Raiffeisen Bank Albania

Annual Report 2025

Contents

Management board
of Raiffeisen Bank Sh.a

Christian Canacaris
Chief Executive Officer

Alexander Zsolnai
Vice-chairman of the MB

Elona Mullahi (Koçi)
Board Member Corporate

Vilma Baçe
Board Member Retail

Erion Serti
Board Member Operacionet dhe TI

Report of the Board of Directors

Ladies and Gentlemen,

In 2025, Albania's economy demonstrated resilient growth of 3.8%, driven by strong domestic demand with contributions from both private and public consumption. Investment continued to be a positive growth factor, while export services remained robust despite challenges in goods exports. Inflation was contained at 2.2%, supported by easing global pressures and a stable currency. The Bank of Albania maintained a prudent monetary policy, lowering the key interest rate once to 2.5% and actively managing currency fluctuations to ensure price stability. Although structural challenges persist in agriculture and manufacturing, the overall economic momentum remains positive, underscoring Albania's steady progress toward sustainable growth and development.

Raiffeisen Bank sh.a. continued its strong performance, achieving significant growth across all key business areas despite a challenging economic environment. The Bank's total assets and loan portfolio expanded notably, reinforcing its position as one of Albania's leading banks. Important strides were made in digital innovation, enhancing customer experience and operational efficiency. Financial discipline and risk management remained priorities, reflected in solid profitability and improved asset quality. On behalf of the Board of Directors, I extend sincere thanks to our clients, employees, and partners for their trust and dedication, which have been vital to our continued success and sustainable growth throughout 2025.

During the financial year 2025, the members of the Board of Directors held four meetings. The overall attendance rate for the meetings of the Board of Directors was 100 per cent.

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

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

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

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

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

On behalf of the Board of Directors

Marie-Valerie Brunner
Chairwoman of the Board of Directors

Message from the Chief Executive Officer

In 2025, Raiffeisen Bank Albania delivered strong financial performance and sustainable growth across every business segment, reinforcing our standing as one of the clear leaders in the Albanian market. Total assets reached approximately ALL 325 billion and return on equity exceeded 24% — well above the market average.

Our loan portfolio grew by 12% year-on-year, consolidating our position as the country's second-largest lender across both segments, with an 18.2% market share among individuals and 14.3% among businesses. In Retail, net lending volumes rose by 18% and the customer base expanded by 7.6%, with nearly half of all new customers acquired entirely through digital channels. We remain one of Albania's leading banks for customer experience in the individual segment.

The corporate segment delivered another strong year. The lending portfolio reached approximately ALL 63 billion, up 10.1%, with newly originated loans accounting for 30% of the total. For the fifth consecutive year, we were recognized as Albania's best bank for corporate banking services on the basis of customer experience. Expanding our ESG asset portfolio remains a key priority: in 2025, corporate ESG assets grew by 12.7% year-on-year to represent 16.9% of the portfolio.

In the foreign exchange market, we strengthened our role as a Market Maker for Albanian lek quotations through the Raiffeisen Group's digital platform, enabling dynamic, real-time pricing across the Group. We also further consolidated our position as the market leader by trading volume in the local securities market.

Digital innovation remains one of our central strategic pillars. A key focus has been the development of SEPA payments, making transfers within the euro area faster and more efficient. In 2025, we became the first bank in Albania to launch Apple Pay simultaneously for both Visa and Mastercard, allowing customers to add their cards to their digital wallets directly through Raiffeisen ON. We also paired the Raiffeisen ON platform with the Raiffeisen Youth application, creating an integrated ecosystem that gives users simpler, continuous access to both. With the most comprehensive portfolio of digital products and services in the market, Raiffeisen Bank has further cemented its position as a market leader.

Raiffeisen Invest recorded significant growth, with assets under management across all funds rising 14.2% to ALL 61.7 billion — the highest level on record. The full digitalization of our investment products was a major focus throughout the year: through the RaiYouth application, customers were able, for the first time, to open investment plans entirely online, and digital sales reached ALL 2 billion in 2025.

Raiffeisen Leasing achieved an outstanding financial performance, with net profit after tax of ALL 135 million — its highest level to date. Total assets grew 16% year-on-year, while ESG financing accounted for 15% of newly generated business.

The year 2026 has opened amid global uncertainty, shaped by political developments and conflicts affecting economies worldwide. Even so, the Albanian economy is projected to continue delivering strong GDP growth.

One of our key priorities for 2026 will be to enhance our customer offering and overall experience, with particular emphasis on digital channels across both the Retail and Corporate segments. We will also advance our journey with Artificial Intelligence, introducing new initiatives and training programs to make AI an integral part of how we operate — improving operational efficiency and delivering more personalized service to our customers.

In closing, on behalf of the Management Board, I extend my sincere appreciation to our customers and business partners for the trust and collaboration they placed in us throughout 2025. My special thanks go to our dedicated team, whose professionalism, spirit, and unwavering commitment made this year's achievements possible. We will continue along our path of rapid transformation, determined to remain an agile organization, ready for whatever challenges the future may bring.

Christian CANACARIS

Drejtor i Përgjithshëm, Kryetar i Drejtorisë

Vision & Mission

Our Vision for 2025

To be the most recommended financial services group.

Mission

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

Collaboration

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

Proactivity

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

Learning

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

Responsibility

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

Perspectives and Plans for 2026

The Albanian economy is projected to continue a moderate and sustainable growth path in 2026, driven by domestic demand, improving fiscal performance, and ongoing structural reforms. Competition in the banking sector is expected to intensify further in 2026, both from established players and new market entrants. Raiffeisen Bank Albania maintains a strong market position, supported by a solid capital base, extensive local expertise, and long-standing customer relationships.

Lending expansion across both retail and corporate segments will be pursued within a clearly defined risk appetite framework, with credit quality and capital adequacy remaining non-negotiable priorities. Sustainable growth will continue to shape the Bank's competitive position.

Digital transformation remains a key priority for the Bank in the coming year. Customer expectations – particularly among younger generations– have shifted materially toward digital-first, mobile-enabled banking experiences, and the Bank is committed to meeting these expectations without compromising the accessibility of its traditional channels and security.

Artificial intelligence represents a transformative opportunity across banking operations. The integration of AI across banking operations will be advanced systematically, supported by targeted workforce development programs. Cybersecurity and operational resilience are considered as core obligations in this context. As the digitization of financial services accelerates, the Bank is committed to maintaining the highest standards of security infrastructure to protect its customers and sustain its reputation as a reliable partner.

Raiffeisen Bank Albania reaffirms its commitment to the ESG agenda through its broader role as a responsible financial institution, a fair partner, and an active corporate citizen. The Bank remains dedicated to supporting sustainable business growth, contributing to a greener and more inclusive economic development, and advancing its environmental, social, and governance objectives in alignment with both local expectations and Raiffeisen Bank International (RBI) Group commitments.

Development and retention of skilled professionals will remain a priority, as human capital underpins every dimension of the Bank's strategic agenda. At the same time, the Bank will continue to invest in a high-performing culture built on trust, inclusion, and psychological safety while maintaining continuous learning as a central pillar that supports idea generation and cross-team collaboration.

In 2026, the Bank will remain a pioneer in innovation, keeping the customer at the core of its development agenda by anticipating needs, simplifying experiences, and delivering meaningful, valueadding solutions. This approach will be driven by disciplined execution, transparency, and long-term orientation, ensuring sustainable innovation that meets the expectations of customers, shareholders, and supervisory authorities.

Drejtoria

Raiffeisen Bank Sh.a

Chief Executive Officer Chairman of the Management Board	Vice-chairman of the MB	Board Member Corporate	Board Member Retail	Board Member CIO/COO
Christian Canacaris	**Alexander Zsolnai**	**Elona Mullahi (Koçi)**	**Vilma Baçe**	**Erion Serti**

Governing bodies

Board of directors

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

Members of the Board of Directors

Marie Valerie Brunner	Chairperson
Heinz Wiedner	Vice-Chairperson
Thomas Matejka	Member
Petro Merkulov	Member
Edzard Heinrich Janssen	Member

Audit committee

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

Members of the Audit Committee

Heinz Wiedner	Chairperson
Alda Shehu	Vice-Chairperson
Thomas Matejka	Member

During 2025, the Audit Committee held four meetings.

Risk committee

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

Members of the Risk Committee

Thomas Matejka	Chairman
Petro Merkulov	Vice-Chairman
Heinz Wiedner	Member

During 2025, the Risk Committee held two meetings.

Management board

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

Members of the Management Board

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

Report of the Management Board

Economic Developments

In 2025, Albania's GDP growth moderated slightly to 3.8%, down from 4.0% in 2024, reflecting a shift toward more stable but moderate expansion amid ongoing global uncertainties. Domestic demand remained the main growth engine, with private consumption accounting for 1.9% and public consumption accounting for 1.2% to real GDP growth. Investment, measured by gross fixed capital formation, also supported growth with a 1.2% contribution. Net exports accounted for 1.1%, driven primarily by resilient export services despite a slowdown in goods exports. The overall growth was tempered by some statistical discrepancies, which suggest timing differences in economic activity measurement but do not diminish the underlying positive momentum.

By sector, the services industry was the standout performer, led by public administration, defense, education, health and social work activities, which grew by 14.3%, reflecting sustained government spending and social support. Real estate activities expanded by 8.3%, and taxes on products increased by 8.1%, highlighting a favorable fiscal environment and buoyant property market. Other service sectors such as wholesale and retail trade, accommodation and food services, information and communication, and financial activities recorded moderate growth, underscoring strong domestic demand and investment. In contrast, agriculture, forestry and fishing contracted by 1.9%, industry declined by 3.2%, and manufacturing fell by 1.6%, indicating ongoing structural challenges in primary and secondary sectors. Construction grew moderately at 4.6%, supported by continued investment and infrastructure development.

Headline inflation in Albania averaged 2.2% during 2025, remaining below the Bank of Albania's 3% target and consistent with the previous year. This subdued inflation reflected moderating external pressures, including lower global commodity prices and a more stable supply environment, which helped reduce import costs. The ALL (Albanian Lekë) steady appreciation to historic highs further contained imported inflation by making foreign goods relatively cheaper. At the domestic level, moderation in food price increases helped moderate inflationary pressures, while rental prices experienced a significant rise during 2025. Targeted foreign exchange interventions by the Bank of Albania helped manage currency volatility, supporting overall price stability. Despite these factors, core inflation remained relatively high at around 3.0% year-on-year by December, with net core inflation rising to approximately 3.5%, indicating persistent domestic price pressures driven by strong demand and wage growth.

Within this context, the Bank of Albania maintained a cautious monetary policy stance, reducing the base rate once—from 2.75% in late 2024 to 2.5% in July 2025—and keeping it unchanged throughout the remainder of the year. This approach balanced the need to support economic growth with the imperative to anchor inflation expectations. The central bank also managed the ALL's appreciation through targeted foreign exchange interventions to moderate the pace of currency appreciation, helping to contain imported inflation and stabilize the economy.

The continued expansion of Albania's economy in 2025 has supported positive labor market developments. In Q4 2025, the unemployment rate declined to 8.3%, down from 8.8% in the same period of 2024. Employment rose modestly, with the employment rate increasing by 0.9 percentage points year-on-year. Average gross wage grew by 4.3% to ALL 86,984, supported by strong gains in key sectors and a significant minimum wage increase. Employment growth was largely concentrated in the services sector, which expanded by 5.6% annually, reflecting Albania's ongoing transition toward a service-led economy. Meanwhile, agriculture and industry continued to contract, highlighting the need for structural reforms to support economic diversification and worker reallocation. Despite these improvements, youth unemployment remained relatively high at 14.2%, and female labor force participation and youth employment rates remain lower than desired. Addressing these challenges is essential to ensure broad-based and inclusive labor market growth.

Fiscal performance in 2025 reflected sound and prudent management. Total revenues increased by 6.2% year-on-year to approximately €7.8 billion, achieving 98% of the planned target, while expenditure rose by 10.0% to €8.3 billion, or 97.2% of the plan. Although the fiscal deficit widened slightly to 1.8% of GDP, it remained well within manageable limits, supported by strong tax collection and prudent spending. Public debt continued its steady decline, falling to 52.9% of GDP from 54.2% in 2024, reflecting ongoing consolidation efforts and fiscal reforms aimed at achieving primary surpluses by 2027 alongside solid economic growth.

Furthermore, S&P Global Ratings maintained Albania's long-term sovereign credit rating at 'BB' with a stable outlook. This underscores confidence in the country's macroeconomic resilience and recognizes the government's commitment to fiscal discipline under the Organic Budget Law. The rating also highlighted a major milestone: the opening of all EU acquis negotiation chapters, a strong signal to international investors and a catalyst for continued structural reforms.

Albania's current account deficit narrowed sharply to €-0.2 billion in 2025, equivalent to just -0.7% of GDP, marking the lowest historical level. This represents a significant improvement from the €-0.6 billion deficit (-2.4% of GDP) in 2024. The turnaround was driven by a robust 15.3% annual expansion in the services balance, reaching €4.5 billion, supported by a 17.1% increase in travel exports and a 7.0% rise in remittance inflows to EUR 1.1 billion. While the trade deficit widened slightly by 6.6% to € -6.0 billion due to a 7.0% decline in goods exports and a 3.4% increase in imports, the overall external position improved markedly.

Foreign direct investment (FDI) inflows rose by 18.4% to €1.6 billion (6% of GDP) in 2025, fully financing the current account deficit and underscoring growing investor confidence. This increase was supported by optimism around EU accession prospects. Key sectors attracting investment included real estate, trade, and extractive industries, reflecting strong market demand and abundant natural resources. These developments embody Albania's ongoing structural economic shifts, improved external balances, and increasing resilience amid global challenges.

The Albanian banking sector demonstrated solid and sustained growth throughout 2025, further consolidating its role as a cornerstone of the country's macroeconomic stability. Total banking assets reached approximately €23.7 billion by year-end, reflecting a robust annual increase of 9.4%, an acceleration compared to the previous year. This growth was mainly driven by a 13.5% rise in customer-related transactions and a 9.9% increase in investments in securities, while treasury and interbank operations recorded a slight contraction of 1.6%, signaling a stronger orientation towards financing the real economy.

Credit activity marked a record year, with total loans expanding by 13.6% to €9.4 billion. Retail lending was the main growth driver, surging by 19.9%, significantly outpacing the 9.6% increase in business loans. Loans denominated in local currency grew by 16.0%, supported by favorable interest rates and currency stability, while foreign currency loans increased by 10.4%.

Deposits also exhibited healthy growth, rising by 8.9% to €18.9 billion. Local currency deposits expanded by 11.5%, reflecting a clear preference for saving in ALL. Retail deposits remained dominant, accounting for 76.9% of total deposits and growing by 9.2% year-on-year. Term deposits continued to be favored, representing over 55% of the deposit structure.

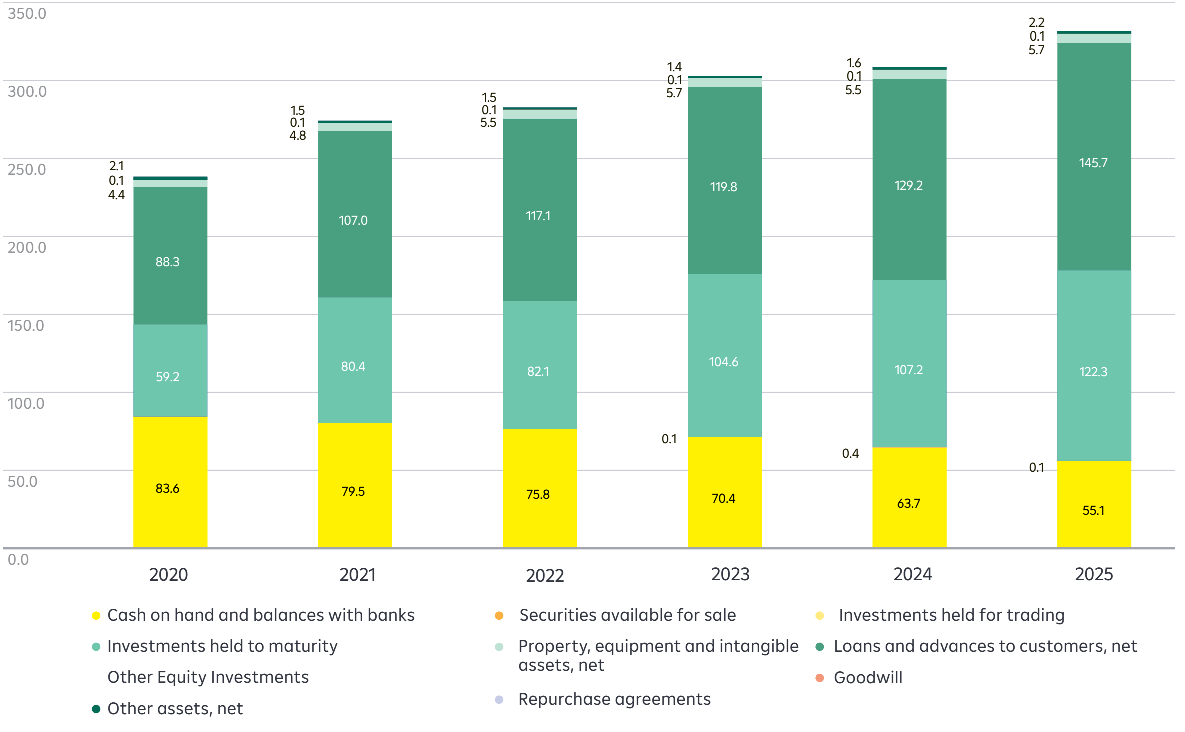
A key highlight of 2025 was the continued improvement in asset quality. The non-performing loan (NPL) ratio declined to 3.8%, down from 4.2% in 2024, reaching its lowest level in over a decade. Despite a slight 4.7% decrease in net profits to €368 million - mainly due to higher operating expenses and provisioning - the sector maintained strong profitability. Return on equity (RoE) reached 15.9%, return on assets (RoA) at 1.9%, and the capital adequacy ratio (CAR) at a solid 18.5%, underscoring a well-capitalized banking system resilient to external shocks.

Financial results

These consolidated financial results have been prepared in accordance with International Financial Reporting Standards for the year ended on December 31, 2025 for Raiffiesen Bank sh.a. and its subsidiaries.

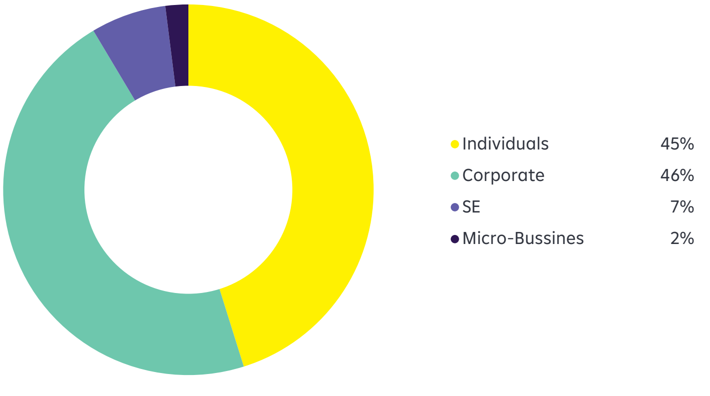
Total assets reached ALL 331.2 billion at the end of 2025, up from ALL 307.7 billion in 2024. Loans to customers expanded by 13% year on year, increasing their share of total assets to 44% (2024: 42%). Investments in securities recorded a growth of 14.2% year on year, accounting for nearly 37% of the Bank's total assets in 2025 (2024: 35%). Meanwhile, Cash on hand and balances with banks decreased by 14% compared with 2024.

Structure of Balance Sheet Assets
(in ALL billion)



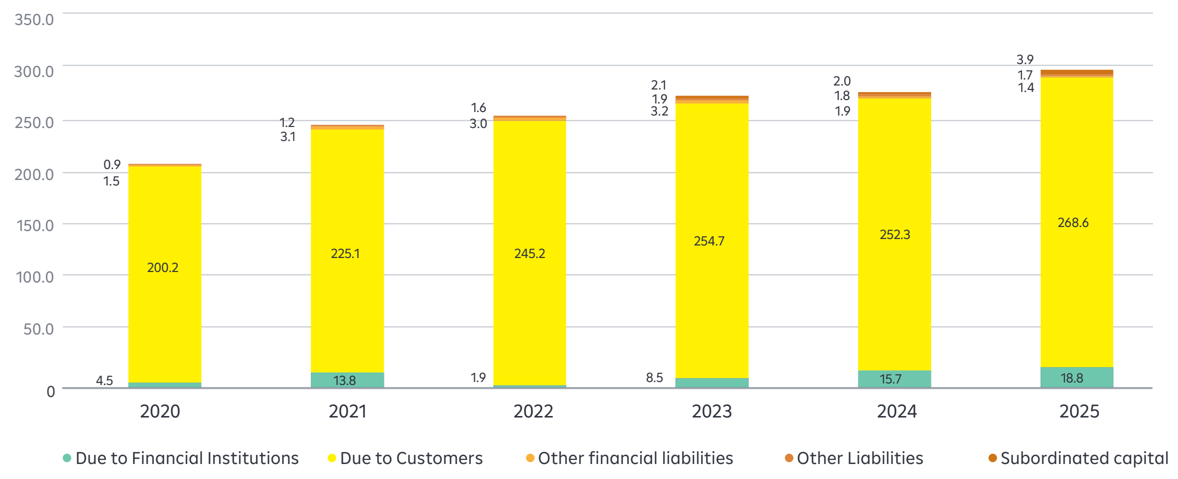
Total gross loans and advances to customers at year end 2025 stand at ALL 158.7 billion (2024: ALL 142.0 billion). The Corporate and Individuals segments accounted for the majority of the loan portfolio. Corporate loans represented 46% of the portfolio, with an outstanding balance of ALL 73.5 billion (2024: 68.2 billion). The individuals segment continues to be a major driver of the loan portfolio, representing 45% of the Bank's loan book by the end of 2025, with an outstanding balance of ALL 71.8 billion (2024: ALL 62.3 billion). SE and Micro Businesses recorded a 16% increase year on year, amounting to ALL 13.3 billion (2024: ALL 11.5 billion).

Structure of Loans to Customers



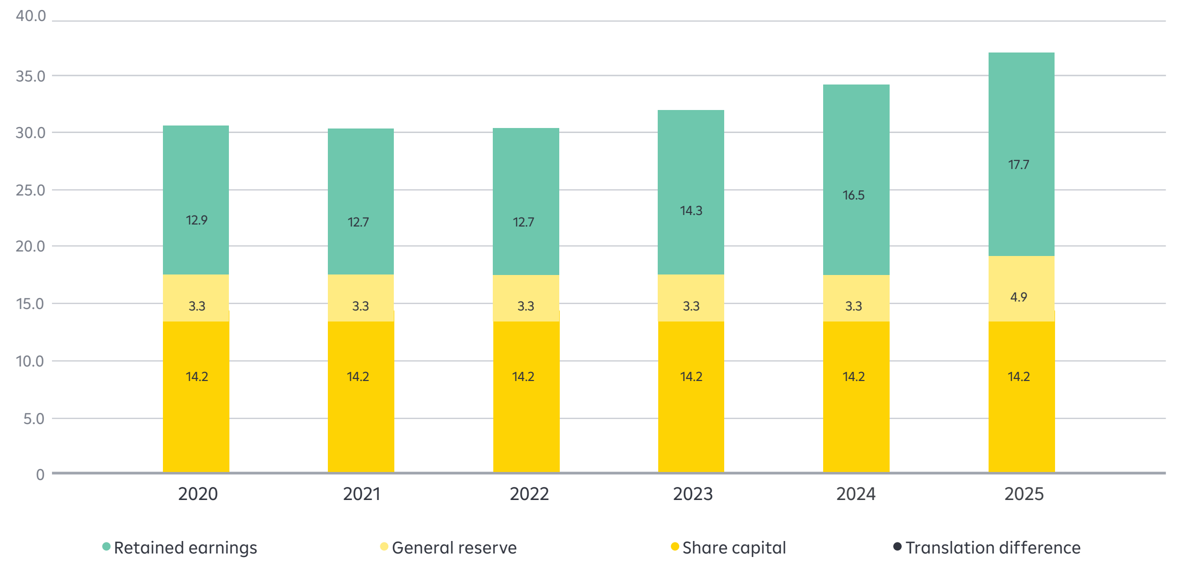
The total liabilities at the end of 2025 amounted to ALL 294.4 billion (2024: ALL 273.7 billion). In 2025, customer deposits represent nearly 91% (2024: 92%) of the total Bank's liabilities, making them a reliable source of funding.

Structure of Balance-Sheet Liabilities
(in ALL billion)



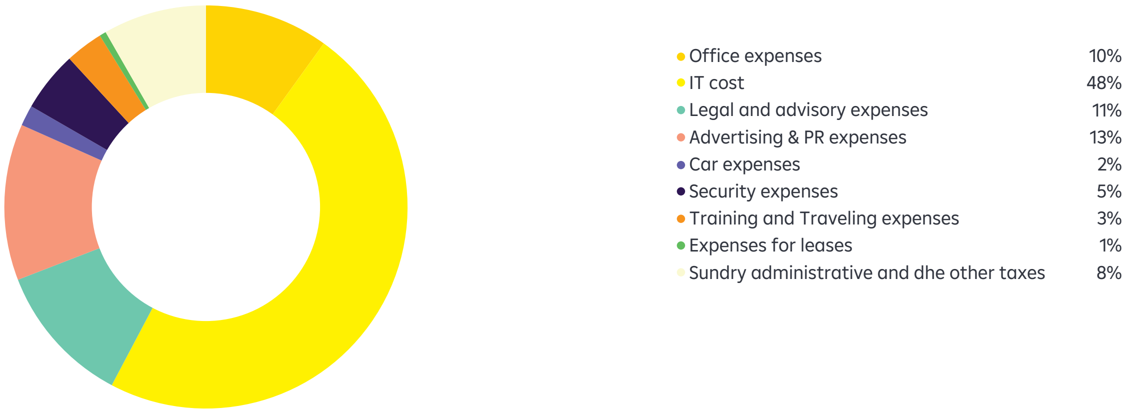
Net profit after tax decreased by 3% year on year, amounting to ALL 7.5 billion (2024: ALL 7.7 billion). Dividends declared and paid amounted to ALL 4.7 billion in 2025 (2024: ALL 5.4 billion). The Bank maintains a sound capital position, with a Local Capital Adequacy Ratio of 21.4%, significantly above the minimum regulatory requirement of 12%

Structure of Shareholder's Equity
(in ALL billion)



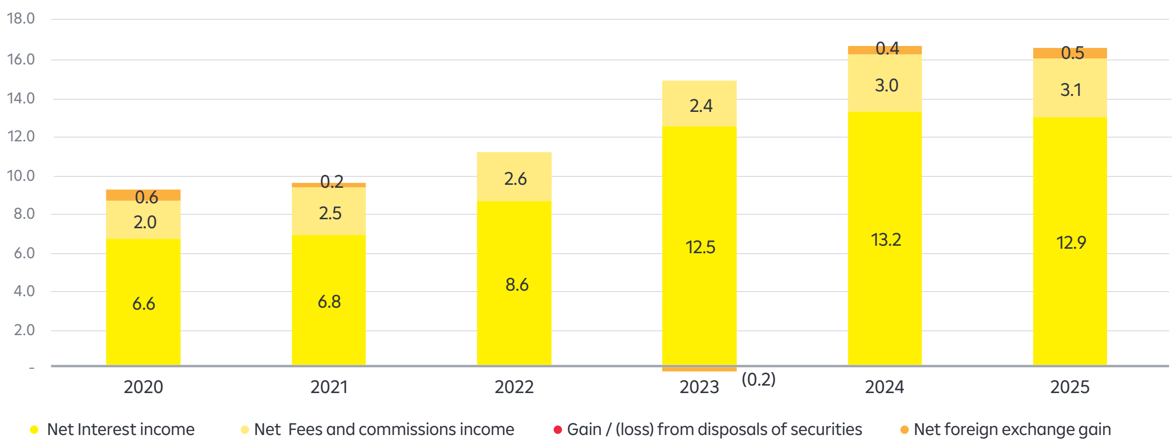
Other Administrative Expenses (excl. Staff cost & depreciation) at year end 2025 were ALL 2.7 billion (2024: ALL 2.4 billion). In 2025 the cost/income ratio increased from 39.9% to 43.7%.

Other Administrative Expenses
(excl. Staff cost & depreciation)

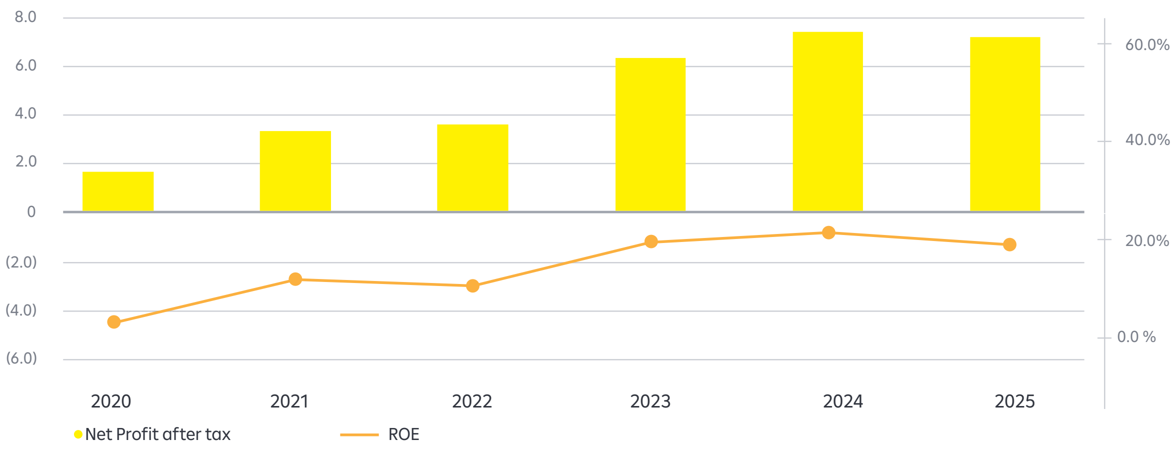


Net interest income declined by 2.2% in 2025 while the Bank's total balance sheet increased by 7.6% due to surplus liquidity. Net interest margin (calculated based on average balance sheet – total) decreased by 0.29pp, from 4.34% in 2024 to 4.05% in 2025.

Net Income
(in ALL billion)



Profit & ROE
(in ALL billion)



Risk Appetite/Tolerance Statement

The Risk Appetite Framework (RAF) provides management with a mechanism to define and endorse a top-down Risk Appetite statement, which establishes and constrains the overall level of risk the Bank is prepared and able to assume in order to achieve its strategic and business objectives.

The RAF is closely linked to the Internal Capital Adequacy Assessment Process (ICAAP), as its main objective is to ensure alignment between strategic and business objectives and the requirement to maintain minimum regulatory capital requirements under stresses conditions and material idiosyncratic risk events, while also ensuring that senior creditors are protected from losses in extreme risk scenarios.

The Bank of Albania requires banks to hold a minimum amount of capital for all material risks. For Pillar I risks (i.e. credit, market and operational risk) explicit quantification and assessment methodologies are prescribed; the aggregation of these requirements determines the regulatory capital requirement.

Risk management must ensure compliance with regulatory capital requirements. The Bank holds capital above the minimum regulatory threshold as an additional buffer to prevent regulatory intervention and reputational losses. This capital level, known as Risk Taking Capacity (RTC), corresponds to Regulatory Capital, which comprises Common Equity Tier-1, Additional Tier 1 capital, and Tier-2 capital. The capital held by the Bank also underpins expanded business activity and future growth. Since RTC is mainly based on the surplus of capital above the Minimum Capital Requirement (MCR), a precise definition of the MCR is essential for the RTC framework. In general, the MCR represents the regulatory capital required for Pillar I risks including credit, market, and operational risk.

To ensure an optimal level of capital, the assessment of RTC level considers not only the Minimum Capital Requirement but also potential events that could lead to unforeseen or unmeasured risks. These risks are addressed under Pillar II capital requirements, which include credit concentration risk, residual risk, risks deriving from any external environmental factors (i.e. stress testing) and other risk types identified through the annual risk assessment process.

Due to the financial market volatility, the economic uncertainty, and the unpredictability of significant singular risk events, the Risk Appetite is positioned below Risk Tolerance with an appropriate buffer to avoid frequent breaches of targeted RTC warning level. Risk Appetite is defined as 85% of targeted RTC, while Risk Tolerance is set at 95% of Targeted Risk Taking Capacity. These levels are aligned with the Budget and Mid-Term Planning Process and incorporate managerial buffer for normal market fluctuations.

Regulatory RWA (in EUR tsd)	**2026**	**2027**	**2028**
Credit Risk	1,479,950.76	1,580,820.70	1,688,371.00
Market Risks	12,239.93	12,329.61	12,416.25
Operational Risk	330,388.84	347,771.21	348,579.91

	December 2025
Regulatory Total Capital Adequacy Ratio	21.39%
Capital Adequacy Ratio in line with local ICAAP methodology	19.46%

Segment report

Corporate Business/Segment Development

The year 2025 maintained a strong performance for the Corporate Banking segment, marked by robust financial results, accelerated digitalization, and enhanced market position. Building on the progress achieved in previous years, the segment recorded solid results across all key performance indicators and remained a significant contributor to the overall performance of Raiffeisen Bank Albania.

Total assets in the Corporate Banking segment grew by 8.5% year-on-year as of 31 December 2025, driven by portfolio growth and increased customer activity Customer-centricity remained at the forefront, with ongoing efforts to provide a seamless experience and shorten time-to-market across all product and service categories.

The scope of Corporate Banking activities extended beyond conventional banking services. In September 2025, Raiffeisen Bank Albania, in collaboration with Raiffeisen Bank International AG and the Albanian Government, hosted the investment forum "Albania – A New Frontier" in Vienna. The event brought together senior government representatives and international investors to showcase investment opportunities in renewable energy, infrastructure, tourism, and real estate. This initiative further strengthened the Bank's position as a trusted financial partner for international investment initiatives in Albania and enhanced its engagement with global investors.

As a banking partner for central and local government institutions, the Bank achieved significant milestones in 2025 through the signing of agreements supporting state soft loans programs and digitalization initiatives with public sector entities.

Project Finance and Sustainable Finance

The Bank remained committed to financing projects generating positive economy, community and environmental impact, reaffirming its commitment to sustainable development and ESG principles. Partnerships with the European Bank for Reconstruction and Development (EBRD) and other institutions contributed to the financing of strategic sectors including tourism and agribusiness. Initiatives like the Risk Sharing Framework (RSF) helped mitigate financing risk and facilitating investments.

In 2025, the ESG asset portfolio reached € 115.68 million, representing 16.9% of total Corporate Banking assets, up from 12.7% the previous year. Customer engagement through advisory meetings on ESG best practices supported their sustainability and transformation efforts, reinforcing the Bank's commitment to positive environmental and social impact.

Cash Management and Digital Channel

Payment services were enhanced through the introduction of SEPA Credit Transfers and the integration of additional payment formats across all customer channels. Adoption of ISO 20022 expanded payment capabilities to meet diverse requirements. Tax payments were simplified and automated via the online channel, improving efficiency and reducing manual processing. In addition, new systems were introduced to enhance payment monitoring, investigation, and reconciliation, enabling real-time oversight and improved issue resolution.

Enhancements to digital platforms, including enhanced user interfaces, advanced security measures, and more intuitive payment flows, contributed to faster, simpler, and more accurate transactions, enhancing the overall customer experience. Further technology upgrades strengthen online communication security. Customers benefited from automated data entry during payment initiation and advanced tracking capabilities, increasing transparency and transaction oversight.

Customer Lifecycle Management

In 2025, initiatives focused on digitalization, automation, and continuous process improvement were implemented. A key achievement was the development and deployment of the new front-end system, introducing advanced technologies, enhanced functional capabilities, and a comprehensive redesign of end-to-end business processes.

The adoption of cloud technologies and artificial intelligence further supported increased agility, transparency, and regulatory compliance.

Trade Finance and Digital Lending

Raiffeisen Bank Albania maintained its market position in Trade Finance Products throughout 2025 by leveraging specialized expertise, ongoing staff development, valuable support and cooperation with Network Banks, supported with well - balanced structures and wide distribution channels.

Corporate digital lending services were enhanced with new solutions introduced to automate internal processes, including loan applications and decision-making, thereby improving efficiency and accelerating service delivery to corporate customers.

Letter of Appreciation

Dear Raiffeisen Team staff,

On behalf of BERDICA CEMENT, I would like to express our deep gratitude for the strong and positive partnership we have built together. Your professionalism, dedication and constructive cooperation have been key factors in our mutual success.

We value the mutual trust and understanding that define our cooperation and look forward to continuing our successful cooperation. We are convinced that, together, we can achieve even greater successes in the future.

With respect,

BERDICA CEMENT JSC

Administrator

BEHAR BERDICA

Letter of Appreciation

DOKO shpk has started its cooperation with Raiffeisen Bank Albania 25 years ago. During this period, our relationship has been characterized by strong cooperation and mutual trust, strengthening our partnership year after year.

As one of our main banking partners, Raiffeisen Bank Albania is considered a highly valued financial institution in the local market, especially in introducing new banking standards and innovative solutions.

Our cooperation with Raiffeisen Bank representatives is particularly appreciated for their professionalism, integrity and dedication to providing customized financial solutions that support our operational requirements and corporate strategy.

The professionalism and dedication of their staff have consistently exceeded our expectations. Most importantly, they demonstrate a true understanding and commitment to our business, which is evident in the quality of their work.

Raiffeisen Bank Albania has also played an important role in introducing innovative IT solutions to our society. Their proactive approach, extensive experience and commitment to providing added value make them a reliable strategic partner.

Contact Person: Anila Doko

Director of Finance Department

DOKO sh.p.k, NIPT J62903324K

Retail Banking

Customer Segment Development

Private Individuals Customers

As of 7 October 2025, Albania officially joined the Single Euro Payments Area (SEPA), marking an important milestone in the country's financial integration with Europe. By year-end, a total of 7,080 transactions had been processed, 70% of which were executed through digital channels, reflecting a continued shift toward digital banking. In the Private Individuals segment, 94% of all payments were executed digitally in 2025, and the number of unique customers increased by almost 40%.

The Bank offers a comprehensive range of savings products, including Savings Accounts and Term Deposits. Recent enhancements to the deposit platform have expanded customer choice across products, maturities, interest payment options, and automatic renewal features. Raiffeisen Bank is the only institution offering this level of flexibility, supported by robust policies that ensure high standards of transparency for customers. These developments contributed to the strong growth of Private Individuals' liabilities, which increased by EUR 160 million in 2025.

In December 2025, the Bank launched the "Round Up" service, enabling individual clients to automatically save small amounts through their daily debit card transactions. For every debit card payment in lek or euro, the amount is rounded up to the next selected threshold, and the difference is automatically transferred to the client's savings account.

Small Enterprises segment (SE)

The SME segment maintained strong performance, with asset volumes rising by 20% year-on-year supported by a 15% increase in the number of borrowing customers, while liabilities grew by 15%. This momentum had a positive impact on the segment's gross income.

Building on the ongoing digitization of lending processes, the Bank maintained steady growth in digitally offered loans for Micro customers. RBAL retained its leading position in the Albanian market for digital business loan applications featuring automated decision-making. In 2025, 56% of all unsecured loans disbursed in the Micro segment were processed digitally, reflecting increased adoption of digital lending solutions.

ESG-compliant lending registered a year-on-year increase of 29%, while 31% of new volumes were allocated to Women in Business initiatives. In addition to environmental financing, SME lending plays a significant role in fostering social and economic development in the communities served.

Raiffeisen Bank is the first bank to provide a digital onboarding solution for sole proprietorships, while onboarding for other legal entities is still under development. The process currently concludes with branch-based contract signing, and efforts integration of a digital signature provider is underway to achieve a fully paperless experience. This solution has contributed to a 4% growth of the active customer base.

Investment Products

During 2025, the Bank remained focused on the full digitalization of investment products. For the first time, Raiffeisen Bank Albania enabled customers to complete the entire investment journey online through a seamless, end-to-end digital process. This innovation allowed clients, including first-time investors, to start investing in funds, open investment plans, monitor their portfolios, and top up their investments directly via mobile devices.

At the same time, investment fund products and the Private Pension Fund continued to be offered through Raiffeisen Bank Albania's extensive branch network, where dedicated and highly trained sales specialists provide transparent financial education and support customers in selecting the most suitable investment solutions.

The introduction of Raiffeisen Certificates represented an important development and diversification opportunity for the Albanian market. These products offer customers investment solutions that combine return potential with capital protection. Raiffeisen Certificates provide an attractive alternative for clients seeking to transition from traditional savings and deposit products, as well as for those looking to diversify their investment portfolios with more stable instruments aligned with local investor needs.

T-Bills and T-Bonds remain among the core investment instruments offered by the Bank across its entire branch network, supported by a dedicated system and high service standards. Secondary market T-Bills are also available through the Bank's digital channel, Raiffeisen ON. Raiffeisen Bank Albania ensures that customers who prefer traditional, government-backed investment products continue to receive reliable, efficient, and professional service. These instruments remain essential components of local investors' portfolios, offering security, predictability, and stable returns.

Bancassurance

On 31 October 2016, the Board of the Albanian Financial Supervisory Authority licensed Raiffeisen Bank as a broker for both life and non-life insurance products, making it the first bank in the market to obtain such a license. Brokerage activities are carried out by internal staff, who are also individually licensed as private brokers.

By leveraging its existing branch network and sales force, brokerage activities conducted under this license contributed to risk reduction across both secured and unsecured loan portfolios, as well as to a 9% increase in fee income from the Private Individuals segment in 2025.

Product Management Division

Individual Loans

In 2025, Raiffeisen Bank Albania reported an 18.11% market share in individual retail lending. The Bank's placed strong emphasis on digitalization and the continuous improvement of products to enhance customer experience and better address customer needs. New secured loans increased by 67% compared to the previous year, mainly driven by mortgage loans and by consumer loans secured by mortgages.

Lending activity continued to be mainly denominated in ALL, supported by stabilised lending interest rates and the base interest rate in ALL.

Sustainability and social responsibility remained key priorities in lending. Lower interest rates were offered for homes with energy performance certificates. Existing social housing loan programs were maintained in cooperation with the Ministry of Finance and the Ministry of Economy, Culture and Innovation, alongside new cooperation agreements. Following the completion of two phases of social loans for public administration employees –supporting around 370 employees during 2024 and 2025 – a new agreement was signed for a new lending program with favorable terms for home purchase loans. Financing under this agreement started in July 2025 and will continue throughout 2026, benefiting approximately 530 applicants.

Unsecured Loans

During 2025, Raiffeisen Bank Albania focused on strengthening its loan portfolio by offering improved and more innovative products to customers. Consequently, the unsecured loan portfolio grew significantly by over 12% compared to 2024, a record year for the bank. This growth was supported by the consolidation of digital channels as a primary platform for personal loan applications. Specifically, more than half of loans are processed via a fully digital (end-to-end) process.

The use of digital channels for applying for personal loan products through a fully digital process increased significantly. This channel is the preferred choice by both existing and new customers, supported by several innovations designed to enhance customer experience.

"KrediFlash," as a fully digital, automated, and 24/7 accessible channel, continues to improve through ongoing investments aimed at optimizing the lending process for customers. Promotional interest rates provided through this channel further enhance its attractiveness. Additionally, an advanced feature was developed and implemented to automatically generate the best offer for customers, supporting tailored products and pricing.

For the first time on this fully digital platform, refinancing existing loans has been enabled, giving customers greater flexibility in managing their finances.

"Kredi Ekspress" within the digital channel has been further developed and enhanced in close cooperation with one of the largest retail store chains, allowing easier access for customers. The Bank has also broadened partnerships with new retail networks, offering promotional interest rates for selected products through "Kredi Ekspress."

A notable feature was the implementation of the Digital Signature method with SMS OTP, introduced for the first time in the Albanian banking system. This approach provides enhanced security and greater simplicity in signing loan documents, while accelerating and simplifying the application process for existing customers.

In 2025, more favorable interest rates were offered to customers across all application channels, both in branches and digitally. This initiative seeks to further improve accessibility and customer benefits, allowing customers to choose financing options that best meet their needs.

Cards Business and E-Banking Division

Card business

During 2025, the card business recorded significant developments, with an increased focus on digitalization, customer experience, and efficiency. The introduction of new products and services, together with the optimization of existing processes, contributed to growth in both card usage and transaction volumes.

One of the year’s key achievements was the successful launch of Apple Pay functionality in October 2025, following the certification of Raiffeisen Bank and its Raiffeisen ON mobile application. This enabled all individual debit and credit cardholders to add and use their cards through Apple Wallet via Apple Pay. Customers could provision their cards directly through the Raiffeisen ON app with a single click, eliminating manual card entry and supporting faster adoption. Raiffeisen Bank was the first bank in the Albanian market to introduce this solution, delivering an advanced and secure digital payment experience.

The RaiPay digital wallet was enhanced with new services and functionalities throughout 2025, offering customers increased control over their cards 24/7. Features such as real-time blocking and unblocking, instant replacement of physical cards via the app, and the issuance of additional digital cards provided customers with fast, convenient services without the need to visit a branch.

Another important development in 2025 was the introduction of in-app verification for online card transactions through the RaiPay digital wallet. This replaced SMS-based verification with secure approval directly within the app, reducing fraud risk and enhancing customer convenience, while strengthening the security of online payments through 3D Secure technology.

As part of Raiffeisen Bank’s ongoing commitment to inclusive and social policies, a unique new design of Mastercard Touch debit cards was launched, featuring special design elements that enable identification by touch for customers with visual impairments.

The year 2025 marked positive results in card sales and payment volumes, with a steady 25% increase in payment volumes for both credit and debit cards. Following the launch of Apple Pay for Raiffeisen Bank customers, a significant portion of card payments was made through digital wallets, primarily Apple Pay on iOS and RaiPay on Android.

POS & RaiPOS Network

In 2025, the POS and RaiPOS network experienced steady expansion and increased activity, supported by merchant engagement initiatives and the adoption of modern acceptance technologies.

The Bank continued to strengthen its positioning in the micro and SME segments, enabling more businesses to shift toward digital payments through POS and RaiPOS solutions.

Compared to 2024, the number of transactions increased by 29%, while transaction volumes increased by 36%. This growth is the result of higher card usage, increased engagement among existing merchants, and greater consumer awareness of electronic payments.

RaiPOS remained a key focus area for the Bank, as it allows merchants to accept card payments directly through their mobile devices without requiring traditional POS terminals. In 2025, RaiPOS adoption expanded across diverse merchant groups, supporting businesses with flexible and low-cost acceptance options.

The Bank will continue to improve the RaiPOS application and enhance its functionality to further expand usage, offering merchants a more streamlined, efficient, and secure payment experience.

The POS and RaiPOS network remained a strong contributor to volume growth and a central pillar of the Bank’s digital payments strategy.

Electronic Payments (E-commerce)

In 2025, Raiffeisen Bank Albania significantly expanded its presence in online payments, reinforcing its role as a key enabler of e-commerce development across the country.

E-commerce transaction volumes grew by 79%, representing one of the highest year-on-year increases within the Bank's payments portfolio.

This performance was supported by the Bank's enhanced plug-in platform, which enables fast, standardized, and efficient integration for merchants across various industries.

The rollout of Apple Pay and Google Pay for merchant acceptance further strengthened the online channel. These solutions improved the checkout experience, reduced transaction friction, and helped merchants convert more digital sales.

The Bank continued to invest in improving customer experience, merchant onboarding, service performance, and technical capabilities, ensuring that businesses have access to modern and reliable digital payment options.

Supported by integrated platforms and user-friendly interfaces, e-commerce has become a key contributor to the Bank's payment ecosystem and is expected to maintain its positive trajectory in the years ahead.

ATM Network

The ATM network remained a crucial part of the Bank's service infrastructure in 2025.

The Bank expanded its network with 14 new ATMs, adding locations to increase customer convenience across the country, particularly in underserved and high-traffic areas.

Improved geographic distribution and optimized placement contributed to a 3% year-on-year increase in the number of transactions performed at ATMs.

Raiffeisen Bank Albania operates one of the largest ATM networks in the country, equipped with advanced devices offering features such as cash withdrawal, cash deposit, and value-added services.

The Bank remains committed to further modernizing the network, expanding self-service centers in urban areas, and improving ATM performance, availability, and service uptime to ensure a modern and integrated banking experience.

Digital Banking

In 2025, the Raiffeisen ON digital platform underwent significant development and innovation, aimed at improving user experience and adding new functionalities to meet customer needs. A key focus was development of SEPA payments, ensuring quicker, safer, and more transparent transactions, while facilitating international payments within the euro area.

Another important key development was the integration of the Raiffeisen ON platform with Apple Pay, enabling automatic card registration. For Android users, automatic card registration in RaiPay was also introduced. These features remove the need for manual data entry, simplifying and speeding up digital wallet activation for a smooth and user-friendly payment experience across platforms.

Raiffeisen ON platform was enhanced through integration with Raiffeisen Youth application, creating an integrated ecosystem that provides users with easy and uninterrupted access to both banking services.

In addition, a tailored Online Banker assistance service was introduced, providing direct, fast, and tailored support based on individual customer needs, aiming to increase reliability and customer satisfaction.

During 2025, the Bank drew on innovation, integration, and continuous improvement – with a strong emphasis on users and advanced technologies – to deliver a modern, secure digital platform adapted to all age groups and diverse customer needs, advancing toward full digitalization.

Raiffeisen Youth

The Raiffeisen Youth app was significantly upgraded in 2025 to provide advanced services tailored to Generation Z, simplifying personal finance management in daily life. Fifty percent of new customers belonged to Generation Z, highlighting strong uptake of the app.

The "Split Bill" feature allows fast and simple bill sharing among friends, simplifying the handling of shared expenses.

The app also introduced the option to open and manage additional accounts within a single platform, enhancing flexibility and control over personal finances.

The "Invite Friends" initiative was introduced to foster a larger, more engaged community, supporting financial education and making the application a key tool for developing financial literacy among young users.

The Coupons section features exclusive deals and benefits, making the application more attractive and interactive.

In addition, the introduction of a fully digital investment process for investment funds positions Raiffeisen Youth as the first application in the country to provide this service, enabling users to invest easily, transparently, and safely, while building portfolios tailored to their financial goals.

These developments demonstrate the ongoing commitment to building a comprehensive, innovative digital platform that is continuously adapted to the needs of young users, supporting them in managing personal finances and building a more secure financial future.

Customer Experience

In 2025, Raiffeisen Bank further strengthened its Customer Relationship Management (CRM) framework, focusing on digital acquisition, customer engagement, and data-driven communication. Activities were primarily structured around two key initiatives.

First, the Member Get a Member (MGM) program was scaled as a strategic digital acquisition channel for New to Bank customers. By enabling existing customers to digitally refer to new prospects through a structured and automated process, the program contributed significantly to growth while also enhancing engagement by actively involving customers in the acquisition journey.

Second, the Bank introduced Digital Commerce within the mobile application, its primary CRM communication channel. This initiative embedded commercial messaging directly into the banking experience through two main features: a Banner Carousel for high-visibility promotion of key products and campaigns, and an Offer Store providing a centralized place for customers to view and activate personalized offers.

Both features leveraged advanced segmentation and targeting logic, allowing contextual communication based on customer profiles, lifecycle stages, and behavioral data. This approach reduced reliance on traditional outbound channels and improved the relevance and timing of interactions.

Overall, these initiatives strengthened digital growth, enhanced communication effectiveness, and reinforced a customer-centric CRM approach.

Customer Experience & Design

Over the past year, we strengthened customer-centric transformation by embedding customer insights into decision-making and improving digital experiences. We expanded customer research with a structured voice-of-customer approach, covering the full lifecycle from acquisition to monetization.

Product validation was prioritized through early testing, usability sessions, and iterative feedback to ensure solutions meet customer expectations.

Internal design capacity grew with targeted service design training and a dedicated UX role, enhancing human-centered product development and team collaboration. Customer journeys were redesigned for clarity and support, especially in onboarding, payments, and product applications, boosting confidence and digital adoption.

An AI-powered chatbot was launched on web channel to improve support accessibility and enable efficient self-service, with smooth escalation to human agents.

Overall, these initiatives have strengthened the role of customer voice in guiding product design decisions.

Contact Center

The Contact Center handled over 452,000 customer interactions during 2025, providing support and sales advisory services, with a continued focus on enhancing the customer experience.

Its activities are focused on two main areas:

- 24/7 Customer Support and Assistance: Management of customer inquiries via inbound calls, email, chatbot, and Raiffeisen ON, ensuring continuous, round-the-clock service.
- Telemarketing and Engagement Campaigns: Execution of promotional, informational, and survey-based campaigns aimed at enhancing customer awareness and engagement.

The Contact Center also supports the online “New to Bank” process and facilitates end-to-end applications for personal loans, as well as credit and debit cards, guiding customers from application initiation through to completion, including the electronic signing of documents, without the need to visit a branch.

Sales & Distribution Channels

Raiffeisen Bank maintained the largest branch network in the country throughout 2025, comprising a total of 74 branches. Seventeen branches across the network provide Premium services, featuring dedicated areas designed for this client segment. The Bank offers a comprehensive range of banking products and services through its digital (cashless) branch concept. Hybrid branches constitute 28% of the network; these branches integrate standard and digital services, operate with reduced cash servicing hours, and place increased emphasis on sales and digital education.

The network also comprises 30 self-service zones equipped with cash-in/cash-out modules and dual-currency ATMs, designed to support customers in utilizing digital services. The ATM network expanded to a total of 197 units, distributed across both branch premises and off-site locations.

Customer digital education and the transition to digital platforms have remained key priorities for branch staff, contributing to significant growth in digital channel sales and services. As part of this effort, payment transactions have increasingly shifted from branches to online channels. Consequently, the total number of branch-based payments decreased by 16% compared to the previous year.

In 2025, the Online Banker service was introduced across all Raiffeisen branches, enabling a dedicated team of 100 Premium Account Managers and Personal Bankers to assist customers remotely. The service supports customers in navigating online banking products and enables them to complete the application process, including the electronic signing of documents. Raiffeisen Bank Albania is the first bank in the country to offer this remote service, enhancing ease of use and overall customer convenience.

The expansion of Fast Loan financing in retail locations—now also available online and supported by the Online Banker service—has provided customers with increased flexibility and accessibility, particularly for financing green energy products.

Sales Agents in retail branches, together with the Direct Sales Force, continue to represent a key competitive advantage in attracting, retaining, and expanding services for PI and Micro customers.

The Agile methodology, which emphasizes individual development and self-organizing teams, has been fully implemented across the entire branch network.

Treasury and Investment Banking

Fixed income

In 2025, the Bank's fixed income portfolio recorded a successful period marked strong results and strategic positioning, demonstrating resilience and adaptability in a challenging economic environment. Despite macroeconomic challenges and interest rate volatility, successful investments were made in local government securities and international bonds, maintaining a strong market position.

During the year, Raiffeisen Bank Albania consolidated its market leadership, ranking first in secondary market transactions of benchmark securities - an achievement that highlights the Bank's ability to provide efficient execution and liquidity solutions for institutional and foreign investors. As the leading participant in the secondary market, the Bank has contributed significantly to the development and stability of the local fixed income market, helping to strengthen investor confidence.

Through advanced technological infrastructure and close cooperation with international financial institutions, the Bank continued to attract significant foreign investments, further strengthening its market position. The Bank also maintained transparent risk management practices aligned with international standards, reinforcing investor trust. This approach supported a more stable and attractive environment for investors and contributed to the sustainable economic development of the country.

Money market

During 2025, Raiffeisen Bank Albania's money market activities developed steadily, adapting to changes in monetary policies at regional and global levels. Central banks continued to play a key role in maintaining stability and liquidity in financial markets through instruments such as repurchase agreements (repo) and other liquidity facilities, which guaranteed the normal and stable functioning of the money market.

Raiffeisen Bank Albania managed the portfolio prudently, optimizing the maturity structure and strictly complying with the Minimum Reserve requirements set by the Bank of Albania. This ensured that liquidity ratios and key financial stability indicators remained within regulatory limits, guaranteeing effective short-term liquidity management.

In 2025, the number and volume of interbank transactions in domestic and international markets increased significantly, strengthening interbank activity and improving liquidity in the money market. This growth in activity contributed to efficiently meeting the liquidity needs of the bank and its customers, providing flexibility and financial stability.

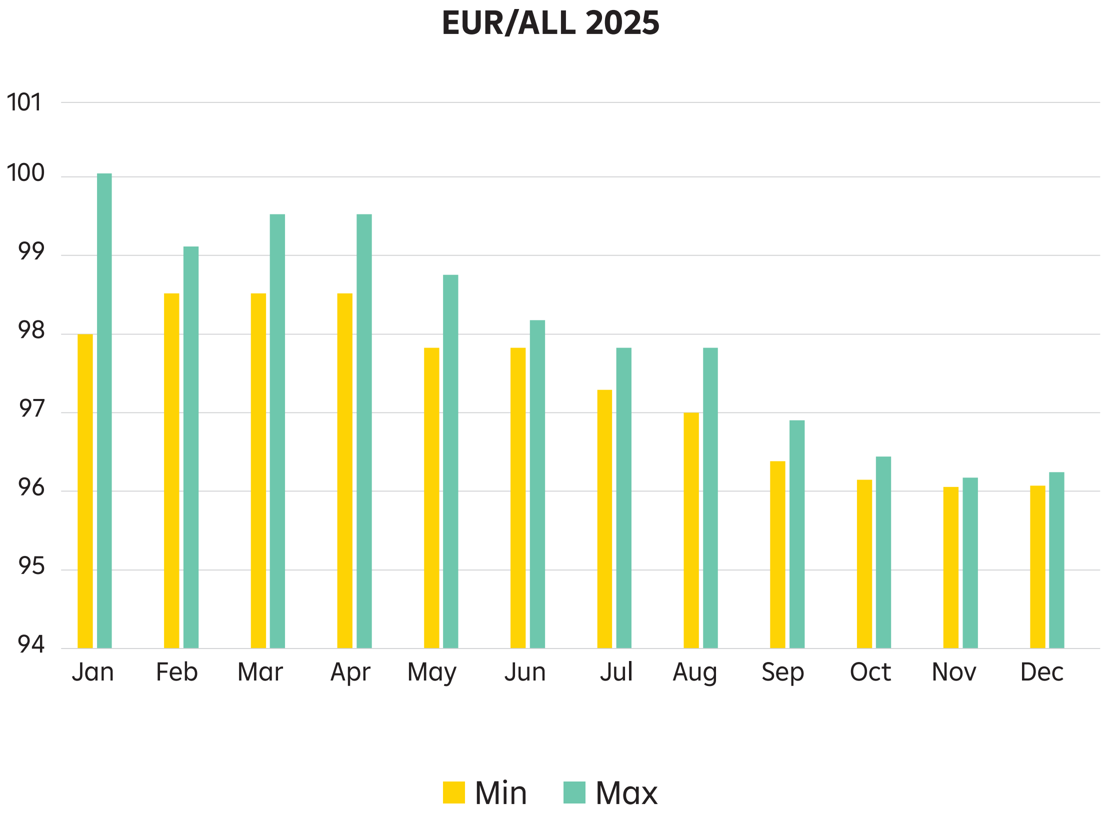
Besides the usual lending activities, a portion of the liquidity remained invested in government securities in international markets, offering competitive investment alternatives and diversifying the Bank's investment portfolio.

Forex

In 2025, foreign exchange activity recorded strong growth, supported by growing customer demand and effective management of market volatility by the Bank, resulting in solid financial results amid dynamic global and domestic conditions. Careful risk management of the bank's foreign currency position was supported by thorough analyses of both international and domestic financial markets.

Foreign exchange trading volumes continued to grow, supported also by increased participation from foreign investors. Raiffeisen Bank Albania further strengthened its international position in the foreign exchange market by acting as a Market Maker for ALL quotations on the Group's digital FX Raiffeisen platform. This role significantly enhanced the Group's FX business and strengthened its position in the Albanian market.

Compared to the previous year, FX trading volumes increased markedly, reflecting continued customer confidence in the Bank's services, and greater use of its digital trading platform.



Treasury sales

In 2025, Treasury Sales focused on expanding customer penetration and strengthening trust through enhanced collaboration and a customer-centric approach. Building on the previous year's success, the company strengthened relationships with existing customer and attracted new ones by providing solutions tailored to customer needs.

Most Treasury products were delivered through digital platforms, with nearly 90% of services performed online, optimizing processing time and enabling competitive pricing. As a result, customer interactions became faster and more convenient, supporting stronger customer confidence. The digital trading platform continued to play a central role to this model, enhancing accessibility and operational efficiency by facilitating most customer transactions.

Corporate Social Responsibility at Raiffeisen Bank in Albania

Investing responsibly and committedly in the community is considered the basis for a sustainable and inclusive future. Social responsibility represents a fundamental commitment and a reflection of the Bank's institutional values.

During 2025, the Bank supported over 50 initiatives across Albania, which have brought significant benefits to local communities. A significant portion of the projects are directly related to the United Nations Sustainable Development Goals, reflecting the Bank's commitment to contribute to building a fairer, greener and more inclusive society.

The main areas of activity include the following:

Education and financial literacy

Education is considered the foundation of individual and social development. Through supporting educational initiatives and awareness-raising activities, the Bank has contributed to creating better conditions for young people and empowering them for the future. Financial literacy remains one of Raiffeisen Bank's long-term priorities. Through various programs and commitments, the Bank has aimed to increase the financial knowledge and competencies of children and young people across the country.

Support for the community and groups in need

Solidarity with people in need has been at the heart of the Bank's commitment. In collaboration with organizations and institutions to support families in need, the elderly and other vulnerable categories, social initiatives and projects have been undertaken with a direct impact on improving the living conditions and well-being of these communities.

Art, culture and inclusion

In this area, cultural, artistic activities and initiatives that promote diversity and social inclusion have been supported, which aim to strengthen social dialogue and contribute to a more open and inclusive society.

Health and well-being

Contributions in this area include supporting health institutions, improving conditions and providing the necessary equipment to provide better quality services to citizens. It has also contributed to activities that promote physical well-being and community engagement.

Urban and rural development

Through partnerships with local governments, Raiffeisen Bank has contributed to improving infrastructure and creating functional spaces for the community, as well as to the development of urban and rural areas. These interventions have directly impacted the improvement of the quality of life for citizens.

90% of Corporate Social Responsibility projects, in line with the **Sustainable Development Goals** (of the OKB)

Main achievements in 2025

Ob. 04

Quality Education
5 projecs

Ob. 11

Sustainable city
9 projecs

People, culture and organisation division

With a staff of **1,387 employees**, Raiffeisen Bank is among the largest and most prominent employers in Albania, providing a competitive environment in terms of renumeration, professional development and motivation.

Recruitment and Selection

The recruitment and selection process was designed to ensure the hiring of qualified and experienced personnel across all levels of service at the Bank, in line with operational requirements. The process was implemented in close coordination with line managers in order to accurately identify staffing needs and support talent acquisition objectives by selecting candidates with the required skills and competencies.

To support business needs across all areas of operation, a total of 192 new employees were recruited during 2025.

A structured recruitment process was applied, comprising several stages, including logical, technical and/or psychometric tests, as well as personality assessments. Shortlisted candidates were subsequently evaluated through interviews conducted by a panel composed of the relevant departmental or district supervisors as well as representatives from People, Culture & Organization Division.

Employee promotion and development remain a key focus of Raiffeisen Bank. Internal candidates are considered a primary source of talent for vacant positions, based on their performance and potential.

Internship Programs

Raiffeisen Bank operates a well-established Internship Program, designed to attract high-achieving, motivated students interested to work in the financial sector. As part of the Bank's commitment to Corporate Social Responsibility, the program provides practical learning opportunities to help students prepare for the labor market. During 2025 Raiffeisen Bank welcomed 290 students who completed their internships across various teams including DSA and Key Academy programs.

Direct Sales Agents Student Program

In 2025, the DSA Student Program strengthened its collaboration with numerous universities nationwide, enrolling 220 students. Launched by Direct & Relationship Sales Department, the program aims to boost sales of various products while serving as a valuable source of recruitment. Selected students act as Direct Sales Agents and receive training and coaching from experienced sales teams throughout the one-year program. Upon completion, participants acquire in-depth knowledge of the Bank's products and processes, supporting their consideration for available positions within the Bank.

Key Academy Program

The Key Academy Program aims to build a talent pool by preparing qualified candidates for potential vacancies in the IT Division. A total of 30 students were selected to participate, with the majority of them subsequently appointed to positions within the IT division.

Employees with leased contract

Raiffeisen Bank continued its cooperation with an external service provider for the provision of leased staff, engaging 168 contracted employees based on staffing need across both Head Office and the Branch Network.

Leased staff receive both online and on-the-job training to support effective performance in their respective roles. Employees who demonstrate strong performance are given the opportunity to apply for internal vacancies in accordance with the Bank's established recruitment procedures.

Learning and Employee Engagement

In 2025, the culture of continuous learning was further developed, integrating skills development into daily work and aligning it with business priorities.

This approach supported employee development and contributed to overall engagement levels.

Leadership Development

Leadership development initiatives focused on strengthening managerial capabilities through targeted programs, with an emphasis on trust-based and self-aware leadership, as well as coaching and team development skills.

During 2025, structured development programs were delivered to a new group of managers, supporting leadership capacity building and internal talent development.

Dedicated initiatives for branch management focused on improving team management effectiveness and sales performance.

Building Skills for the Future

The development of skills in line with changes in the banking sector and market requirements remains a focus for the Bank.

In 2025, the main areas included:

- digital transformation and the adoption of artificial intelligence,
- customer experience,
- leadership development at all levels,
- regulatory and industry requirements.

Through an integrated learning approach combining classroom training, digital platforms, and practical experience, access to development opportunities was provided to employees across the organization:

- 100% of active employees participated in at least one development activity during the year;
- A total of 45,659 training hours were delivered;
- Internal initiatives supported the development of artificial intelligence capabilities and their application in daily operations.

Wellbeing and Sustainable Performance

Recognizing the link between employee wellbeing and performance, the "RBAL Wellbeing" program continued during 2025.

Through targeted awareness initiatives, physical, mental, and emotional health were promoted across the organization.

During the year, prepaid psychological counseling sessions were introduced as a new employee benefit, expanding the existing benefits and supporting employee wellbeing.

Banking Group Remuneration Policy

The Banking Group's remuneration policy is developed by the People, Culture and Organisation Division and approved by the Management Board and the Supervisory Board. The only exception relates to the determination and approval of bonuses for Raiffeisen Leasing employees, which is overseen by the Raiffeisen Leasing Supervisory Council.

The Remuneration Policy is designed to ensure compliance with international standards to provide an objective, transparent and fair compensation framework in acccordance with applicable regulatory requirements. It also supports sound and effective risk management, avoiding incentives for risk-taking beyond the accepted risk tolerance.

Salaries and employee benefits are designed to maintain competitive and sustainable compensation levels. The policy governing the salary system and structure aims to achieve the following objectives:

- Reward performance and quality of work
- Maintain a competitive market position
- Motivate employees through differentiated remuneration (salary) reflecting responsibilities, job positions and professional skills
- Offer competitive additional benefits

For certain job categories, remuneration consists of fixed and variable components. Fixed remuneration (base pay) comprises gross salary, excluding bonuses and other benefits. It is based on salary bands according to the Bank's grading structure, and adjusted according to market benchmarks and local economic conditions. Individual salary adjustments are linked to performance evaluation results and are subject to predefined limits.

Variable remuneration is granted in accordance with the Bank's Remuneration Policy and is contingent upon the fulfilment of defined eligibility criteria. It is linked to the performance of the RBI Group, the Bank, and the individual employee. Variable remuneration is subject to caps designed to support prudent management while rewarding performance .

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

(amounts in ALL'000)

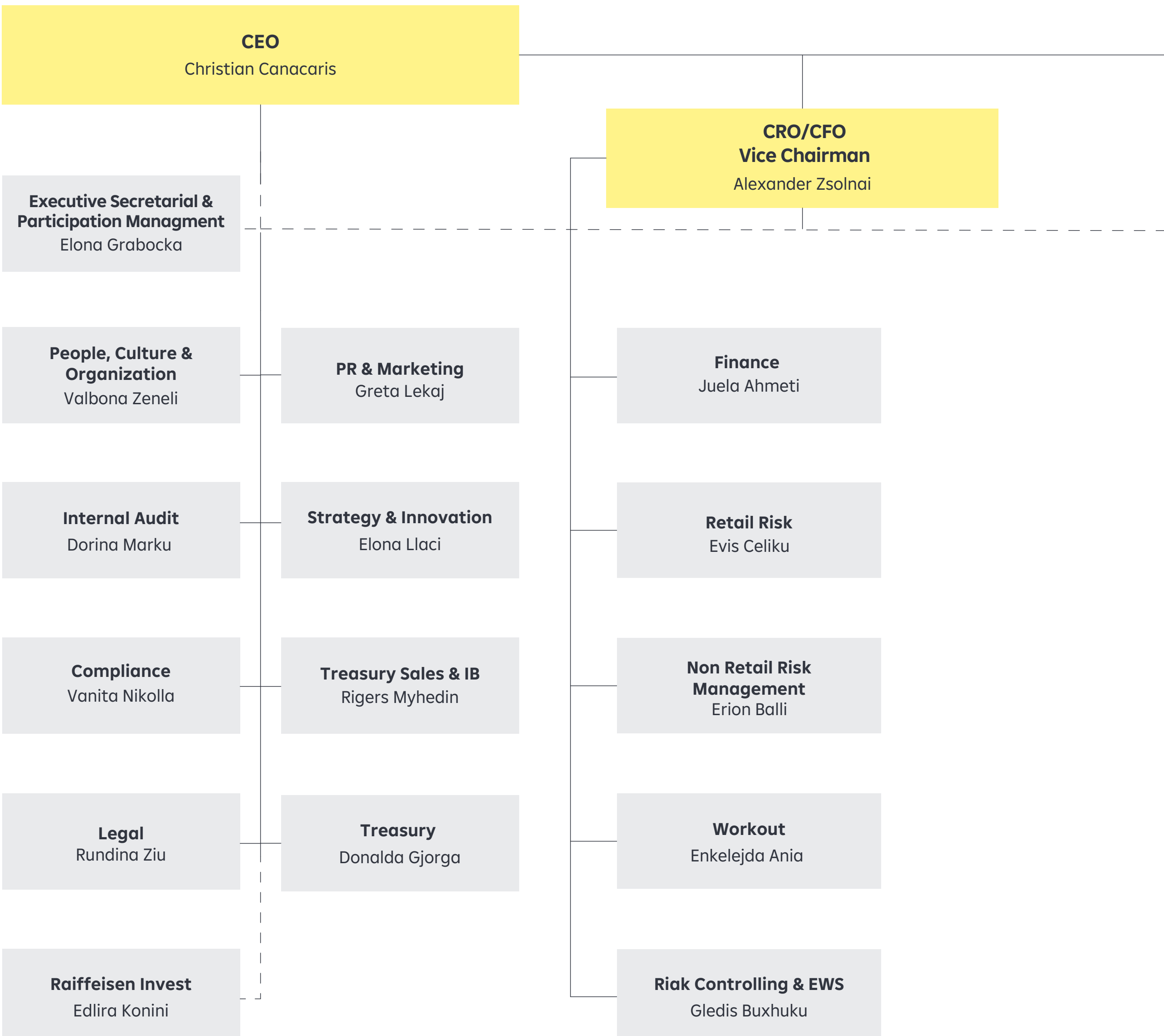
The total aggregate amount of cash and bonuses for the current fiscal year	**2025**	**2024**
Fixed elements of remuneration	10,277	10,277
Cash/bonus	10,277	10,277
shares		
other		
Variable elements of remuneration		
Cash/bonus		
shares		
të other		

Tabela 19: Remuneration components and elements for the Executive Directors *(year-end)*

(amounts in ALL'000)

Vlera totale e agreguar e pagesave dhe shpërblimeve për vitin aktual fiskal	**2025**	**2024**
Fixed elements of remuneration	171,007	159,952
Cash/bonus	157,273	142,930
shares		
other	13,734	17,022
Variable elements of remuneration	33,895	29,614
Cash/bonus	33,895	29,614
shares		
të other	0	0

Organisational structure of Raiffeisen Bank



(1) The Internal Audit reports organizationally directly to CEO while for other activities reports functionally to the Management Board and/or Board of Directors /Audit Committee.

(2) Compliance reports organisationally directly to the CEO while functionally reports directly to the Management Board and/or Board of Directors.

Retail Banking
Vilma Bace

- **Sales & Distribution** – Gentjana Ciceri
- **Daily Banking and Card Business** – Gentiana Gjino
- **Small & Micro Enterprises** – Elira Abeshi
- **PI Lending & Digital Banking** – Resmi Hibraj
- **Customer Experience & Development** – Nora Caushi

Corporate Banking
Elona Mullahi

- **Corporate Products & Digital Banking** – Migena Arkaxhiu
- **Corporate Business/Segment Development** – Jorida Xhihani
- **Large Corporate PO** – Ilda Kasmi
- **MID Market PO** – Joan Canaj
- **Sales Management** – Evis Reci
- **Raiffeisen Leasing** – Ida Shehu

CIO / COO
Erion Serti

- **IT Delivery Experience & Platforms** – Andi Shima
- **IT Governance, Data & Business Processes Delivery** – Aleksander Vangjeli
- **Operations** – Gentian Capo
- **Security and Safety** – Entela Prifti
- **Procurement** – Saimir Duraj

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Raiffeisen Bank Sh.a.
International Financial Reporting Standards
Consolidated Financial Statements and Independent Auditor's Report
As at and for the year ended December 31, 2025

General information

Directors and Management as of 31 December 2025

Board of Directors (Supervisory Board)

Marie Valerie Brunner	Chairperson
Heinz Wiedner	Vice-Chairperson
Thomas Matejka	Member
Petro Merkulov	Member
Edzard Heinrich Janssen	Member

Audit Committee

Heinz Weidner	Chairperson
Alda Shehu	Vice - Chairperson
Thomas Matejka	Member

Management Board

Christian Canacaris	Chief Executive Officer
Alexander Zsolnai	Deputy CEO
Elona Mullahi (Koci)	Member
Erion Serti	Member
Vilma Bace	Member

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Deloitte Audit Albania sh.p.k

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Independent auditor's report

To the Shareholders and Management of Raiffeisen Bank Albania SHA

Opinion

We have audited the consolidated financial statements of Raiffeisen Bank sh.a. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2025, and 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 material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Accounting Standards IFRS.

Basis for Opinion

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

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

Other information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Deloitte Audit Albania SHPK
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Identification number (NUIS): L41709002H

Deloitte Audit Albania Sh.p.k.

Enida Cara
Statutory Auditor
Engagement Partner
Tirana, Albania, May 29, 2026

DELOITTE AUDIT ALBANIA
Sh.p.k.
NUIS: L41709002H
Ad: Rr Muhedin Llagami, Kompleksi Delijorgji, Godina MD-Biznes, Kt.1,2,3,4 dhe 5, Tiranë

The Group

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2025 for Raiffiesen Bank sh.a. and its subsidiaries (the "Group"). The Group includes the parent company – Raiffeisen Bank Sh.a. (hereinafter also the "Bank" or the "Parent Company") and its 2 fully owned subsidiaries Raiffeisen Leasing sh.a. and Raiffesien Invest - Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a. ("Raiffeisen INVEST").

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

The Group's principal business activities are retail banking operations, providing finance leasing to companies and individuals and collection and investment of voluntary pension funds, within the Republic of Albania. The Bank operates through a banking network of 74 service points, as of 31 December 2025 (31 December 2024: 74 service points) throughout Albania, which are managed through 5 Districts and has no overseas operations.

Consolidated statement of financial position

Assets

in LEK thousand	Note	31 December 2025	31 December 2024
Cash, cash balances at central bank and other demand deposits	[6]	33,996,225	39,525,394
Debt securities		122,316,670	107,154,835
Loans and advances to financial institutions		21,093,959	24,213,387
Loans and advances to customers		145,728,828	129,183,592
Financial assets - amortized cost	[7]	289,139,457	260,551,814
Financial assets – fair value through profit or loss	[8]	132,119	415,043
Goodwill	[9]	92,783	92,783
Tangible fixed assets	[10]	3,252,210	3,265,285
Intangible fixed assets	[10]	2,402,197	2,252,746
Repossessed assets	[11]	554,931	226,314
Other assets	[12]	1,597,302	1,373,112
Total assets		**331,167,224**	**307,702,491**

Equity and liabilities

in LEK thousand	Note	31 December 2025	31 December 2024
Liabilities			
Deposits from Banks		18,802,545	15,656,429
Subordinated financial liabilities		3,896,642	1,988,628
Deposits from customers		268,556,193	252,259,692
Other financial liabilities		1,419,652	1,949,477
Financial liabilities - amortized cost	[13]	292,675,032	271,854,226
Financial liabilities held for trading (derivatives)		11,216	7,085
Provisions for liabilities and charges	[14]	517,080	442,505
Deferred tax liabilities	[15]	62,895	32,512
Current tax liabilities	[16]	121,107	295,839
Other liabilities	[17]	1,014,117	1,057,938
Total liabilities		**294,401,447**	**273,690,105**
Equity			
Share capital	[18]	14,178,593	14,178,593
Other reserves	[18]	4,906,190	3,306,190
Retained earnings	[18]	17,680,994	16,527,603
Total Equity		**36,765,777**	**34,012,386**
Total liabilities and equity		**331,167,224**	**307,702,491**

These consolidated financial statements have been approved by the Management Board of the Group on June 4th, 2026, and signed on its behalf by:

Christian Canacaris

Chief Executive Officer

Alexander Zsolnai

Deputy CEO

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 91.

Consolidated statement of profit or loss and other comprehensive income

in LEK thousand	Note	2025	2024
Interest income calculated using the effective interest method		13,869,992	13,958,600
Other interest income		29,372	13,235
Interest expenses		(956,643)	(736,355)
Net interest income	[19]	**12,942,721**	**13,235,480**
Fee and commission income		6,029,893	5,170,211
Fee and commission expenses		(2,968,989)	(2,197,679)
Net fee and commission income	[20]	**3,060,904**	**2,972,532**
Net trading (expense)/income	[21]	545,527	439,506
Other operating income		143,551	302,463
Other operating expenses		(169,634)	(374,414)
Other net operating loss	[22]	**(26,083)**	**(71,951)**
Operating income		**16,523,069**	**16,575,567**
General administrative expenses	[23]	(7,221,039)	(6,616,532)
Special governmental measures	[24]	(864,307)	(825,118)
Impairment (expense)/recovery on financial assets	[25]	500,497	(72,147)
Profit before tax		**8,938,220**	**9,061,770**
Income taxes	[26]	(1,490,724)	(1,390,234)
Profit for the year		**7,447,496**	**7,671,536**
Other comprehensive income for the year		-	-
Total comprehensive income		**7,447,496**	**7,671,536**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 91.

Consolidated statement of changes in equity

in LEK thousand	Share capital	Other reserves	Retained earnings	Equity
Equity at 1 January 2024	**14,178,593**	**3,306,190**	**14,269,751**	**31,754,534**
Dividend payments			**(5,413,684)**	**(5,413,684)**
Profit for the year			**7,671,536**	**7,671,536**
Other comprehensive income			-	-
Total comprehensive income for the year			**7,671,536**	**7,671,536**
Equity at 31 December 2024	**14,178,593**	**3,306,190**	**16,527,603**	**34,012,386**
Dividend payments			**(4,694,105)**	**(4,694,105)**
Profit for the year			**7,447,496**	**7,447,496**
Other comprehensive income		1,600,000	(1,600,000)	-
Total comprehensive income for the year			**7,447,496**	**7,447,496**
Equity at 31 December 2025	**14,178,593**	**4,906,190**	**17,680,994**	**36,765,777**

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 9 to 91.

Consolidated statement of cash flows

in LEK thousand	Notes	31 December 2025	31 December 2024
Cash, cash balances at central Banks and other demand deposits	**[6]**	**41,961,715**	**52,249,484**
Operating activities:			
Profit before tax		8,938,220	9,061,770
Adjustments for the reconciliation of profit/loss before tax to the cash flow from operating activities:			
Depreciation of tangible and intangible fixed assets	[10]	1,017,674	954,663
Impairment and reversal of impairment of assets	[11]	(464,766)	129,139
Net provisioning for liabilities and charges and impairment losses		(35,716)	(54,789)
Net interest income	[19]	(12,942,721)	(13,235,480)
Interest received		14,061,746	13,895,165
Interest paid		(1,715,795)	(2,161,848)
Income taxes paid		(1,612,310)	(1,660,012)
Effect of unrealized exchange rate changes		(1,081,350)	(661,901)
Loss from disposal of tangible and intangible fixed assets		(86,065)	(300)
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Increase/decrease in restricted balances	[6]	(1,885,667)	248,915
Financial assets - amortized cost	[7]	(15,450,216)	(7,089,818)
Financial assets - fair value through profit or loss	[8]	(419,490)	(854,740)
Other assets	[12]	(499,112)	110,206
Financial liabilities - amortized cost	[13]	19,559,121	768,247
Provisions for liabilities and charges	[14]	106,780	(770)
Other liabilities	[17]	(105,496)	274,566
Net cash from operating activities		**7,384,837**	**(276,987)**
Investing activities:			
Purchase of Investment securities and shares		(111,234,596)	(115,582,748)
Purchase of Tangible and intangible fixed assets		(1,103,602)	(803,971)
Proceeds from matured Investment securities and shares		95,495,317	111,599,474
Proceeds from Tangible and intangible fixed assets		86,065	5,991
Net cash used in investing activities		**(16,756,816)**	**(4,781,254)**
Financing activities:			
Out/Inflow subordinated capital		1,935,400	(256,857)
Dividend payments		(4,694,105)	(5,413,684)
Lease Liabilities repayments		(240,350)	(220,893)
Net cash from financing activities		**(2,999,055)**	**(5,891,434)**
Effect of exchange rate changes		1,081,350	661,901
Net decrease during the year		**(12,371,034)**	**(10,949,670)**
Cash and cash equivalents as at 31 December	**[6]**	**30,672,031**	**41,961,715**

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 91.

1. Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2025 for Raiffiesen Bank sh.a. and its subsidiaries (the "Group"). The Group includes the parent company – Raiffeisen Bank Sh.a. (hereinafter also the "Bank" or the "Parent Company") and its 2 fully owned subsidiaries Raiffeisen Leasing sh.a. and Raiffesien Invest - Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a. ("Raiffeisen INVEST").

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Principal activity. The Group's principal business activities are retail banking operations, providing finance leasing to companies and individuals and collection and investment of voluntary pension funds, within the Republic of Albania. The Bank operates through a banking network of 74 service points, as of 31 December 2025 (31 December 2024: 74 service points) throughout Albania, which are managed through 5 Districts and has no overseas operations.

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

2. Operating environment of the group

Ensuring appropriate estimates and judgments in financial statements is essential for compliance with IFRS Accounting Standards. Therefore, we have summarized some of the key considerations that should be taken into account when making estimates and judgments, as well as when drafting the related disclosures to meet the current IFRS requirements.

For more detailed information on this topic, you can refer to our in-depth analysis "The Impact of ESG Matters on IFRS Financial Statements" and our dedicated page "Environmental, Social, and Governance (ESG) in IFRS." These resources provide comprehensive guidance on how ESG factors affect financial reporting and how the relevant IFRS requirements can be applied to ensure greater transparency and accuracy.

3. Material accounting policies

Statement of compliance

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

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

The Group has also prepared consolidated financial statements in accordance with IFRS for the Bank and its subsidiaries (the 'Group'). In the consolidated financial statements, subsidiary undertakings – which are those companies in which the group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated financial statements can be obtained from http://www.raiffeisen.al/. Users of these consolidated financial statements should read them together with the group's consolidated financial statements as at and for the year ended 31 December 2025 in order to obtain full information on the financial position, results of operations and changes in financial position of the group as a whole.

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

a) Foreign currency transactions

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

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

The foreign currency gains or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in 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 to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The applicable official Group rates (LEK to the foreign currency unit) for the principal currencies as at 31 December 2025 and 31 December 2024 were as below:

	31 December 2025		31 December 2024	
	Period end	Average	Year end	Average
United States dollar (USD)	82.46	87.41	94.26	93.12
European Union currency unit (EUR)	96.77	98.01	98.15	100.76

b) Interest

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

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

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

c) Fees and commission

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

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

d) Net trading income/ (expense)

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

e) Staff costs

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

f) Operating lease payments and other operating expenses

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

g) Employee benefits

- *Defined contribution plans.*

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

- *Paid annual leave*

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

- *Short-term benefits*

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

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

- *Termination benefits*

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

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

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

h) Income tax epense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Deferred income tax is not recognised on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

i) Financial instruments

Key measurement terms

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

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

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a Group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the Group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the Group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Refer to Note 27.

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

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

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

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

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

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

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

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

Embedded derivatives are not separated from the host contract of a financial asset. Instead, financial assets are classified in accordance with the business model and their contractual characteristics as explained in the chapter business model assessment and in the chapter analysis of contractual cash flow characteristics. When recognizing financial liabilities, embedded derivatives are only separated from the host instrument and separately accounted for as derivatives if their economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, the embedded derivative meets the definition of a derivative and the hybrid financial instrument is not associated with a financial liability item that is held for trading or designated at fair value through profit or loss.

Business Model Assessment

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

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

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

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

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

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

Analysis of Contractual Cash Flow Characteristics

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it no longer meets this condition. The Group considers:

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

Modification of Time Value of Money and the Benchmark Test

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

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

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

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

Financial assets – amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities – amortized cost

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

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

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

AC: "Amortized Cost"

FVOCI: "Fair Value Through Other Comprehensive Income"

FVTPL: "Fair Value Through Profit or Loss"

Amortized cost

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

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred. The Group has in place a write-off policy based on the principle that the bank being the creditor of loans does not expect any recovery/ payment either on the entire exposure (full write-off) or on a part of the exposure (partial write-off). Furthermore, the loans have to be either fully impaired in amount of the entire exposure or, in case of collateralized loans, they are impaired in the extent not being collateralized. Further information on write-offs is provided in (31) Expected credit losses.

Modification of financial assets

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

Derecognition of financial liabilities

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

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

Reclassification of financial assets

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

Fair value

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

Quotation on an active market (Level I)

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

Measurement techniques based on observable market data (Level II)

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

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

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

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

Financial guarantees

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

Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Contingent liabilities and commitments

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

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

Impairment

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

Impairment overview

If the credit risk for financial instruments has significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the expected credit losses over the (remaining) term. If the credit risk for financial instruments has not significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the present value of an expected twelve-month loss. The expected twelve-month loss is that portion of the credit losses expected over the lifetime which correspond to the expected credit losses from default events possible for a financial instrument within the twelve months following the reporting date.

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

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

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

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

Determination of expected credit losses

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

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

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

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

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

Forward-looking information

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

3. Material accounting policies (continued)

I) Financial instruments (continued)

Forward-looking information (continued)

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

Significant increase in the credit risk

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

Collateral

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

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

Genuine sale and repurchase agreements

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

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

Securities lending

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

j) Cash and cash equivalents

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

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

k) Due from other banks

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

l) Debt securities

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

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

m) Trading assets and liabilities

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

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

n) Derivative financial instruments

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

o) Loans and advances to customers

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

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

p) Right of use and lease liabilities

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

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

The Group as lessee

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

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

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

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

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

The Group as lessor

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

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

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

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

Subsequent measurement

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

- Interest income is recognized in profit or loss over the lease term in an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease.
- Net investment in the lease is reduced for the lease payments received;
- The Group applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivable
- After lease commencement, the net investment in a lease is not remeasured by the company unless in either of the following situations:
- The lease is modified, and the modified lease is not accounted for as a separate contract.
- The lease term is revised when there is a change in the non-cancellable period of the lease.

ECL Measurement of leases

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

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

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

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

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

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

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

q) Tangible fixed assets

i. Recognition and measurement

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

ii. Subsequent costs

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

iii. Depreciation

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

	2025 (in years)	2024 (in years)
Premises	20	20
Vehicles	7	7
Computers and IT equipment	4 to 7	4 to 7
Software and Licenses	8	8
Machineries and systems	7	7
Office Equipment's and Furniture	5 to 7	5 to 7
Leasehold improvements	1 to 10	1 to 10

Useful lives and residual values are reassessed each reporting date.

r) Intangible fixed assets

Acquired intangible fixed assets.

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

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

Useful life	Years
Software	8

Internally developed intangible fixed assets – research and development costs

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

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

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

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

Capitalized development costs are generally amortized in the Bank in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

s) Repossessed assets

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

t) Deposits and other financial liabilities

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

u) Due to banks

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

v) Sale and repurchase agreements and lending of securities.

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

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

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

w) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash flows that largely are independent from other assets and Banks. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has 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 amortisation, if no impairment loss had been recognised.

x) Provisions

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

Loan loss provisions for contingent liabilities and commitments

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

y) Share capital

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

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

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

z) Credit related commitments

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

(aa) Offsetting

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

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

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

(cc) Comparability

All amounts are reported or disclosed with comparative information.

4. Critical accounting estimates and judgements

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

Going concern

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

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

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

Impairment in the lending business

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

Dynamic tests are performed to evaluate the effect that a similar increase/decrease in customer's shock would have on each of the balance sheet, liability and profit and loss line items, for a specific period of time. The Group's management has made an assessment of the Group's ability to continue as a going concern considering all the factors stated above and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group ability to continue as a going concern. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis. For additional disclosures on capital management refer to note 37.

Fair value of financial instruments

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

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

Net realizable value of repossessed assets

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

Deferred tax assets and liabilities

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

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

5. Application of new and revised standards

During the year ended 31 December 2025, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for reporting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

I. New and amended standards adopted by the group

The following new or amended standards became effective during the year:

- Amendments to IAS 21 - Lack of Exchangeability, The Effects of Changes in Foreign Exchange Rates

II. Standards and Interpretations Issued but Not Yet Effective

Other standards, amendments, or interpretations that have been issued but are not yet effective and have not been early adopted:

- Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments.
- Annual Improvements to IFRS Accounting Standards - Volume 11- Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7
- Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity.
- IFRS 18 - Presentation and Disclosures in Financial Statements, effective date 1 January 2027
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures, effective date 1 January 2027

The Group does not expect that the adoption of the accounting standards listed above will have a material impact on the financial statements of the Group in future periods.

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

Cash and cash equivalents as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Cash on hand	13,802,042	18,102,478
Balances at central Banks	19,410,154	19,421,155
hereof restricted balance – Compulsory reserve	19,089,820	*17,194,952*
Other demand deposits at Banks	784,029	2,001,761
herof restricted balance as bank guarantees	157,233	*166,434*
Total	**33,996,225**	**39,525,394**

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

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

Cash and cash equivalents include highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. A break-down of cash and cash equivalents as included in the statement of cash flows is presented below:

in LEK thousand	31 December 2025	31 December 2024
Cash on hand	13,802,042	18,102,478
Balances at central bank, excluding compulsory reserve	320,334	2,226,204
Other demand deposits at banks net of restricted balances	626,796	1,835,327
Loans and advances to central banks	336	643
Loans and advances to other banks	15,922,523	19,797,063
Total cash and cash equivalents as included in the statement of cash flows	**30,672,031**	**41,961,715**

7 Financial assets – amortised cost

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

in LEK thousand	31 December 2025			31 December 2024		
	Gross carrying amount	Accumulated impairment	Carrying amount	Gross carrying amount	Accumulated impairment	Carrying amount
Debt securities	**122,348,164**	**(31,494)**	**122,316,670**	**107,200,650**	**(45,815)**	**107,154,835**
General governments	122,348,164	(31,494)	**122,316,670**	107,200,650	(45,815)	**107,154,835**
Banks	-	-	**-**	-	-	-
Loans and advances	**174,577,623**	**(7,754,836)**	**166,822,787**	**161,835,420**	**(8,438,441)**	**153,396,979**
Central Banks	336	-	**336**	643	-	**643**
General governments	393	(1)	**392**	321	(1)	**320**
Banks	15,922,964	(20)	**15,922,944**	19,797,110	(47)	**19,797,063**
Other financial corporations	5,171,217	(118)	**5,171,099**	4,417,368	(29)	**4,417,339**
Non-financial corporations	81,644,436	(4,722,925)	**76,921,511**	75,296,626	(5,281,429)	**70,015,197**
Households	71,838,277	(3,031,772)	**68,806,505**	62,323,352	(3,156,935)	**59,166,417**
Total	**296,925,787**	**(7,786,330)**	**289,139,457**	**269,036,070**	**(8,484,256)**	**260,551,814**

8. Financial assets- fair value through profit and loss

Financial assets Fair Value through profit and loss as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Debt securities	132,119	415,043
Total	**132,119**	**415,043**

9. Goodwill

During the year 2009, Raiffeisen Bank acquired 100% of the shares of the Raiffeisen INVEST – Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a. ("Raiffeisen INVEST"), for an amount of Lek 109,648 thousand. The purchase was approved by the Albanian Financial Supervisory Authority based on decision Nr.30, dated 26 March 2009, registered on the Albanian National Register on 23 April. Raiffeisen INVEST has a paid in capital of Lek 90 million as at 31 December 2025 (2024: Lek 90 million).

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

Goodwill is tested for impairment at least annually or whenever there are indications that goodwill may be impaired. As at 31 December 2025, the carrying amount of the cash generating unit to which goodwill has been allocated, does not exceed its recoverable amount and therefore goodwill is considered not to be impaired. No impairment loss has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2025 (2024: nil).

10. Tangible and intangible fixed assets

Aktivet afatgjata materiale dhe jo-materiale më 31 dhjetor 2025 dhe 31 dhjetor 2024 janë të detajuara si më poshtë:

in LEK thousand	31 December 2025	31 December 2024
Tangible fixed assets	**3,252,210**	**3,265,285**
Land and buildings used by the Group for own purpose	691,952	683,370
Other land and buildings (investment property)	14,878	72,064
Office furniture, equipment, and other tangible fixed assets	1,111,023	1,096,794
Right of use assets (RoU)	1,434,357	1,413,057
Intangible fixed assets	**2,402,197**	**2,252,746**
Software	2,402,197	2,252,746
Total	**5,654,407**	**5,518,031**

There are no tangibles and intangible assets pledged as collateral as at 31 December 2025 (2024: none).

The item software comprises internally developed software amounting to Lek 125,199 thousand (2024: 110,153). The fair value of investment properties carried at cost model as at 31 December 2025 is 9,246 thousand lek, 31 December 2024 is 63,404 thousand lek.

Rental income from investment property of Lek 4,037 thousand (2024: Lek 4,619 thousand) has been recognised in other net operating income *(please refer to note 22)*.

10. Tangible and intangible fixed assets (continued)

In LEK thousand	Tangible fixed asset	Land and buildings used by the Bank for own purpose	Other land and buildings (investment property)	Office furniture, equipment and other tangible fixed assets	Right of use assets (rou)	Intangible fixed assets	Software and licences	Total
As at January 1, 2025	**7,211,353**	1,083,924	109,244	3,647,040	2,371,145	**4,928,206**	4,928,206	**12,139,559**
Additions	**724,145**	70,607	8,766	334,447	310,325	**665,655**	665,655	**1,389,800**
Disposals	**(596,850)**	(46,991)	-	(428,084)	(121,775)	**(213,918)**	(213,918)	**(810,768)**
Transfers	**(100,778)**	(5,269)	(95,329)	(180)	-	**-**	-	**(100,778)**
Cost as at December 31, 2025	**7,237,872**	**1,102,272**	**22,682**	**3,553,223**	**2,559,695**	**5,379,944**	**5,379,944**	**12,617,816**

The Group recognized as at 31 December 2025 "internally generated intangible assets" in compliance to IAS 38 in the amount of Lek 125,199 thousand. They are staff cost & other relevant costs related to development of internally used software during calendar year 2025.

Fixed assets amortization is detailed as follows:

In LEK thousand	Tangible fixed asset	Land and buildings used by the Bank for own purpose	Other land and buildings (investment property)	Office furniture, equipment and other tangible fixed assets	Right of use assets (rou)	Intangible fixed assets	Software and licences	Total
Accumulated depereciation as at January 1, 2025	**(3,946,068)**	(400,554)	(37,180)	(2,550,246)	(958,088)	**(2,675,461)**	(2,675,461)	**(6,621,529)**
Accumulated depreciation on sales	**519,577**	39,558	-	410,011	70,008	**92,175**	92,175	**611,752**
Depreciation	**(609,749)**	(49,323)	(2,278)	(309,469)	(248,679)	**(394,460)**	(394,460)	**(1,004,209)**
Reclassification	**50,580**	-	31,655	7,504	11,421	**-**	-	**50,580**
Accumulated depereciation as at December 31, 2025	**(3,985,660)**	**(410,319)**	**(7,803)**	**(2,442,200)**	**(1,125,338)**	**(2,977,746)**	**(2,977,746)**	**(6,963,406)**
Carrying amount As at December 31, 2025	**3,252,210**	**691,952**	**14,878**	**1,111,023**	**1,434,357**	**2,402,197**	**2,402,197**	**5,654,407**

In LEK thousand	Tangible fixed asset	Land and buildings used by the Bank for own purpose	Other land and buildings (investment property)	Office furniture, equipment and other tangible fixed assets	Right of use assets (rou)	Intangible fixed assets	Software and licences	Total
As at January 1, 2024	**7,021,766**	**1,027,853**	**109,244**	**3,588,998**	**2,295,671**	**4,593,591**	**4,593,591**	**11,615,357**
Additions	**408,434**	56,668	-	209,689	142,077	**402,243**	402,243	**810,677**
Disposals	**(213,337)**	(401)	-	(151,843)	(61,093)	**(67,627)**	(67,627)	**(280,964)**
Transfers	**(5,510)**	(196)	-	196	(5,510)	**-**	-	**(5,510)**
Cost as at December 31, 2024	**7,211,353**	**1,083,924**	**109,244**	**3,647,040**	**2,371,145**	**4,928,206**	**4,928,206**	**12,139,559**

In LEK thousand	Tangible fixed asset	Land and buildings used by the Bank for own purpose	Other land and buildings (investment property)	Office furniture, equipment and other tangible fixed assets	Right of use assets (rou)	Intangible fixed assets	Software and licences	Total
Accumulated depereciation as at January 1, 2024	**(3,553,205)**	**(354,516)**	**(35,160)**	**(2,384,588)**	**(778,941)**	**(2,385,092)**	**(2,385,092)**	**(5,938,297)**
Accumulated depreciation on sales	**204,537**	389	-	146,702	57,446	**67,643**	67,643	**272,180**
Depreciation	**(597,400)**	(46,427)	(2,020)	(312,360)	(236,593)	**(358,012)**	(358,012)	**(955,412)**
Reclassification	**-**	-	-	-	-	**-**	-	**-**
Accumulated depereciation as at December 31, 2024	**(3,946,068)**	**(400,554)**	**(37,180)**	**(2,550,246)**	**(958,088)**	**(2,675,461)**	**(2,675,461)**	**(6,621,529)**
Carrying amount As at December 31, 2024	**3,265,285**	**683,370**	**72,064**	**1,096,794**	**1,413,057**	**2,252,746**	**2,252,746**	**5,518,031**

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

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

In LEK thousand	Buildings	IT Contracts	ATM Space	Cars	Total
Carrying amount at December 31, 2024	**1,369,259**	**4,746**	**28,168**	**10,884**	**1,413,057**
Additions	293,273	-	17,052	-	310,325
Early termination	(107,603)	-	(2,751)	-	(110,354)
Depreciation charge	(166,557)	(1,019)	(8,918)	(2,177)	(178,671)
Carrying amount at December 31, 2025	**1,388,372**	**3,727**	**33,551**	**8,707**	**1,434,357**

Total cash outflow for leases in 2025 was LEK 240,350 thousand (cash outflow 2024: LEK 220,893 thousand). Please see note 3 and 13 for Lease Liabilities disclosures. Please see note 24.3 for disclosure of the expense relating to short-term leases accounted for applying IFRS 16.

11.Repossessed assets

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

Repossessed assets as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Repossessed assets	1,311,602	930,952
Write down of repossessed assets	(756,671)	(704,638)
Total	**554,931**	**226,314**

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

in LEK thousand	31 December 2025	31 December 2024
Balance at the beginning of the year	704,638	918,264
Additional write down	96,361	73,800
Reversal of write down	(44,328)	(287,426)
Balance at the end of the year	**756,671**	**704,638**

12. Other assets

Other assets as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Prepayments and other deferrals	827,168	409,356
Other assets	770,134	963,756
Total	**1,597,302**	**1,373,112**

Prepayment and other deferrals are related to prepaid expenses for services that will be performed in future periods. Prepaid expenses in 2025 was LEK 505,302 thousand (2024: LEK 302,288 thousand). Other assets are related to Group's debtors.

13. Financial liabilities – amortized cost

Financial liabilities as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Due to Banks	**22,699,187**	**17,645,057**
Current accounts/overnight deposits/redeemable at notice	2,581,791	2,795,265
Deposits with agreed maturity	16,220,754	12,861,164
Subordinated financial liabilities	3,896,642	1,988,628
Deposits from customers	**268,556,193**	**252,259,692**
Current accounts/overnight deposits/redeemable at notice	238,145,729	224,845,135
Deposits with agreed maturity	30,410,464	27,414,557
Other financial liabilities	**200,978**	**730,550**
Lease liabilities lessee	**1,218,674**	**1,218,927**
Total	**292,675,032**	**271,854,226**

The above table provides a breakdown of deposits from banks and customers by product.

RBAL obtained two subordinated debt instruments from Raiffeisen Bank International, each in the amount of EUR 20 million with a 10-year tenor and non-cancelable for 5 years. Both instruments qualify as Tier 2 capital following Central Bank approval, effective from November 2023 for the first issuance and December 2025 for the second issuance.

On October 2023, the Bank signed off Senior preferred facilities with EBRD in the amount EUR 50 million and OPEC Fund in the amount EUR 20 million, with a tenor of 6-years, non-cancelable for 5-years, to be disbursed in tranches through-out period 2023-2025. As per official approval of the Local Resolution Authority (Central Bank of Albania), these instruments qualify as MREL (minimum requirement for own funds and eligible liabilities) eligible according to LocaL Standards, starting from December 2023. As of 31st of December 2025, RBAL has currently EUR 70 million of MREL loans on books given by OPEC and EBRD.

The following table shows the cashdiaries and non-cash effects for liabilities arising from financing activities according to IAS 7 as of December 31, 2025:

in LEK thousand	31 December 2024	Inflows	New leases	Dividend declared	Outflows	Interest accrued	Other changes (e.g. FX changes)	31 December 2025
Subordinated financial liabilities	**1,988,628**	1,935,400	-	-	-	-	(27,386)	3,896,642
Lease liabililities	**1,218,927**	-	250,754	-	(240,350)	35,546	(46,203)	1,218,674
Dividend payable	-	-	-	4,694,105	(4,694,105)		-	-
Total	**3,207,555**	**1,935,400**	**250,754**	**4,694,105**	**(4,934,455)**	**35,546**	**(73,590)**	**5,115,316**

The following table shows the cash and non-cash effects for liabilities arising from financing activities acording to IAS 7 as of December 31, 2024:

in LEK thousand	31 December 2023	Inflows	New leases	Dividend declared	Outflows	Interest accrued	Other changes (e.g. FX changes)	31 December 2024
Subordinated financial liabilities	2,106,945	-	-		(256,857)		138,540	**1,988,628**
Lease liabililities	1,337,595	-	156,827	-	(220,893)	28,653	(83,255)	**1,218,927**
Dividend payable	-	-	-	5,413,684	(5,413,684)	-	-	-
Total	**3,444,540**	**-**	**156,827**	**5,413,684**	**(5,891,434)**	**28,653**	**55,285**	**3,207,555**

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

in LEK thousand	31 December 2025	31 December 2024
Central banks	5,168,283	-
General governments	543,610	5,723,165
Banks	19,283,244	14,232,110
Other financial corporations	2,872,333	3,412,948
Non-financial corporations	57,259,550	54,620,443
Households	206,128,360	191,916,083
Total	**291,255,380**	**269,904,749**

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

in LEK thousand	31 December 2025	31 December 2024
Up to 1 year	228,538	211,443
More than 1 year, up to 5 years	786,319	700,929
More than 5 years	226,494	306,555
Total	**1,241,351**	**1,218,927**

14. Provisions for liabilities and charges

Provisions for liabilities and charges as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
ECL for off-balance-sheet items	**196,357**	**231,873**
ECL for contingent liabilities and commitments	196,357	231,873
Accruals for staff	**258,065**	**148,725**
Bonus payments	258,065	148,725
Other provisions	**62,658**	**61,907**
Legal issues and tax litigation	60,168	59,517
Other provisions	2,490	2,390
Total	**517,080**	**442,505**

The following table shows the changes in provisions for liabilities and charges in the reporting year, although provisions for off-balance-sheet items pursuant to IFRS 9 of 196,357 LEK thousand are not included. These are shown under (31) Expected Credit losses.

in LEK thousand	1 January 2025	Allocation	Release	Usage	Transfers, exchange differences	31 December 2025
Accruals for staff	**148,724**	**459,831**	**(210,677)**	**(139,813)**	**-**	**258,065**
Bonus payments	148,724	459,831	(210,677)	(139,813)	-	**258,065**
Other provisions	**61,907**	**751**	**-**	**-**	**-**	**62,658**
Legal issues and tax litigation	59,517	651	-	-	-	**60,168**
Other provisions	2,390	100	-	-	-	**2,490**
Total	**210,631**	**460,582**	**(210,677)**	**(139,813)**	**-**	**320,723**

15. Deferred tax liabilities

Deferred tax assets/liabilities derived from the following items:

in LEK thousand	31 December 2024	Recognised in profit or loss	31 December 2025
Tangible and Intangible Fixed Assets	(32,512)	(30,383)	(62,895)
Total	**(32,512)**	**(30,383)**	**(62,895)**

in LEK thousand	31 December 2023	Recognised in profit or loss	31 December 2024
Tangible and Intangible Fixed Assets	(51,208)	18,696	(32,512)
Total	**(51,208)**	**18,696**	**(32,512)**

16. Current tax liabilities

in LEK thousand	31 December 2025	31 December 2024
Current tax liabilities	121,107	295,839
Total	**121,107**	**295,839**

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

17. Other liabilities

Other liabilites as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Deferred income and accrued expenses	456,908	443,211
Due to employees	90,646	79,314
Other tax liabilities	110,655	160,238
Sundry liabilities	301,922	307,497
Overdue vacations	53,986	67,678
Total	**1,014,117**	**1,057,938**

Accrued expenses are related to wages of personnel, marketing campaigns, rent, building security, IT, legal and other operating expenses of the period for which an invoice has not been obtained yet, as such accruals have been booked. Accrued expenses amount in 2025 is thousand LEK 457,542 (2024: thousand LEK 300,287).

18. Equity

Equity as at 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Share capital	14,178,593	14,178,593
Other reserves	4,906,190	3,306,190
Retained earnings	17,680,994	16,527,603
hereof profit for the year	7,447,496	7,671,536
Total	**36,765,777**	**34,012,386**

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

- *Share capital*

The Group's capital is LEK 14,178,593 thousand comprised of 7,000 shares (2024: 7,000 shares). The Parent's capital is equal to LEK 14,178,593 thousand and the nominal value of each share is LEK 2,025,513 (2024: LEK 14,178,593 thousand comprised of 7,000 shares of nominal value of LEK 2,025,513 each).

- *Other reserves*

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

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

in LEK thousand	31 December 2025	31 December 2024
Regulatory reserves	3,452,979	1,852,979
Legal reserves	1,453,211	1,453,211
Total	**4,906,190**	**3,306,190**

19. Net interest income

Net interest income for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Interest income		
Financial assets - amortized cost	13,678,226	13,861,853
Other assets	191,766	96,748
Interest income on financial liabilities	-	-
Interest income calculated using the effective interest method	13,869,992	13,958,601
Other interest income	29,372	13,235
Total interest income	**13,899,364**	**13,971,836**
Interest expenses		
Financial liabilities - amortized cost	(920,315)	(707,679)
Interest expenses on financial assets	(37)	-
Interest expense on lease liabilities	(36,291)	(28,677)
Total interest expenses	**(956,643)**	**(736,356)**
Total	**12,942,721**	**13,235,480**

Interest income using effective interest rate recognized for Loans and advances in 2025 is LEK 13,870 million (2024: LEK 9,445 million).

Interest expense from Financial liabilities - amortized cost, is mostly related to the Subordinated Loans received from Raiffeisen Bank International in 2025 about LEK 235 million (2024: LEK 255 million) and senior preferred loans received from EBRD and OPEC Fund (MREL elidgible) in 2025 is LEK 352 million (2024: LEK 267 million).

20. Net fee and commission income

Net fee and commission income for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Clearing, settlement and payment services	3,775,064	3,475,111
Loan business commissions	405,625	235,925
Custody services	26,071	36,272
Foreign exchange transactions	845,701	613,857
Other	958,344	790,971
Total fee and commission income from contracts with customers	**6,010,805**	**5,152,136**
Financial guarantee contracts and loan commitments	19,088	18,075
Total fee and commission income	**6,029,893**	**5,170,211**
Clearing, settlement and payment services	(1,896,130)	(1,539,733)
Loan and guarantee business	(238,064)	(219,790)
Other	(834,795)	(438,156)
Total Fee and commission expenses	**(2,968,989)**	**(2,197,679)**
Net fee and commission income	**3,060,904**	**2,972,532**

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

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

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

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

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

21. Net trading (expense)/income

Net trading for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Net (loss)/gain on financial assets and liabilities - fair value through profit or loss	**(120,203)**	**(43,894)**
Debt securities	(120,203)	(43,894)
Exchange differences, net	665,730	483,400
Total	**545,527**	**439,506**

Exchange differences, net has a positive result due to the decreasing trend of EUR/ALL exchange rate by 1.41%, from 98.15 in Dec'24 vs 96.77 in Dec'25.

22. Other net operating loss

Other net operating for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Sundry operating income	111,508	300,041
Rental income from investment property incl. Operating lease (real estate)	4,037	2,422
Other operating income	143,551	302,463
Income from release of other provisions	28,006	0
Write down of repossessed assets	(64,706)	(73,800)
Expense from allocation and release of other provisions	-	(5,887)
Loss on derecognition of non-financial assets	(45,655)	(4,091)
Sundry operating expenses	(59,273)	(290,636)
Other operating expense	(169,634)	(374,414)
Total	**(26,083)**	**(71,951)**

Sundry operating expenses balance relates to the result from other operating activities of the group. It is mostly related to expenses from the termination of the building lease contract, expenses losses from the written-off of debtors, fraud losses, losses from cash operations and ATM-POS.

23. General administrative expenses

General administrative expenses for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Staff expenses	(3,555,763)	(3,235,188)
Other administrative expenses	(2,647,602)	(2,426,681)
Depreciation of tangible and intangible fixed assets	(1,017,674)	(954,663)
Total	**(7,221,039)**	**(6,616,532)**

23.1 Staff Expenses

Staff expenses for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Wages and salaries	(3,079,603)	(2,786,012)
Social security costs and staff-related taxes	(355,271)	(330,642)
Other voluntary social expenses	(54,061)	(54,805)
Staff expenses under deferred bonus program	(26,772)	(27,397)
Expenses for defined contribution pension plans	(36,731)	(33,610)
Termination benefits	(3,325)	(2,722)
Total	**(3,555,763)**	**(3,235,188)**

23.1.1 Expenses for defined contribution pension plans

Expenses for defined contribution pension plans for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Members of the management board and senior staff	(10,884)	(9,472)
Other employees	(19,213)	(20,647)
Total	**(30,097)**	**(30,119)**

23.2 Other administrative expenses

Other administrative expenses for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
IT expenses	(1,265,516)	(1,095,958)
Legal, advisory and consulting expenses	(249,185)	(244,751)
Expenses for Audit services	(16,213)	(16,954)
Office space expenses	(247,450)	(232,661)
Advertising, PR and promotional expenses	(314,263)	(287,788)
Security expenses	(128,083)	(129,816)
Car expenses	(43,919)	(43,875)
Other taxes	(41,821)	(43,620)
Expenses related to credit risk	(36,006)	(25,675)
Training expenses for staff	(36,696)	(29,815)
Traveling expenses	(43,227)	(37,332)
Expenses for leases	(14,094)	(14,617)
Communication expenses	(17,856)	(14,411)
Office supplies	(15,642)	(18,729)
Sundry administrative expenses	(177,631)	(190,679)
Total	**(2,647,602)**	**(2,426,681)**

23.3. Depreciation of tangible and intangible assets

Depreciation of tangible and intangible assets for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Tangible fixed assets	(619,147)	(596,668)
Intangible fixed assets	(398,527)	(357,995)
Total	**(1,017,674)**	**(954,663)**

24. Special govermental measures

Special governmental measures for the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Resolution fund	(163,548)	(150,592)
Deposit insurance fees	(700,759)	(674,526)
Total	**(864,307)**	**(825,118)**

The contribution for the resolution fund is in compliance with the Law no. 133/2016 on "On Recovery and Intervention in Groups in the Republic of Albania" and relevant bylaws, where each Group in Albania pays an annual contribution calculated in a proportionate manner with the relevant market share, for the creation of a certain level of emergency intervention fund. This fund is calculated by Bank of Albania and is managed by Albanian Deposit Insurance Agency" (ADIA) in compliance with the investment policy of the financial instruments of the fund.

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

25. Impairment recoveries/ (expenses) on financial assets

Impariment expenses/recoveries on financial assetsfor the year ended 31 December 2025 and 31 December 2024 are detailed as follows:

in LEK thousand	31 December 2025	31 December 2024
Loans and advances	450,444	(154,895)
Debt securities	14,322	25,756
Loan commitments, financial guarantees and other commitments given	35,731	56,992
Total	**500,497**	**(72,147)**

Impairment loan losses in December 2025 showed a positive outcome, primarily driven by higher release effect in stage 2 and stage 3 provisions related to retail customers. This was due to to improvement of the portfolio performance in Personal Loan product and release effect, triggered by the write-off of fully impaired exposures.

26. Income taxes

Income tax in Albania is assessed at the rate of 15% (2024: 15%) of taxable income:

in LEK thousand	31 December 2025	31 December 2024
Current income taxes	(1,460,341)	(1,408,931)
Deferred taxes	(30,383)	18,697
Total	**(1,490,724)**	**(1,390,234)**

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

in LEK thousand	31 December 2025	31 December 2024
Profit before tax	**8,938,220**	**9,061,770**
Theoretical income tax expense using the domestic tax rate of 15%	1,340,733	1,359,266
Tax effect of:		
Tax-exempt income/expense	(14,593)	(48,875)
Non-deductible expenses	166,904	80,940
Tax-exempt income	(2,320)	(1,097)
Effective tax burden	**1,490,724**	**1,390,234**
Effective tax rate in per cent	16.68%	15.34%

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

27. Fair value of financial instruments

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

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

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

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

Fair value of financial instruments reported at fair value

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

Assets	31 December 2025			31 December 2024		
in LEK thousand	Level I	Level II	Level III	Level I	Level II	Level III
Financial assets - fair value through profit or loss			**132,119**			**415,043**
Debt securities			132,119			415,043

Informacion cilësor për të vlerësimin e financiare instrumentet në nivelin III

Assets 2025	Fair value in LEK thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - fair value through profit or loss	-	-	-	-
Treasury bills, fixed coupon bonds	132,119	Discounted cash flow method (DCF)	ALL base rate -last auctions yields -T bills	2.5% - 2.911%
Total				

Fair value of financial instruments not reported at fair value

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

2025 in LEK thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash, cash balances at central banks and other demand deposits	-	33,996,225	-	33,996,225	33,996,225	-
Debt securities	-	-	122,540,623	122,540,623	122,316,670	**223,953**
Loans and advances	-	-	166,822,787	166,822,787	166,822,787	-
Liabilities						
Financial liabilities held for trading (derivatives)	-	11,216	-	11,216	-	-
Deposits and subordinated	-	-	291,181,806	291,181,806	291,255,380	**(73,574)**
Other financial liabilities	-	-	1,419,652	1,419,652	1,419,652	-

2024 in LEK thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash, cash balances at central banks and other demand deposits	-	39,525,394	-	39,525,394	39,525,394	**-**
Debt securities	-	-	107,590,330	107,590,330	107,154,835	**435,495**
Loans and advances	-	-	153,396,979	153,396,979	153,396,979	**-**
Liabilities						
Deposits and subordinated	-	-	269,843,669	269,843,669	269,904,749	**(61,080)**
Other financial liabilities	-	-	1,949,477	1,949,477	1,949,477	**-**

Level I Quoted market prices

Level II Valuation techniques based on market data

Level III Valuation techniques not based on market data

28. Loan commitments, financial guarantees and other commitments

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

in LEK thousand	**31 December 2025**	**31 December 2024**
Loan commitments given	18,939,328	19,465,470
Financial guarantees given and other commitments given	11,828,906	9,960,292
Total	**30,768,234**	**29,425,762**
Expected credit losses for off-balance-sheet items	(196,357)	(231,873)

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

2025 in LEK thousand	**Nominal amount**			**Provisions for off-balance-sheet items under IFRS 9**		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Banks	928,316	839,033	-	14	79	-
Other financial corporations	285,200	-	-	358	-	-
Non-financial corporations	19,508,489	4,655,802	40,892	31,957	71,045	40,892
Households	4,484,351	1,692	24,459	32,585	155	19,272
Total	**25,206,356**	**5,496,527**	**65,351**	**64,914**	**71,279**	**60,164**

2024 in LEK thousand	**Nominal amount**			**Provisions for off-balance-sheet items under IFRS 9**		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Banks	707,203	16,723	-	6	5	-
Other financial corporations	285,200	-	-	981	-	-
Non-financial corporations	22,270,844	1,706,519	97,307	67,230	20,664	89,084
Households	4,323,684	3,804	14,478	39,711	1,028	13,164
Total	**27,586,931**	**1,727,046**	**111,785**	**107,928**	**21,697**	**102,248**

Legal

In the normal course of business, the Group may be presented with legal claims. As at December 31, 2025, the Group had outstanding legal cases considered normal through the course of business, having no material impact on the Group's activity.

29. Credit quality analysis

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

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

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

2025 in LEK thousand	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Excellent	16,580,267	-	-	16,580,267
Strong	45,262,182	52,303	-	45,314,485
Good	127,925,418	3,020,279	-	130,945,697
Satisfactory	68,028,528	13,551,272	-	81,579,800
Substandard	6,422,192	6,229,445	-	12,651,637
Credit impaired	-	-	6,792,660	6,792,660
Unrated	2,829,179	186,248	45,814	3,061,241
Gross carrying amount	**267,047,766**	**23,039,547**	**6,838,474**	**296,925,787**
Accumulated impairment	(981,787)	(1,828,218)	(4,976,325)	(7,786,330)
Carrying amount	**266,065,979**	**21,211,329**	**1,862,149**	**289,139,457**

2024 in LEK thousand	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Excellent	18,803,189	-	-	18,803,189
Strong	37,741,491	3,522	-	37,745,013
Good	119,508,074	297,175	-	119,805,249
Satisfactory	54,552,227	9,647,507	-	64,199,734
Substandard	5,357,094	7,478,016	-	12,835,110
Credit impaired	-	-	7,358,534	7,358,534
Unrated	8,020,782	227,812	40,647	8,289,241
Gross carrying amount	**243,982,857**	**17,654,032**	**7,399,181**	**269,036,070**
Accumulated impairment	(1,258,310)	(1,774,367)	(5,451,579)	(8,484,256)
Carrying amount	**242,724,547**	**15,879,665**	**1,947,602**	**260,551,814**

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

2025 in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	118,915	14,516	-	133,431
Strong	1,310,263	80,849	-	1,391,112
Good	9,920,677	1,457,307	-	11,377,984
Satisfactory	11,677,610	3,638,998	-	15,316,608
Substandard	36,952	303,656	-	340,608
Credit impaired	-	-	65,351	65,351
Unrated	2,141,939	1,201	-	2,143,140
Total	**25,206,356**	**5,496,527**	**65,351**	**30,768,234**
Provisions for off-balance-sheet items	(64,913)	(71,279)	(60,165)	(196,357)

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

2024 in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	365,805	-	-	365,805
Strong	1,285,129	19,099	-	1,304,228
Good	11,037,385	154,449	-	11,191,834
Satisfactory	10,161,650	1,215,988	-	11,377,638
Substandard	196,243	336,745	-	532,988
Credit impaired	-	-	111,785	111,785
Unrated	4,540,719	765	-	4,541,484
Total	**27,586,931**	**1,727,046**	**111,785**	**29,425,762**
Provisions for off-balance-sheet items under IFRS 9	(107,928)	(21,697)	(102,248)	(231,873)

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

30. Collateral And Maximum Exposure To Credit Risk

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

2025 in LEK thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central Banks	336	-	336
General governments	122,193,248	-	122,193,248
Banks	15,922,523	-	15,922,523
Other financial corporations	5,171,099	-	5,171,099
Non-financial corporations	76,921,510	26,923,975	49,997,535
Households	68,806,505	27,147,088	41,659,417
Commitments/guarantees issued	31,677,552	5,619,190	26,058,362
Total	**320,692,773**	**59,690,253**	**261,002,520**

2025 in LEK thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central Banks	643	-	643
General governments	107,054,977	-	107,054,977
Banks	19,797,063	-	19,797,063
Other financial corporations	4,415,681	-	4,415,681
Non-financial corporations	70,015,197	26,827,285	43,187,911
Households	59,166,417	23,458,445	35,707,972
Commitments/guarantees issued	30,716,559	5,754,059	24,962,501
Total	**291,166,537**	**56,039,789**	**235,126,748**

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

2025 in LEK thousand	Maximum exposure credit risk (Stage 3)	Fair value of collateral (Stage 3)	Credit risk exposure net of collateral (Stage 3)	Impairment (Stage 3)
Non-financial corporations	1,252,201	849,595	402,607	(3,363,276)
Households	747,985	40,448	707,536	(1,613,049)
Commitments/ guarantees issued	65,351	-	65,351	(60,165)
Total	**2,065,537**	**890,043**	**1,175,494**	**(5,036,490)**

2024 in LEK thousand	Maximum exposure credit risk (Stage 3)	Fair value of collateral (Stage 3)	Credit risk exposure net of collateral (Stage 3)	Impairment (Stage 3)
Non-financial corporations	1,348,621	941,138	407,482	(3,931,800)
Households	813,140	121,001	692,140	(1,617,967)
Commitments/guarantees issued	111,785	8,222	103,563	(102,248)
Total	**2,273,546**	**1,070,361**	**1,203,185**	**(5,652,015)**

31. Expected credit losses

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

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

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

- Stage 2 includes those financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk improved, and which have thus been reclassified from Stage 3.
- Stage 3 includes financial instruments which are classified as impaired as at the reporting date. RBI's criterion for this classification is the definition of a default. The expected credit loss over the entire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default.
- POCI: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

Expected credit losses from financial instruments should reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. RBI calculates the expected credit loss as the probability-weighted, expected value of all payment defaults taking into account various scenarios over the expected lifetime of a financial instrument discounted with the effective interest rate that was originally determined. The expected credit losses are the present value of the difference between the contractually agreed and actually expected cash flows.

General approach

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

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

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

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

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

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

Significant increase in credit risk

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

Quantitative criteria

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

The Group uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. For quantitative staging the bank compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail customers, the methods for assessing potential significant increases in credit risk also differ slightly.

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

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

Qualitative criteria

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

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

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

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

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

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

Backstop

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

Low credit risk exemption

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

Definition of default and credit-impaired assets

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

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

Explanation of inputs, assumptions and estimation techniques

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

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

Probability of Default (PD)

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

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

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

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

Loss Given Default (LGD)

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

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

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

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

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

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

Exposure at Default (EAD)

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

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

Discount factor (D)

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

Calculation

For loans in Stage 1 and 2, the expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward-looking scenario.

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

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

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

Shared credit risk characteristics

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

Forward looking information

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

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

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

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

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

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

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

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

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

Overlays and other risk factors

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

For the central models in the corporate segment, the additional risk was considered using the risk factors, while in the local retail segment the risks were applied on top of the models. Special risk factors for real estate scenario applied for non-retail, post-model adjustments are the main types of overlays applied for the calculation of the expected credit losses. For the retail, the ESG methodology for mortgages focuses on the damage and the subsequent decreased market value of the property caused by potential physical risk events, resulting in an ESG-adjusted market value. The shock from physical risk hazards is introduced into Expected Credit Loss through LGD. ESG LGD overlay factor model for usage in IFRS9 provision calculation is developed and validated by RBI.Generally, post-model adjustments are only a temporary solution to avoid potential distortions. They are temporary and typically not valid for more than one to two years. The overlays relevant for 2024 are shown in the table below and split according to the relevant categories.

31 December 2025 000 LEK	Modelled ECL	Special Risk Factor		Other		Total		Total
Central banks	7	-	0%	-	0%	-	0%	7
General governments	31,495	-	0%	-	0%	-	0%	31,495
Banks	116	-	0%	-	0%	-	0%	116
Other financial corporations	695	-	0%	-	0%	-	0%	695
Non-financial corporations	692,513	-	0%	812,097	117%	812,097	117%	1,504,611
Households	2,929,359	123,106	4%	-	0%	123,106	4%	3,052,465
Total	**3,654,185**	**123,106**	**3%**	**812,097**	**22%**	**935,203**	**26%**	**4,589,389**

A special risk factor related to the potential impact of interest rate hike is applied during 2025, resulted in additional Stage 1 and 2 provisions of Lek 935,204 thousand.

31. Expected credit losses (continued)

Overlays and other risk factors (continued)

31 December 2024 000 LEK	Modelled ECL	Special Risk Factor		Other		Total		Total
Central banks	10	-	0%	-	0%	-	0%	10
General governments	45,817	-	0%	-	0%	-	0%	45,817
Banks	61	-	0%	-	0%	-	0%	61
Other financial corporations	1,443	-	0%	-	0%	-	0%	1,443
Non-financial corporations	758,690	812,893	107%	-	0%	812,893	107%	1,571,584
Households	2,577,220	594,965	23%	-	0%	594,965	23%	3,172,185
Total	**3,383,241**	**1,407,859**	**42%**	**-**	**0%**	**1,407,859**	**42%**	**4,791,100**

Other risk factors

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

Sensitivity analysis

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

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

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

2025 in LEK thousand	31/12/2025 (25/50/25%)	100% Optimistic	100% Base	100% Pessimistic
Accumulated impairment (Stage 1 & 2)	2,898,452	2,596,082	2,752,665	2,964,524

2024 in LEK thousand	31/12/2024 (25/50/25%)	100% Optimistic	100% Base	100% Pessimistic
Accumulated impairment (Stage 1 & 2)	3,101,844	2,741,390	3,019,176	3,277,839

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

32. Gross exposure by stages

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

2025	**Gross carrying amount**			**Accumulated impairment**			**ECL Coverage Ratio**		
in LEK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Central Banks	336	-	-	-	-	-	0.00%	-	-
General governments	122,348,557	-	-	(31,495)	-	-	0.03%	-	-
Banks	15,922,964	-	-	(20)	-	-	0.00%	-	-
Other financial corporations	5,171,217	-	-	(118)	-	-	0.00%	-	-
Non-financial corporations	58,388,021	18,762,560	4,493,855	(429,628)	(932,084)	(3,361,213)	0.74%	4.97%	74.80%
Households	65,216,672	4,276,987	2,344,618	(520,525)	(896,134)	(1,615,113)	0.80%	20.95%	68.89%
hereof mortgage	30,384,660	2,143,198	259,954	(164,005)	(435,860)	(226,617)	0.54%	20.34%	87.18%
Total	**267,047,767**	**23,039,547**	**6,838,473**	**(981,786)**	**(1,828,218)**	**(4,976,326)**	**0.37%**	**7.94%**	**72.77%**

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

2025	**Nominal amount**			**Provisions for off-balance-sheet items under IFRS 9**			**ECL Coverage Ratio**		
in LEK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Central Banks	-	-	-	-	-	-	-	-	-
Banks	928,316	839,033	-	14	79	-	0%	-0.01%	-
General governments	-	-	-	-	-	-	-	-	-
Other financial corporations	285,200	-	-	358	-	-	-0.13%	0.00%	0.00%
Non-financial corporations	19,491,240	4,655,802	40,892	31,957	71,045	40,892	-0.16%	-1.53%	-100.00%
Households	4,501,600	1,692	24,459	32,585	155	19,272	-0.72%	-9.18%	-78.80%
Total	**25,206,356**	**5,496,527**	**65,351**	**64,914**	**71,279**	**60,164**	**-0.26%**	**-1.30%**	**-92.06%**

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

2025	Gross carrying amount		Impairment		ECL Coverage Ratio	
in LEK thousand	**12 month ECL**	**Lifetime ECL**	**12 month ECL**	**Lifetime ECL**	**12 month ECL**	**Lifetime ECL**
Movement from 12 month ECL to lifetime ECL						
Non-financial corporations	(8,181,333)	8,181,333	(181,735)	523,356	2.22%	6.40%
Households	(930,938)	930,938	(20,970)	155,340	2.25%	16.69%
Movement from lifetime ECL to 12 month ECL						
Non-financial corporations	2,087,716	(2,087,716)	25,516	(213,263)	1.22%	10.22%
Households	1,205,865	(1,205,865)	21,224	(199,316)	1.76%	16.53%

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

	Gross carrying amount						
	Transfers between Stage 1 and Stage 2		**Transfers between Stage 2 and Stage 3**		**Transfers between Stage 1 and Stage 3**		**Transfer to POCI from Stage 3**
	To Stage 2 from Stage 1	**To Stage 1 from Stage 2**	**To Stage 3 from Stage 2**	**To Stage 2 from Stage 3**	**To Stage 3 from Stage 1**	**To Stage 1 from Stage 3**	**To POCI from Stage 3**
Debt securities	**-**	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-
Loans and advances	**9,080,433**	**3,289,029**	**497,460**	**33,822**	**31,838**	**4,552**	**99,449**
Other financial corporations	-	-	-	-	-	-	-
Non-financial corporations	8,162,084	2,086,119	441,509	27,972	19,249	1,598	-
Households	918,349	1,202,911	55,950	5,849	12,588	2,954	99,449

32. Gross exposure by stages (continued)

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

	Allowances and provisions for credit losses						
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		Transfer to POCI from Stage 3
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To POCI from Stage 3
	Provision Amounts Transferred Out FROM Stage (Negative Sign)						
Debt securities	**-**	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-
Loans and advances	**133,827**	**(349,217)**	**(34,585)**	**(25,833)**	**19,154**	**(2,351)**	**(77,259)**
Other financial corporations	-	-	-	-	-	-	-
Non-financial corporations	(164,514)	(211,823)	(31,756)	(17,783)	(0)	(1,062)	-
Households	298,340	(137,394)	(2,829)	(8,050)	19,154	(1,289)	(77,259)
	Provision Amounts Transferred INTO Stage (Positive Sign)						
Debt securities	**-**	-	-	-	-	-	-
General governments	-						
Loans and advances	**661,464**	**46,663**	**143,576**	**5,069**	**17,232**	**77**	**-**
Other financial corporations	-	-	-	-	-	-	-
Non-financial corporations	512,417	25,470	115,626	1,819	10,939	46	-
Households	149,047	21,193	27,950	3,250	6,293	31	-

33. Development of impairments

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

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As at January 1, 2025	**1,258,299**	**1,774,455**	**5,053,616**	**397,885**	**8,484,256**
Increases due to origination and acquisition	227,652	26,805	16,096	-	270,553
Decreases due to derecognition	(61,500)	(14,151)	(638,562)	-	(714,213)
Changes due to change in credit risk (net)	(442,603)	56,031	714,347	(35,933)	291,842
Decrease in allowance account due to write-offs	(72)	(14,835)	(535,140)	3,939	(546,108)
As at December 31, 2025	**981,776**	**1,828,305**	**4,610,357**	**365,891**	**7,786,330**

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
As at January 1, 2024	**1,270,890**	**1,782,552**	**4,731,197**	**760,953**	**8,545,592**
Increases due to origination and acquisition	248,648	27,400	18,945	-	294,993
Decreases due to derecognition	(57,895)	(215,307)	(49,228)	(301,106)	(623,536)
Changes due to change in credit risk (net)	(203,205)	216,019	782,723	(51,529)	744,008
Decrease in allowance account due to write-offs	(139)	(36,209)	(430,021)	(10,433)	(476,802)
As at December 31, 2024	**1,258,299**	**1,774,455**	**5,053,616**	**397,885**	**8,484,255**

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

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at January 1, 2025	**107,928**	**21,696**	**102,249**	**231,873**
Increases due to origination and acquisition	165,915	17,984	11,986	**195,885**
Decreases due to derecognition	(43,571)	(4,347)	(71,784)	**(119,702)**
Changes due to change in credit risk (net)	(165,359)	35,946	17,714	**(111,699)**
As at December 31, 2025	**64,913**	**71,279**	**60,165**	**196,357**

in LEK thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at January 1, 2024	**160,347**	**9,306**	**119,468**	**289,121**
Increases due to origination and acquisition	175,999	15,454	113,143	**304,596**
Decreases due to derecognition	(113,766)	(7,365)	(92,031)	**(213,162)**
Changes due to change in credit risk (net)	(114,652)	4,301	(38,331)	**(148,682)**
As at December 31, 2024	**107,928**	**21,696**	**102,249**	**231,873**

33. Development of impairments (continued)

Past due status

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

2025	Carrying amount								
	Past Due Assets without significant increase in credit risk since initial recognition (Stage 1)			Past Due Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past Due Credit-impaired assets (Stage 3)		
in LEK thousand	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days
Non-financial corporations	1,030,352	6,108	-	778,803	341,045	6,395	38,347	19,882	715,171
Households	1,087,560	58,829	11,988	1,410,722	451,814	22,483	56,564	83,942	485,214
Total	**2,117,912**	**64,937**	**11,988**	**2,189,525**	**792,859**	**28,878**	**94,911**	**103,824**	**1,200,385**

2024	Carrying amount								
	Past Due Assets without significant increase in credit risk since initial recognition (Stage 1)			Past Due Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past Due Credit-impaired assets (Stage 3)		
in LEK thousand	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days
Non-financial corporations	2,889,029	-	-	1,626,657	1,420,376	-	61,776	221,110	380,678
Households	455,244	-	-	768,130	251,614	-	44,458	24,517	561,137
Total	**3,344,273**	**-**	**-**	**2,394,787**	**1,671,990**	**-**	**106,234**	**245,627**	**941,815**

34. Breakdown of remaining terms of maturity

Assets	**Current assets**			**Non-current assets**	
2025 in LEK thousand	**Due at call or without maturity**	**Up to 3 months**	**More than 3 months, up to 1 year**	**More than 1 year, up to 5 years**	**More than 5 years**
Cash, cash balances at central Bank and other demand deposits	14,905,767	638	-	-	-
Financial assets - amortized cost	123,815	83,914,232	48,475,646	111,938,944	52,473,150
Financial assets - fair value through profit or loss	-	70	274	-	-
Other assets	-	44,426	-	-	-
Total	**15,029,582**	**83,959,366**	**48,475,920**	**111,938,944**	**52,473,150**

Liabilities	**Short-term liabilities**			**Long-term liabilities**	
2025 in LEK thousand	**Due at call or without maturity**	**Up to 3 months**	**More than 3 months, up to 1 year**	**More than 1 year, up to 5 years**	**More than 5 years**
Financial liabilities - amortized cost	245,816,756	10,817,777	22,296,592	9,620,771	4,123,136
Other liabilities	115,132	186,790	-	-	-
Total	**245,931,888**	**11,004,567**	**22,296,592**	**9,620,771**	**4,123,136**

Assets	Current assets			Non-current assets	
2024 in LEK thousand	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash, cash balances at central Bank and other demand deposits	22,329,083	1,359	-	-	-
Financial assets - amortized cost	100,178	74,731,210	36,965,596	113,379,301	43,859,785
Financial assets - fair value through profit or loss	-	-	226,849	-	-
Other assets	-	26,493	-	-	-
Total	**22,429,261**	**74,759,062**	**37,192,445**	**113,379,301**	**43,859,785**

2024 in LEK thousand	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Financial liabilities - amortized cost	232,000,092	10,269,163	20,318,397	6,961,493	2,305,081
Other liabilities	53,625	253,873	-	-	-
Total	**232,053,717**	**10,523,036**	**20,318,397**	**6,961,493**	**2,305,081**

Compulsory reserve has not been included in the maturity analysis for 2025 and 2024 as it is not a contractual financial instrument.

35. Foreign currency volumes

in LEK thousand	31 December 2025	31 December 2024
Assets	140,472,432	137,184,683
Liabilities	141,125,945	133,017,781

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

36. Risk management

a) Overview

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

(1) Risk management principles

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

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

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

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

(2) Organization of risk management

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

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

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

Risk committees

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

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

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

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

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

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

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

Quality assurance and internal audit

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

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

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

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

(3) Overall Group risk management

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

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

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

b) Credit risk

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

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

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

in LEK thousand	31 December 2025	31 December 2024
Corporate customers	78,251,145	78,407,625
Project finance	11,929,110	6,864,473
Retail customers	92,018,143	80,764,516
Banks	37,732,801	45,327,842
Sovereigns	141,759,047	126,622,770
Total	**361,690,246**	**337,987,226**

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

Credit portfolio – corporate customers

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

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

in LEK thousand		31 December 2025	Share	31 December 2024	Share
1	Minimal risk	-	0.00%	-	0.00%
2	Excellent credit standing	-	0.00%	-	0.00%
3	Very good credit standing	-	0.00%	-	0.00%
4	Good credit standing	6,403,399	8.18%	4,994,667	6.37%
5	Sound credit standing	22,577,899	28.85%	22,587,295	28.81%
6	Acceptable credit standing	30,256,368	38.67%	30,057,427	38.33%
7	Marginal credit standing	13,038,587	16.66%	13,068,839	16.67%
8	Weak credit standing / sub-standard	2,438,284	3.12%	3,393,001	4.33%
9	Very weak credit standing / doubtful	228,216	0.29%	645,895	0.82%
10	Default	3,262,897	4.17%	3,657,363	4.66%
NR	Not rated	45,493	0.06%	3,138	0.01%
Total		**78,251,145**	**100.00%**	**78,407,625**	**100.00%**

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

in LEK thousand		As at 31 December 2025	Share	As at 31 December 2024	Share
6.1	Excellent project risk profile – very low risk	-	0.00%	-	0.00%
6.2	Good project risk profile – low risk	11,869,582	99.50%	6,723,708	97.95%
6.3	Acceptable project risk profile – average risk	-	0.00%	-	0.00%
6.4	Poor project risk profile – high risk	-	0.00%	-	0.00%
6.5	Default	59,490	0.50%	140,737	2.05%
NR	Not rated	38	0.00%	28	0.00%
Total		**11,929,110**	**100.00%**	**6,864,473**	**100.00%**

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

in LEK thousand	31 December 2025	Share	31 December 2024	Share
Manufacturing	14,322,286	15.88%	15,068,135	17.67%
Wholesale and retail trade	28,227,302	31.30%	26,747,407	31.37%
Financial intermediation	15,206	0.02%	904,513	1.06%
Real estate	2,927,373	3.25%	1,100,875	1.29%
Construction	12,430,243	13.78%	12,088,098	14.18%
Transport, storage and communication	105,547	0.12%	3,994,022	0.05%
Electricity, gas, steam and hot water supply	3,640,352	4.04%	19,816,293	4.68%
Freelance/technical services	22,990,707	25.49%	43,426	23.24%
Other industries	5,521,239	6.12%	5,509,329	6.46%
Total	**90,180,255**	**100.00%**	**85,272,098**	**100.00%**

Credit portfolio – Retail customers

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

in LEK thousand	31 December 2025	Share	31 December 2024	Share
Retail customers – private individuals	76,104,752	83%	66,670,311	83%
Retail customers – small and medium-sized entities	15,913,391	17%	14,094,205	17%
Total	**92,018,143**	**100%**	**80,764,516**	**100%**

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

in LEK thousand		31 December 2025	Share	31 December 2024	Share
0.5	Minimal risk	2,233,161	2.80%	1,938,292	2.79%
1.0	Excellent credit standing	7,770,188	9.74%	6,189,446	8.91%
1.5	Very good credit standing	13,298,560	16.68%	11,741,084	16.90%
2.0	Good credit standing	14,908,291	18.70%	13,184,109	18.97%
2.5	Sound credit standing	13,671,510	17.15%	11,603,146	16.70%
3.0	Acceptable credit standing	10,077,703	12.64%	8,106,740	11.67%
3.5	Marginal credit standing	4,673,832	5.86%	3,768,284	5.42%
4.0	Weak credit standing / sub-standard	2,405,019	3.02%	2,443,211	3.52%
4.5	Very weak credit standing / doubtful	3,243,930	4.07%	3,437,277	4.95%
5.0	Default	2,409,156	3.02%	2,454,991	3.53%
NR	Not rated	5,045,977	6.33%	4,618,755	6.65%
Total		**79,737,327**	**100%**	**69,485,335**	**100%**

36. Risk management (continued)

B) Credit risk (continued)

Credit portfolio – Retail customers (continued)

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

in LEK thousand		31 December 2025	Share	31 December 2024	Share
1	Minimal risk	224,026	1.98%	594,024	5.69%
2	Excellent credit standing	379,755	3.31%	810,786	7.72%
3	Very good credit standing	1,097,902	9.69%	1,159,664	10.10%
4	Good credit standing	1,357,219	11.98%	1,919,152	17.98%
5	Sound credit standing	2,823,433	24.77%	2,077,379	19.04%
6	Acceptable credit standing	2,444,796	20.29%	1,539,155	14.18%
7	Marginal credit standing	1,462,120	8.73%	1,227,483	9.77%
8	Weak credit standing / sub-standard	1,076,941	7.37%	644,798	3.18%
9	Very weak credit standing / doubtful	331,287	2.61%	184,297	1.49%
10	Default	1,081,352	9.26%	1,118,635	10.84%
NR	Not rated	1,985	0.02%	3,808	0.01%
Total		**12,280,816**	**100.00%**	**11,279,181**	**100.00%**

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

in LEK thousand	31 December 2025	Share	31 December 2024	Share
Mortgage loans	35,992,967	39.12%	30,139,157	37.32%
Personal loans	32,137,582	34.93%	29,171,927	36.12%
SME financing	13,790,252	14.99%	12,246,450	15.16%
Overdraft	7,373,155	8.01%	6,655,289	8.24%
Credit cards	2,724,187	2.96%	2,551,693	3.16%
Car loans	-	0.00%	-	0.00%
Total	**92,018,143**	**100%**	**80,764,516**	**100%**

Credit portfolio – Banks

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

in LEK thousand		31 December 2025	Share	31 December 2024	Share
1	Minimal risk		0%		0%
2	Excellent credit standing	145,943	0%	7,045,374	33%
3	Very good credit standing	17,292,451	46%	14,946,118	40%
4	Good credit standing	13,826,487	37%	18,313,838	10%
5	Sound credit standing	4,973,449	13%	4,510,868	1%
6	Acceptable credit standing	1,494,420	4%	511,562	16%
7	Marginal credit standing	-	0%	-	0%
8	Weak credit standing / sub-standard	-	0%	-	0%
9	Very weak credit standing / doubtful	-	0%	-	0%
10	Default	-	0%	-	0%
NR	Not rated	51	0%	82	0%
Total		**37,732,801**	**100.00%**	**45,327,842**	**100.00%**

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

in LEK thousand	31 December 2025	Share	31 December 2024	Share
Money market	15,922,543	42%	19,797,110	44%
Bonds	0	0%	-	0%
Loans and advances	5,955,029	16%	6,417,770	14%
Repo	0	0%	-	0%
Other	15,855,229	42%	19,112,962	42%
Total	**37,732,801**	**100%**	**45,327,842**	**100%**

Credit portfolio – Sovereigns

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

in LEK thousand		31 December 2025	Share	31 December 2024	Share
A1	Excellent credit standing	15,382,220	10.85%	16,544,431	13.07%
A2	Strong credit standing	9,375,088	6.61%	6,656,592	5.26%
A3	Good credit standing	2,300,698	1.62%		
A4	Good credit standing	2,291,689	1.62%	2,344,581	1.85%
A5	Good credit standing	95,503,059	67.37%	88,641,704	70.00%
B1	Excellent credit standing	123,815	0.09%	2,130,717	1.68%
B2	Strong credit standing	4,834,941	3.41%	-	0.00%
B4	Weak credit standing	-	0.00%	34	0.00%
B5	Good credit standing	-	0.00%	-	0.00%
C1	Excellent credit standing	-	0.00%	-	0.00%
C2	Strong credit standing	11,932,640	8.42%	10,304,507	8.14%
C3	Strong credit standing	-	0.00%	-	0.00%
C4	Good credit standing	48	0.00%	-	0.00%
NR	Not rated	14,849	0.01%	204	0.00%
Total		**141,759,047**	**100.00%**	**126,622,770**	**100.00%**

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

in LEK thousand	31 December 2025	Share	31 December 2024	Share
Loans and advances	19,410,547	13.69%	19,421,476	15.34%
Bonds	122,348,164	86.31%	107,200,651	84.66%
Money market	336	0.00%	643	0.00%
Total	**141,759,047**	**100.00%**	**126,622,770**	**100.00%**

Non-performing exposures (NPEs)

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

	NPE		NPE ratio		NPE coverage ratio	
in LEK thousand	2025	2024	2025	2024	2025	2024
Non-financial corporations	4,491,517	5,003,757	5.48%	6.65%	75.78%	79.06%
Households	2,313,951	2,362,422	3.22%	3.79%	70.43%	13.71%
Loans and advances	**6,805,469**	**7,366,179**	**4.43%**	**5.35%**	**73.87%**	**31.26%**
Total	**6,805,469**	**7,366,179**	**4.43%**	**5.35%**	**73.87%**	**31.26%**

Non-performing loans (NPL)

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

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

	NPL		NPL ratio		NPL coverage ratio	
in LEK thousand	2025	2024	2025	2024	2025	2024
Non-financial corporations	4,491,231	5,002,629	1.63%	1.95%	75.78%	79.08%
Households	2,313,951	2,362,422	3.22%	3.77%	70.43%	75.43%
Total non-Banks	**6,805,182**	**7,365,051**	**1.96%**	**2.31%**	**73.87%**	**77.87%**
Total	**6,805,182**	**7,365,051**	**1.96%**	**2.31%**	**73.87%**	**77.87%**

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

in LEK thousand	As at January 1, 2025	Additions	Decrease	As at December 31, 2025
Non-financial corporations	5,002,629	51,351,497	(51,862,895)	**4,491,231**
Households	2,362,422	18,151,611	(18,200,082)	**2,313,951**
Total non-Banks	**7,365,051**	**69,503,108**	**(70,062,977)**	**6,805,182**
Total	**7,365,051**	**69,503,108**	**(70,062,977)**	**6,805,182**

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

in LEK thousand	As at January 1, 2024	Additions	Decrease	As at December 31, 2024
Non-financial corporations	5,451,596	1,676,905	(2,125,872)	**5,002,629**
Households	2,663,881	825,940	(1,127,399)	**2,362,422**
Total non-Banks	**8,115,477**	**2,502,845**	**(3,253,271)**	**7,365,051**
Total	**8,115,477**	**2,502,845**	**(3,253,271)**	**7,365,051**

Concentration risk

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

in LEK thousand	2025	Share	2024	Share
Albania	291,418,277	81%	273,109,048	81%
Austria	14,772,102	4%	13,149,974	4%
Germany	3,937,964	1%	5,535,053	2%
Netherlands	2,215,977	1%	1,182,188	0%
France	11,028,014	3%	9,252,124	3%
North America	2,118,963	1%	2,840,484	1%
Switzerland	35,490	0%	139,382	0%
Italy	2,335,616	1%	2,396,793	1%

Great Britain	56,489	0%	66,707	0%
Romania	432	0%	407	0%
Poland	712	0%	714	0%
Czech Republic	186	0%	133	0%
Bulgaria	0	0%	1	0%
Other	4,949,321	1%	4,346,342	1%
Other European Union	27,422,253	8%	24,377,947	7%
Rest of World	1,398,450	0%	1,589,929	0%
Total	**361,690,246**	**100.00%**	**337,987,225**	**100.00%**

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

in LEK thousand	31 December 2025	Share	31 December 2024	Share
Euro (EUR)	135,763,070	37.51%	129,257,842	38.34%
US-Dollar (USD)	19,052,183	5.26%	22,364,059	6.63%
Swiss franc (CHF)	368,327	0.10%	336,244	0.10%
Albanian lek (ALL)	202,421,994	55.93%	180,786,842	53.62%
Other foreign currencies	4,329,884	1.20%	4,383,266	1.30%
Total	**361,935,458**	**100.00%**	**337,128,253**	**100.00%**

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

in LEK thousand	31 December 2025	Share	31 December 2024	Share
Banking and insurance	75,075,300	24.78%	83,755,017	24.78%
Public administration and defence and social insurance institutions	74,070,309	20.40%	68,284,698	20.40%
Private households	77,690,279	20.20%	68,965,924	20.20%
Retail trade except repair of motor vehicles	33,634,945	0.00%	31,947,689	0.00%
Electricity, gas, steam and hot water supply	23,233,748	0.00%	19,962,342	0.00%
Manufacture of basic metals	15,037,888	0.45%	15,763,363	0.45%
Construction	14,375,750	4.09%	13,817,467	4.09%
Extraction of crude petroleum and natural gas	2,681,559	1.56%	2,277,131	1.56%
Other transport	4,139,723	9.45%	4,573,245	9.45%
Other business activities	6,386,556	5.91%	5,271,986	5.91%
Real estate activities	3,521,756	4.66%	1,523,953	4.66%
Land transport, transport via pipelines	546,911	1.35%	406,838	1.35%
Wholesale trade and commission trade (except car trading)	-	0.12%	-	0.12%
Sale of motor vehicles	-	0.01%	-	0.01%
Manufacture of machinery and equipment	-	0.00%	-	0.00%
Manufacture of food products and beverages	222	0.00%	23,019	0.00%
Other industries	31,295,300	0.67%	21,414,554	0.67%
Total	**361,690,246**	**100%**	**337,987,226**	**100%**

c) Market risks

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

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

Organization of market risk management

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

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

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

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

Limit system

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

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

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

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

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

Value-at-Risk (VaR)

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

Trading book VaR 99% 1d in LEK thousand	VaR as at December 31, 2025	VaR as at December 31, 2024
Currency risk	63.9%	98.1%
Interest rate risk	34.1%	1.9%
Credit spread risk	0%	0%
Share price risk	0%	0%
Vega risk	0%	0%
Basis risk	2.0%	0%
Total value	**(90.8)**	**(9,552)**

Banking book VaR 99% 1d in LEK thousand	VaR as at December 31, 2025	VaR as at December 31, 2024
Currency risk	0%	0%
Interest rate risk	47.00%	17.30%
Credit spread risk	52.20%	81.70%
Vega risk	0%	0%
Basis risk	0.80%	1.00%
Total	**(970)**	**(730,123)**

Total VaR 99% 1d in LEK thousand	VaR as at December 31, 2025	VaR as at December 31, 2024
Currency risk	0.00%	0.20%
Interest rate risk	47.30%	17.20%
Credit spread risk	51.90%	81.60%
Share price risk	0%	0%
Vega risk	0%	0%
Basis risk	0.80%	1.00%
Total	**(1,001)**	**(508,069)**

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

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

Exchange rate risk and capital ratio

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

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

36. Risk management (continued)

C) Market risks (continued)

Exchange rate risk and capital ratio (continued)

The following table shows all material open foreign exchange rate positions as at 31 December 2025 and the corresponding values for the previous year.

in LEK thousand	31 December 2025	December 31, 2024
AUD	11,419	(24,872)
CAD	(21,940)	(8,716)
CHF	13,598	36,427
DKK	(33)	(33)
EUR	(591,529)	3,686,345
GBP	(34,288)	(19,402)
JPY	1,555	1,879
NOK	(7)	(7)
SEK	(30)	(29)
USD	2,188	(64,747)

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

Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of the Group given a one-basis-point interest rate increase for the whole yield curve in LEK thousand for the reporting dates 31 December 2025 and 31 December 2024.

2025 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	(35.51)	-	(0.10)	(0.29)	(11.71)	(6.39)	(17.03)					

2024 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	(88.16)	(0.01)	(0.07)	(19.82)	(1.95)	(2.21)	(64.09)					

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

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

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

The following table shows the change in the present value of the Group's Banking book given a one-basis-point interest rate increase for the whole yield curve in LEK thousand for reporting dates 31 December 2025 and 31 December 2024.

2025 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	3,532	(342)	(598)	(971)	(1,159)	902	1,288	2,319	1,034	590	308	163
CHF	(1)	-	-	(1)	-	-	-	-	-	-	-	-
EUR	7,775	29	(113)	(604)	1,771	810	4,314	1,192	373	1	1	1
GBP	34	1	4	28	1	-	-	-	-	-	-	-
USD	647	52	(5)	181	232	259	(73)	-	-	-	-	-

2024 in LEK thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 J	>20y
ALL	(416)	(28)	(481)	(1,233)	(779)	772	1,761	(1,208)	(35)	449	242	124
CHF	(2.4)	(0.2)	(0.1)	(1.9)	(0.3)	-	-	-	-	-	-	-
EUR	6,879	(39)	37	(239)	2,197	2,771	4,515	(2,311)	(29)	(17)	(5.2)	(1.8)
GBP	23	1	1	21	1	-	0.3	-	-	-	-	-
USD	418	76	18	84	195	245	187	(386)	-	-	-	-

d) Liquidity management

Funding structure

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

Principles

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

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

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

Responsibility and Organization

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

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

Liquidity strategy

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

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

Liquidity risk framework

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

36. Risk management (continued)

D) Liquidity management (continued)

Liquidity risk framework (continued)

Withdrawal of existing sources of funding and/or the inability to secure new sources of funding (funding liquidity risk)

Difficulties in converting assets into liquid funds due to market disturbances (market liquidity risk)

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

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

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

Risk appetite and liquidity limits

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

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

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

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

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

Regulatory Liquidity Ratios

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

Denominated in the national currency (ALL) at the minimum level 15% (fifteen per cent) and in the foreign currency at the minimum level 20% (twenty per cent);

1. As a total at the minimum level 20 % (twenty percent).
2. Liquidity Coverage Ratio (LCR)

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

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

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

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the proportion of Available Stable Funding (“ASF”) via the liabilities and capital over Required Stable Funding (“RSF”) for the assets. The Group monitors its structural liquidity and maturity transformation of assets also with the capital structural indicator – net stable funding ratio (NSFR), which is the long-term indicator of liquidity, which assesses whether the bank has the appropriate funding structure in relation to the structure of assets

Based on the BoA regulation No. 70/2022, RBAL shall ensure at any time a Net stable funding ratio of at least:

a) 100% for total currencies

Liquidity monitoring

The Group uses a series of customized measuring instruments and early warning indicators which provide the Management Board and senior management with timely and forward-looking information. The limit framework ensures that the Group can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively. Any breach by different Group business lines is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

Liquidity stress testing

Stress tests are conducted for the individual Group units on a daily basis and on Group level on a weekly basis, in RBI HO. The tests cover three scenarios (market, reputational and com-bined crisis), consider the effects of the scenarios for a period of several months and demon-strate that stress events can simultaneously result in a time-critical liquidity requirement in sev-eral currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects. This means that in the stress tests of the Group, all network units are simultaneously subject to a pronounced combined crisis for all their major products.

The results of the stress tests are reported to the Chief Risk Officer and the Chief Financial Officer as well as other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the Group's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and simultaneously significant outflows of customer deposits. In this respect, the de-posit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The Group continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be consid-ered. The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, the Group actively maintains and manages liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows ex-pected in crisis scenarios.

The Group has sizeable, unencumbered, and liquid securities portfolios eligible for Central Bank outright auction transactions in order to ensure sufficient liquidity in local currency.

The Group is responsible for ensuring the availability of liquidity buffers, testing its ability to utilize cen-tral Group funds, evaluating constantly its collateral positions as regards to their market value and encumbrance, as well examining the counterbalancing capacity, including the secured and unse-cured funding potential and the liquidity of the assets. Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk specific haircut and a Central Bank haircut. While the market risk haircut represents the potential price volatility over the next 20 trading days of the securities held as assets as part of the liquidity buffer, the Central Bank haircut represents an addi-tional haircut by the Central Bank that may be offered as collateral. The eligibility criteria on group level further considers intra-group lending restrictions such as the legal lending limit.

Intraday Liquidity Management

In compliance with regulatory requirements for intraday liquidity management, Dealing Room Department is fulfilling the following tasks:

- Fulfilling Group legal liquidity requirements (minimum reserve requirements);
- Optimize the liquidity flows, financing costs and the return on investments;
- Provides available funds for outgoing payments on our NOSTRO accounts with correspond-ent Groups.
- Follow up and continuous reporting on market liquidity situation

Money Market Desk within Dealing Room Department is in charge to manage daily liquidity needs and manage the short-term liquidity risk in local and foreign currency. Treasury takes information for all local and international payments from other departments and pro-vides available funds on our NOSTRO account normally with value date T+2. There are special re-quests for value date T+1, T+0. For all the payments in local and international market should be re-spect the Group's cut off time until then the transaction can be performed. For payments in Local currency the cut off time fixed by Group of Albania (BoA) is 3.30 p.m. For payments in foreign currency the cut off time is 4.30 p.m.

The Group is using AIPS (Albanian InterGroup Payment System) as platform for monitoring online our Nostro Account with Group of Albania for all the payments / incomings in local currency LEK. The monitoring of our Nostro accounts in foreign currency is done using online platforms on this purpose, which facilitate the daily liquidity management. Daily queries produced by core Banking sys-tem MIDAS are used for the daily liquidity management.

Reuters dealing platform is used to performing trading deals in interGroup market. Money Market Desk is responsible to provide enough funds for payments executed on each value date. The basic information on the payments executed is received via e-mail by the Payment Pro-cessing & SWIFT unit (Central Operations & Facility Management Department) with value date T+2 and with specific request with value date T+0.

The whole Group liquidity position is monitored and updated during the day after each transaction done. We keep our liquidity position by using excel and update it manually using the information re-ceived from different sources as Payment Processing & SWIFT unit (Central Operations & Facility Management Department, Trade Finance & Short-Term Financing (Corporate and SE Products De-partment), Treasury Back Office (Central Operations & Facility Management Department), Foreign Exchange & Cash Desk, Corporate Department.

The excess of liquidity in FCY is invested as short term in the internal and international market.

Contingency funding plan

The Group is analysing the potential impact from the Pandemic Covid -19 on the liquidity of the Group in 2021. Under difficult liquidity conditions, the Group will switch to a contingency process in which it will follow a predefined liquidity contingency plan. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all RBI Group members. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

The LCP defines three stages of a liquidity crisis which are described by events as listed below:

Stage A: early stage of liquidity contingency

Stage B: more severe stage of liquidity contingency

Stage C: liquidity recovery stage

Liquidity position

Liquidity position of the Group is founded on a strong customer deposit base supplemented by whole-sale funding. Funding instruments are appropriately diversified and are used in case of need. The ability to procure funds is precisely monitored and evaluated by the Treasury/Dealing Room, Treasury Sales as well as ALCO and Research Department.

In the past year and to date, our Group's liquidity was significantly above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that the Group would survive throughout the modelled stress phase of several months even without applying contingency measures. The Going Concern report shows the structural liquidity position. It covers all material risk drivers which might affect the Group in a business-as-usual scenario. The results of the going concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates of the stability of the customer deposit base, outflows from items off the statement of financial position and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

in LEK thousand	As at 31 December 2025		As at 31 December 2024	
Maturity	1 month	1 year	1 month	1 year
Liquidity surplus	105,039,344	123,853,637	94,077,662	108,055,839

Liquidity coverage ratio (LCR)

Liquidity coverage ratio (LCR) refers to the proportion of highly liquid assets (HQLAs) held by the Group, to meet potential liability run offs (short-term obligations). HQLAs can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of expected inflows and outflows of funds and the high liquidity assets is based on regulatory specifications. In 2024 and 2025, the regulatory limit for the LCR stood at 100 per cent.

in LEK thousand	31 December 2025	31 December 2024
Average liquid assets	103,425,844	90,857,970
Net outflows	13,977,159	18,912,253
Inflows	49,973,867,682	29,367,665
Outflows	55,908,637,937	48,279,918
Liquidity Coverage Ratio	**740%**	**480%**

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the proportion of Available Stable Funding ("ASF") via the liabilities over Required Stable Funding ("RSF") for the assets. Sources of Available Stable funding includes: customer deposits, long-term wholesale funding (from the interGroup lending market), and equity.

in LEK thousand	31 December 2025	31 December 2024
Required stable funding	131,110,343	152,843,682
Available stable funding	309,650,179	230,536,989
Net Stable Funding Ratio	**236%**	**151%**

Liquidity Coverage Ratio and Net Stable Funding Ratio are presented in Local ALCO meetings on a monthly basis. The Group aims to assure liquidity consistency with Basel III requirements.

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a deterioration in the credit-worthiness of a Group that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or Group-specific situation.

As a consequence, long-term funding depends on restoring confidence in Groups and increased ef-forts in collecting customer deposits. The Group Banking activities are financed by combining retail deposit-taking and wholesale funding. In the Group's funding plans, special attention is paid to a diversi-fied structure of funding to mitigate funding liquidity risk. Wholesale funding measures in the Group are responsibility of Treasury Sales and IB Department, where Funding Manager is Mr. Christian Canacaris, the CEO of the Group. During this process we check the gap between assets and liabilities and check if we do have any funding needs.

The following table shows a breakdown of cash flows according to the contractual maturity of financial assets:

2025 in LEK thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial assets	323,135,682	362,328,321	112,719,314	34,757,341	79,663,226	135,188,439
Cash, cash balances at central Banks and other demand deposits	33,996,225	33,996,225	33,996,225	-	-	-
Loans and advances	166,822,787	197,808,248	32,216,394	24,711,990	11,259,348	129,620,514
Central Banks	336	336	336	-	-	-
General governments	392	392	392	-	-	-
Banks	15,922,944	15,922,944	15,922,944	-	-	-
Other financial corporations	5,171,099	5,171,226	8,150	96,505	5,066,571	-
Non-financial corporations	76,921,510	89,582,325	14,907,734	24,308,950	4,309,530	46,056,110
Households	68,806,506	87,131,025	1,376,838	306,535	1,883,247	83,564,404
Debt securities	122,316,670	130,523,848	46,506,695	10,045,351	68,403,878	5,567,925
General governments	122,316,670	130,523,848	46,506,695	10,045,351	68,403,878	5,567,925
Banks	-	-	-	-	-	-

36. Risk management (continued)

D) Liquidity management (continued)

Funding liquidity risk (continued)

2024 in LEK thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial assets	**300,077,208**	**335,602,519**	**108,453,339**	**28,186,897**	**81,615,403**	**117,257,888**
Cash, cash balances at central Banks and other demand deposits	39,525,394	39,525,394	39,525,394	-	-	-
Loans and advances	**153,396,979**	**181,179,549**	**35,503,467**	**21,358,300**	**11,611,183**	**112,617,607**
Central Banks	643	643	643	-	-	-
General governments	320	320	320	-	-	-
Banks	19,797,063	19,797,063	19,797,063	-	-	-
Other financial corporations	4,417,339	4,417,352	55,989	-	4,361,364	-
Non-financial corporations	70,015,196	81,614,221	14,742,005	21,044,091	5,229,383	40,509,749
Households	59,166,418	75,349,950	907,447	314,209	2,020,436	72,107,858
Debt securities	**107,154,835**	**114,897,576**	**33,424,478**	**6,828,597**	**70,004,220**	**4,640,281**
General governments	107,154,835	114,897,576	33,424,478	6,828,597	70,004,220	4,640,281
Banks	-	-	-	-	-	-

The following table shows a maturity analysis of undiscounted cash flows according to the contractual maturity of financial liabilities:

2025 in LEK thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	**323,443,266**	**327,454,389**	**254,647,618**	**38,867,748**	**26,322,397**	**7,616,627**
Deposits	**292,474,054**	**296,485,177**	**250,759,130**	**23,225,363**	**17,215,326**	**5,285,359**
Central banks	543,610	-	-	-	-	-
General governments	5,168,283	5,168,283	5,168,283	-	-	-
Banks	19,283,244	23,682,356	3,559,593	665,332	14,398,567	5,058,865
Other financial corporations	2,872,333	2,881,718	2,580,435	178,455	122,828	-
Non-financial corporations	57,476,507	57,497,344	56,797,595	40,426	633,126	26,197
Households	207,130,077	207,255,476	182,653,224	22,341,150	2,060,805	200,297
Other financial liabilies	**200,978**	**200,978**	**200,978**	-	-	-
Financial guarantees given and other commitments given	**11,828,906**	**11,828,906**	**2,265,963**	**6,185,030**	**3,253,510**	**124,403**
Loan commitments given	**18,939,328**	**18,939,328**	**1,421,547**	**9,457,355**	**5,853,561**	**2,206,865**

2024 in LEK thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	**301,054,460**	**305,115,660**	**242,232,266**	**33,559,911**	**24,517,120**	**4,806,361**
Deposits	**271,123,676**	**274,959,348**	**237,359,554**	**20,705,632**	**13,701,995**	**3,192,165**
General governments	5,723,165	5,723,165	5,723,165	-	-	-
Banks	14,232,110	17,983,593	2,890,140	541,997	11,665,846	2,885,610
Other financial corporations	3,412,948	3,415,951	3,243,095	152,569	20,286	-
Non-financial corporations	54,852,056	54,856,747	54,626,828	39,087	143,214	47,618
Households	192,903,397	192,979,892	170,876,326	19,971,979	1,872,649	258,937
Other financial liabilies	**730,550**	**730,550**	**730,550**	-	-	-
Financial guarantees given and other commitments given	**9,960,292**	**9,960,292**	**1,633,821**	**3,159,642**	**5,040,651**	**126,178**
Loan commitments given	**19,239,942**	**19,465,470**	**2,508,341**	**9,694,637**	**5,774,474**	**1,488,018**

e) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of risk assessments.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk in the Group. To this end, individuals are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System) and all first line of defense partners (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that might endanger the Group's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well.

All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years. Low probability/high impact events are quantified by a Group-wide analytical tool (scenarios). The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

36. Risk management (continued)

E) Operational risk (continued)

Monitoring (continued)

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of Groups and insurance Groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management & Control Committee and RBI Group Operational Risk Controller Committee on a regular basis.

Quantification and mitigation

Since October 2016, the operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. The Group also conducts an extensive staff training program and has different contingency plans and back-up systems in place.

37. Capital Management

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of Albania and (ii) to safeguard the Group's ability to continue as a going concern.

Regulatory capital

The Group monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Group of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23 December.1997 "On the Group of Albania", and "Banking Law of the Republic of Albania".

Capital Adequacy Ratio

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets and off balance-sheet items, expressed as a percentage. The minimum required Capital Adequacy Ratio is 12%.

The Modified Capital Adequacy Ratio is the proportion of the base capital to risk-weighted assets and off balance-sheet items, expressed as a percentage. The minimum modified capital adequacy ratio is 6%.

Risk-Weighted Assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 50%, 100%, 150%) are applied; for example, cash and money market instruments have a zero-risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carry a 100% risk weighting, meaning that it must be supported by capital equal to 12% of the carrying amount.

Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

in LEK thousand	**31 December 2025**	**31 December 2024**
Total risk weighted assets	167,471,603	152,097,368
Regulatory capital	35,823,046	31,070,298
Capital adequacy ratio	**21.39%**	**20.43%**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period.

38. Related parties

Transactions with related parties (companies and individuals) are limited to Banking business transactions that are carried out at fair market conditions. Disclosures on related parties (individuals) are reported under note (39) Relations to key management.

in LEK thousand	31 December 2025	31 December 2024
Selected financial assets		
Loans and advances	**4,960,949**	**7,356,128**
Raiffeisen Bank International AG (parent company)	*3,627,546*	*6,413,476*
Raiffeisen Leasing Kosovo LLC	*96,505*	*-*
RLB KI-Gruppe Salzburg	*1,236,898*	*942,652*
Other assets	**278,805**	**80,105**
Raiffeisen Bank International AG (parent company)	*277,227*	*77,755*
Raiffeisen Bank Kosovo J.S.C.	*1,578*	*2,350*
Selected financial liabilities		
Deposits	**3,911,697**	**2,086,343**
Raiffeisen Bank International AG (parent company)	*3,911,697*	*2,086,262*
Raiffeisen Bank Kosovo J.S.C.	*-*	*81*
Provisions & Other liabilities	**78,509**	**45,342**
Raiffeisen Bank International AG (parent company)	*78,509*	*45,342*
Loan commitments, financial guarantees and other commitments given	**1,196,268**	**982,181**
Raiffeisen Bank International AG (parent company)	*808,923*	*491,431*
Raiffeisen Leasing Kosovo LLC	*387,345*	*490,750*

in LEK thousand	31 December 2025	31 December 2024
Interest income	**183,794**	**325,807**
Raiffeisen Bank International AG (parent company)	*162,783*	*243,284*
RLB KI-Gruppe Salzburg	*18,754*	*68,016*
Raiffeisen Leasing Kosovo LLC	*2,257*	*14,507*
Interest expenses	**(223,996)**	**(255,849)**
Raiffeisen Bank International AG (parent company)	*(223,996)*	*(255,849)*
Fee and commission income	**1,203**	**673**
Raiffeisen Bank International AG (parent company)	*1,177*	*479*
Raiffeisenbank Austria d.d.	*26*	*194*
Fee and commission expenses	**(249,649)**	**(249,787)**
Ukrainian Processing Center PJSC	*-*	*(65,083)*
Regional Card Processing Center s.r.o.	*(151,669)*	*(78,382)*
Centralised Raiffeisen International Services & Payments S.R.L.	*(12,642)*	*(12,286)*
Raiffeisen Bank International AG (parent company)	*(85,338)*	*(94,036)*

Average number of staff

Full-time equivalents	31 December 2025	31 December 2024
Salaried employees	1,300	1,261
Wage earners	40	40
Total	**1,340**	**1,301**

Relations to key management

Group relationship with key management

in LEK thousand	31 December 2025	31 December 2024
Assets	458,752	417,369
Liabilities	190,302	163,907

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards:

in LEK thousand	31 December 2025	31 December 2024
Short-term employee benefits	182,143	168,485
Other long-term benefits	58,310	87,603
Total	**240,453**	**256,088**

Remuneration of members of the Supervisory Board

in LEK thousand	31 December 2025	31 December 2024
Remuneration Supervisory Board	17,151	21,764

Regulatory capital of Supplementary Pension Funds and Investment Funds Management Company (subsidiary of the Bank)

Based on Law no 10197 and 10198 dated 10 December 2009, supplementary pension funds and investment funds Management Companies, should, at any time, maintain a minimum capital of 15,625 thousand Lek, calculated as the net assets of the Fund in the statement of financial position. When the value of funds' net assets under administration of the management company, exceeds the amount of Lek 31,250 million, the management company should increase the capital, to the extent that increase in capital is at least equal to 0.02% of the amount by which the value of funds' net assets under administration exceed the above mentioned limit. However, it is not necessary for the capital to be increased beyond a limit of Lek 1,250,000 thousand. As at 31 December 2024 and 2023, Raiffeisen INVEST is in compliance with legal requirements on regulatory capital.

Regulatory capital of Leasing Company (subsidiary of the Bank)

Based on the regulation of the Bank of Albania "Licencing of Non-banking institutions" the finance leasing activity is included in the activities of non-banking financial institutions and among others, the requirement for minimum capital to start leasing activities is 100,000 thousand Lek. As at 31 December 2023 and 2022, Raiffeisen Leasing sh.a is in compliance with legal requirements on regulatory capital.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period.

Unconsolidated structured entities

Based on IFRS 10 requirements, exposure to variable returns should be well above the exposure from market level asset management fees in order to consider consolidation of the funds managed by the entity, which is not the case for the Group which is entitled to 1.5% of the Funds's net assets value. Further, the Group does not own any investment units either in the pension fund or in the investment funds. The Fund's assets are "ring fenced" from the Administration company (subsidiary of the Group). According to the Albanian legislation on pension fund and investment funds, the legal title on the assets of the Fund remains with the contributors. As a consequence, the Group did not consolidate any of the Funds administered by one of its subsidiaries in 2025 consolidated financial statements. Information about unconsolidated structured entities is as follows:

	Year ended 31 December 2025	At 31 December 2025		
In thousands of LEK	**Income from the structured entity for the year**	**Carrying amount of assets of the structured entity**	**Carrying amount of liabilities of structured entity**	**Net assets of the structured entity**
Prestige Fund	1,406,055	42,948,688	74,467	42,874,221
Pension Fund	107,710	2,007,337	6,794	2,000,544
Vizion Fund	542,799	11,251,878	16,027	11,235,851
Euro Fund	90,575	4,986,863	6,598	4,980,266
Mix Fund	5,748	402,859	763	402,096
Solid Fund	-	220,928	538	220,390
Total	**2,152,887**	**61,818,554**	**105,186**	**61,713,368**

39. Events after the end of the reporting date

The management of the Group is not aware of any subsequent events that would require either adjustments or additional disclosures in the financial statements.

Statement of legal representatives

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

The Management Board

Christian Canacaris
Chief Executive Officer

Alexander Zsolnai

Deputy CEO

Erion Serti

Member of the Management Board responsible for CIO/COO

Vilma Bace

Member of the Management Board responsible for Retail Customers

Elona Mullahi (Koçi)

Member of the Management Board responsible for Corporate& SE Customers

Raiffeisen Leasing sh.a.

In 2025, Raiffeisen Leasing Albania ("The Company") remained the market leader in the Albanian leasing market.

Raiffeisen Leasing's core products are vehicle financing, equipment leasing and real estate, primarily provided to business clients, including both corporate and medium-sized enterprises, while individuals mainly utilize leasing services for personal vehicles.

The total value of new business for the year reached a strong level, with 87% generated from vehicle financing, and the remining 13% from equipment and real estate transactions. ESG leasing financing amounted to approximately 15% of RLAL's new business. Raiffeisen Leasing plans to expand its operations in the real estate market, building on the successful launch of its new "Residential Real Estate" leasing product.

The company maintained a strong liquidity position, with total assets covering total liabilities by approximately 113% on December 31, 2025 broadly consistent with previous year. Additionally, receivables from financial leases covered about 99% of long-term debt versus 97%in the previous year. Payments of short-term liabilities to suppliers were executed on schedule and operational activities with suppliers continued as usual. Raiffeisen Leasing does not expect to sell its financial rent portfolio.

In 2025, RLAL focused on strengthening its long-term partnership with clients of Raiffeisen Banking Group, offering efficient support to meet their business needs. Special emphasis was placed on enhancing relationships with key dealer networks operating in Albania, aiming to the improve the company's service offering and strategic cooperation.

By upholding the professional standards established by its founders, Raiffeisen Leasing continues to deliver high quality products and services, ensuring clients are fully informed about the structure and transparency of each transaction.

The Company's operations also cover vehicle remarketing and resale. RLAL has developed solid expertise in this area through established internal procedures and standards. In addition, the company benefits from the know-how and experience of International Leasing Steering and Product Management and other regional leasing companies, particularly in relation to its product development, financial leasing services and marketing. Moreover, the company has full access to the extensive network of international suppliers of heavy tonnage vehicles, machinery and equipment, with which the Group maintains stable relations, enabling both existing and prospective customers to implement their investment plans.

By the end of 2025, Raiffeisen Leasing had 21 employees, providing efficient and high-quality services to customers.

Raiffeisen Leasing Corporate Governance

Raiffeisen Leasing Sh.a. is an Albanian joint-stock company registered in the Albanian Commercial Register in May 2006. The Company's primary activity is providing finance leasing to companies and individual customers. Since October 2016, Raiffeisen Bank Sh.a has been the sole shareholder, with Raiffeisen Bank International AG as the ultimate controlling party.

Composition of Board of Directors and Managing Board as of as 31 December 2025 is as follows:

Board of Directors (Supervisory Board)

Dieter Schiedl	Chairman Supervisory Board
Erion Balli	Supervisory Board Member
Migena Arkaxhiu	Supervisory Board Member

Managing Board

Ankleida Shehu	Front Office Managing Director
Estela Themeli	Back Office Managing Director

Raiffeisen Invest sh.a.

Business Performance

In 2025, Raiffeisen Invest achieved strong results, delivering solid performance for its clients and maintaining its leadership in the domestic investment funds market, with an 87% market share.

Assets under management (AUM) increased significantly by 14.3%, reaching approximately EUR 638 million across all funds. This growth was driven by strong sales momentum and sustained client trust, resulting in a 28.6% year-on-year increase in revenues, while profit before tax, including distribution expenditures, grew by 31%.

At the same time, the client base expanded by 19.7%, demonstrating effective investor acquisition and retention. The number of new investment plans increased by 2.6%, reaching 8,156.

Digital Transformation and the Client Experience

Beyond financial performance, Raiffeisen Invest remained committed to enhancing client service and fostering long-term partnerships. Digital sales have emerged as a key growth driver, with the digital share of gross sales tripling compared to 2024.

During the year, significant progress was made in digital transformation with the introduction of the first fully end-to-end (E2E) digital onboarding journey for new investment fund clients. Through a single platform, clients can complete onboarding, monitor their portfolios, explore multiple funds, and access historical performance data in a seamless and user-friendly manner.

Investment plans were further enhanced through the introduction of a fully digital experience, providing 24/7 access to transaction visibility, plan history, and investment functionalities, thereby improving transparency and reinforcing client trust.

Performance of Funds in 2025

During 2025, the funds under management delivered the following net annual returns:

- Raiffeisen Private Pension Fund: +4.55%
- Raiffeisen Prestige Fund: +2.58%
- Raiffeisen Vision Fund: +3.77%
- Raiffeisen Invest Euro Fund: +2.98%
- Raiffeisen Mix Fund: +5.80%
- Raiffeisen Sustainable Solid Feeder Fund: -0.37%

• Despite market challenges, local funds delivered satisfactory performance, driven primarily by interest income, with limited impact from valuation effects.
• The Raiffeisen Private Pension Fund demonstrated solid performance in 2025, ranking as the second-best-performing pension fund in the domestic market. Over the long term, it remains highly consistent, achieving the highest average net return over a 10-year period (+5%).
• The Euro Fund performed broadly in line with market conditions, reflecting the challenging environment for fixed-income assets.
• The Mix Fund was the top performer, benefiting from its exposure to equity markets, which served as the primary driver of returns during the year.
• The Sustainable Solid Feeder Fund recorded a negative annual return, mainly due to adverse currency movements related to USD investments by the Master fund.

Overall, the funds delivered competitive returns in line with market developments.

Social responsibility

Raiffeisen Invest remains committed to integrating corporate social responsibility into its operations, with the aim of contributing to sustainable development and long-term value creation for society.

During 2025, Raiffeisen Invest supported 42 organizations and public institutions across Albania through initiatives focused on improving living conditions and strengthening local communities.

A significant portion of this engagement was directed towards healthcare and public infrastructure, where investments contributed to the improvement of hospital environments, the rehabilitation of healthcare facilities, and the provision of medical equipment, thereby supporting better access to and quality of care.

In parallel, Raiffeisen Invest supported community development projects, focusing on public spaces, educational and recreational infrastructure, as well as improvements in social services, with the aim of creating safer and more inclusive environments.

Consistent attention was also given to arts and culture through support for festivals, exhibitions, and cultural initiatives that contribute to cultural life and foster local creativity.

In the area of social inclusion, Raiffeisen Invest contributed to initiatives supporting vulnerable groups, particularly children and families in need, addressing immediate social needs and promoting community solidarity.

Awareness and education initiatives were also supported, with a focus on financial literacy, sustainability, and digital security.

Raiffeisen Invest Corporate Governance

Raiffeisen Invest sh.a. is a joint-stock company organized under a one-tier governance structure, in accordance with Law No. 9901, dated 14.04.2008, "On Entrepreneurs and Companies." The Company's sole shareholder is Raiffeisen Bank sh.a.

The Board of Administration is the key governing body of Raiffeisen Invest sh.a., responsible for, inter alia, overseeing the implementation of business policies and monitoring performance. The composition of the Board in 2025 was as follows:

Board of Administration

Donalda Gjorga	Chairperson
Peter Zilinek	Vice Chairperson
Gentjana Ciceri	Member
Elona Llaci	Member
Juela Ahmeti	Member
Edlira Konini	Member, General Administrator - Raiffeisen Invest, sh.a.
Elsa Kristo	Member, Deputy General Administrator - Raiffeisen Invest, sh.a

Raiffeisen Bank International at a glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 11 markets in the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management, factoring and M&A. In total, around 43,000 RBI employees serve 17.9 million customers in around 1,400 business outlets, the vast majority of which are in CEE.

The regional Raiffeisen banks hold 61.17 per cent of RBI's shares. The remaining shares are held in free float.

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