455
Calik Holding	15,041,883	-
Other Liabilities:		
Dividend Payable to Calik Holding	-	50,000,000
Total liabilities	**37,687,952**	**84,217,119**

34. Related party transactions (continued)

Balances and transactions with related parties (continued)

	2023	**2022**
Statement of comprehensive income		
Interest income from:		
Albania Leasing	-	6
Aktifbank	371,583	586,900
Calik Holding	3,021,297	372,862
ArkEstate	647,965	3,272
Interest expenses for:		
Aktifbank	(77,999)	(150,992)
Calik Holding	(362,056)	-
Fees and commissions:		
Albania Leasing	4,107	3,707
KEDS / KESCO	42,817	35,204
Operating expenses:		
Calik Holding and Aktif Tech	(1,128,772)	(514,144)
Net	**2,518,942**	**336,815**

Balances and transactions with directors and executive officers

The remuneration of directors and executive officers is included in personnel expenses. It can be detailed as follows:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Directors	2,211,260	2,004,327
Executive officers	4,031,046	4,358,157
	6,242,306	**6,362,484**

As at 31 December 2023, the total deposits of directors held with the Bank were USD 4,418,573 (31 December 2022: USD 4,495,731), while the outstanding loans granted to directors were USD 1,054,164 (31 December 2022: USD 540,572).

35. Contingencies and commitments

Guarantees and letters of credit

	31 December 2023	**31 December 2022**
Guarantees in favour of customers	93,129,123	89,325,877
Guarantees received from credit institutions	45,211,250	48,245,325
Letters of credit issued to customers	10,025,513	2,166,373

Guarantees and letters of credit issued in favour of customers mostly are counter guaranteed by other financial institutions or fully cash collateralised.

The Bank operates as an agent of the Government in the administration and implementation of certain loans to state owned entities utilising credit lines received from international donors. These donors have received individual guarantees from the Government of Albania to cover the reimbursement of their lines of credit.

36. Contingencies and commitments (continued)

Other

	31 December 2023	31 December 2022
Undrawn credit commitments	290,078,945	164,784,323
Outstanding cheques of non-resident banks	326,566	315,525
Spot foreign currency contract	128,493,054	224,560,300
Collaterals for loan portfolio	4,654,093,419	3,861,262,871
Securities pledged as collateral (note 19)	145,749,308	343,225,900
Interest Rate Swaps	103,994,039	-

Legal

In the normal course of business, the Bank is presented with legal claims and litigation; the Bank's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding as at 31 December 2023.

37. Subsequent events

On February 13, 2024, Anagold Madencilik suspended the operations at the gold mine in Erzincan /Turkey as a result of a significant slip on the heap leach pad. The mine license has been temporarily suspended by the Turkish Government. The Company is not, at this time, able to estimate or predict when and under what conditions it will resume operations at Çöpler. The Bank has 1.5% participation shareholding ratio in Anagold Madencilik company at around USD17 million. Anagold Madencilik is in the process of evaluating the estimated remediation costs and anticipates recording a material remediation liability during 2024 year. The Bank will reflect the possible financial losses resulting from such recognition during 2024.

This incident is a non-adjusting subsequent event and did not impact the Financial Statements as of and for the twelve months ended December 31, 2023.

There are no other subsequent events that would require either adjustments or other additional disclosures in the financial statements.