



2025 Annual Report

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Senior Management Profiles



Board of Directors



Božo Prka
Chairman of the Board of Directors



Beata Kissne Foldi
Deputy Chairman of the
Board of Directors



Konrad Kozik
Member of the Board



Giuseppe Giampietro
Member of the Board
Chief Executive Officer

Mr. Achille Galdini
Member of the Board



Mauro Rossi
Member of the Board

Audit Committee



Konrad Kozik
Chairman of the Board



Beata Kissne Foldi
Member of the Audit Committee



Andrea Bazzana
Member of the Audit Committee

Senior Management



Giuseppe Giampietro
Chief Executive Officer

Mr. Giampietro joined Intesa Sanpaolo Bank Albania as Chief Executive Officer on October 2025.

Mr. Giampietro brings to the position over 25 years of international experience within the Intesa Sanpaolo Group, with an extensive track record of leading complex organizations and delivering outstanding results in Corporate and Investment Banking. His career spans multiple markets and business environments, where he has consistently driven transformation, operational excellence, and sustainable profitability.

Throughout his professional journey, Mr. Giampietro has held Chief Executive Officer and General Manager positions across several banks of the Group. Under his leadership, these institutions achieved substantial portfolio growth, improved resilience, and a reinforced market reputation for innovation and customer focus.



Julian Çela
Chief Financial Officer

Mr. Çela holds the position of Chief Financial Officer. Mr. Çela is responsible for coordinating the preparation and monitoring of Strategic Plan and annual budgets, presenting and reporting accurate and timely financial information, asset liability management and treasury as well as accounting and procurement activities. He joined the Bank (former American Bank of Albania) in 2004. His prior work experience was at Procredit Bank in Internal Audit Department.

Mr. Çela has graduated in Finance and Banking at University of Tirana, Economic Faculty. In 2003-2004 he completed an accelerated finance and banking curriculum, a Georgetown University Program, at University of Wisconsin.



Alessandro Grillo

Head of Corporate & SME & SB Division

Mr. Grillo is currently holding the position of Head of Corporate, SME & Small Business Division in charge for the Large Corporate, SME, Small Business, Corporate Banking Products and Financial Analysis functions.

Prior to this position Mr. Grillo covered several managerial positions in Intesa Sanpaolo Group both in the International Subsidiary Bank Division and in the Corporate and Investment Banking Division in Romania, in Italy and in the United States developing international skills. During his experience in Intesa Sanpaolo Bank Romania he also covered the position of Board Member in Confindustria Romania.

Mr. Grillo graduated in Trading and Economics at the University of Torino (Italy) with specialization in Business Administration.



Patrick Bianco

Head of Retail Division

Mr. Bianco joined Intesa Sanpaolo Bank in March 2024 and holds the position of Head of Retail Division which covers the branches' network of the Bank, the Segments of Individuals, Private Banking, and Small Business clients, Product Pricing, Planning and Monitoring, CRM and Multichannel structures.

Before joining Intesa Sanpaolo Group, Mr. Bianco had many experiences in other Italian and international banks specifically in Banca Generali and Bank of China, holding managerial positions with a strong focus on Wealth Management.

He joined Intesa Sanpaolo Group in 2016 as Private Wealth Executive in Fideuram and in 2020 he led the project of China Wealth Management. Mr. Bianco graduated in International Relations from the University of Turin in conjunction with Zhejiang University in China and he received his Master's Degree in Banking & Finance (24 Ore Business School) and Risk Management (MIP - Politecnico di Milano).

During these years Mr. Bianco has obtained additional certified qualifications in the banking sector.



Orjola Baku Head of Risk Management Division

Mrs. Pasko holds the position of Head of Risk Management Division, covering the areas of Underwriting, Non-Performing Loans, Credit, Market, Operational, ESG, and Outsourcing Risks.

Following her experience in Business in other Banks such as Raiffeisen and First Investment, she joined the Bank (former American Bank of Albania) in 2008, initially Underwriting and later managing Credit, Market, and Operational Risk.

She has been part of Intesa Sanpaolo Bank Albania Committees, including Credit, Financial, Operational Risk, Internal Control, and Change Management.

Mrs. Pasko graduated in Business Administration at the University of Tirana, Economic Faculty. In 2007-2008 she completed her Master's Degree in Banking Risk Management (UNSBK, Tirana).



Alketa Lamçe Chief Operating & Transformation Officer

Mrs. Lamçe holds the position of Chief Operating and Transformation Officer (COTO). In this role, she is responsible for ensuring alignment with Group objectives in defining and executing strategies and initiatives related to ICT, Back Office and Payments, Transformation, Cost Optimization & PMO, as well as Real Estate and Logistics activities. She also oversees the effective implementation of these strategies and ISP Group programs, ensuring high standards of efficiency and service delivery across all coordinated functions.

Mrs. Lamçe joined the Bank (formerly the American Bank of Albania) in 1999 and has since held several senior leadership roles, including Head of the Information Systems Department, Deputy Head of IT, and Head of the ICT Division, Chief Operating Officer (COO) before being appointed Chief Operating and Transformation Officer (COTO).

Mrs. Lamçe holds a degree in Applied Mathematics from the Faculty of Natural Sciences at the University of Tirana and has completed a Master's degree in Business Administration at the University of Tirana (Nebraska University Program).

Throughout her distinguished career, she has successfully led complex and critical ISP Group and local projects, frequently serving as Project Leader. She has also served as Chair of the ICT Committee at the Albanian Association of Banks (AAB) and has participated in numerous advanced training programs in banking, project management, ICT, and leadership.



Ledia Plaku

Head of Legal Department

Mrs. Ledia Plaku serves as Head of the Legal Department. She has built a long and distinguished career within the Bank, beginning in 2000 at 'The American Bank of Albania' Sh.A. Over the years, she has held several senior managerial roles, including Head of Legal, Compliance, Human Resources, General Secretariat, and Physical Security Departments, demonstrating broad expertise across key governance and control functions.

Prior to joining the Bank, Mrs. Plaku served as Head of the Legal Department at the PMU/Immovable Property Registration System.

In addition to her professional career, Mrs. Plaku has contributed to academia as a part-time Assistant Professor for 10-years and is currently a Doctoral Candidate at the Faculty of Law, University of Tirana.

Mrs. Plaku holds a Law degree from the University of Tirana and a Master of Laws (LL.M.) from Queen's University, Canada. She has further enhanced her leadership competencies through executive education programs, including the Emerging Leaders Executive Program at London Business School, UK, and the Leadership Development Program organized by Intesa Sanpaolo Group.

She has been a member of the Tirana Bar Association since May 2003 and has served on various boards and committees throughout her career.



Ediola Biçaku

Head of Internal Audit Department

Mrs. Biçaku holds the position of Head of Internal Audit, since April 2017, when she joined Intesa Sanpaolo Bank Albania. She brings a wide range of experiences from 20 years of career in audit. Prior to joining Intesa Sanpaolo Bank Albania, she worked in National Commercial Bank (BKT). She began her professional banking career in 2006 at BKT Internal Audit Group achieving all hierarchical audit rankings within the Group. She has been Responsible Person for the design and maintenance of audit methodologies, as well as Manager of Internal Control Department, where she established the new function and methodologies of continuous audit for the company.

Throughout her career, Mrs. Biçaku has designed and delivered numerous training programs and speaking at national and international conferences on key topics such as global internal audit standards, continuous auditing, fraud prevention and detection.

She also serves as Deputy Chair of the Internal Audit Committee at the Albanian Association of Banks and is a Board Member of the Albanian Institute of Internal Auditors.

Mrs. Biçaku graduated from the Political Sciences Faculty, Ankara University in Turkey, with a bachelor's degree in international relations.



Markeljan Riska Head of Compliance and AML Department

Mr. Riska holds the position of the Head of Compliance and AML Department. Mr. Riska joined the Bank (former American Bank of Albania) in April, 2004 and has held different positions such as Head of Legal Affairs Unit and Deputy Head of Legal Department. In September 2002, he was admitted at Tirana Bar Association where he still is a member.

Following a successful experience as Attorney at Law, he was appointed Head of Legal Department and Public Relationship at Albanian Shares Register, a position held until 2004. His vast experience in Legal Departments enabled him to accrue a depth of professional expertise and proficiency. Mr. Riska has taught several Law Courses during his career.

Mr. Riska graduated in Law at the University of Bucharest, Romania. He has attended the Leadership Development Program and Compliance Function Training organized by Intesa Sanpaolo Group.



Suela Totokoçi Head of Human Resources and Organization Department

Mrs. Totokoçi holds the position of Head of the Human Resources & Organization Department since April 27, 2023.

Mrs. Totokoci has had a long and successful career in the Banking system which started in 1996, at the Commercial Agriculture Bank, and continued at the Bank of Albania, before joining the Bank (formerly American Bank of Albania) in April 1998.

During her professional journey within the Bank, she built her career covering different roles in almost all structures of the Bank; Retail Division, Corporate Division, and Operations Division before being appointed as Head of Treasury and AML Department in January 2009; a position she has held for 14 consecutive years. Ms. Totokoçi holds a University Degree from the Faculty of Economics, University of Tirana.

Message from the Chairman of the Board of Directors



On behalf of the Board of Directors of Intesa Sanpaolo Bank Albania, I am pleased to address you through the Annual Report for 2025.

During the year, the Bank continued to operate in a dynamic economic and financial environment, marked by both opportunities and uncertainties. Despite these conditions, Intesa Sanpaolo Bank Albania maintained a solid position in the market, supported by a sound business model, prudent risk management, strong governance and the continued support of the Intesa Sanpaolo Group.

The Board of Directors has remained fully committed to its oversight role, ensuring that the Bank's strategic direction is pursued in a responsible, sustainable and disciplined manner. Particular attention has been dedicated to maintaining a strong capital and liquidity position, safeguarding asset quality, strengthening internal controls, and ensuring full compliance with regulatory requirements and Group standards.

In 2025, the Bank confirmed its role as a reliable financial partner for individuals, businesses and institutions in Albania. The continued focus on sustainable growth, digital transformation, customer experience and responsible financing reflects the Bank's ambition to contribute not only to its own long-term development, but also to the broader economic progress of the country.

Sustainability, innovation and resilience remain key priorities for the Board. We believe that the banking sector has an important role in supporting the transition toward a more competitive, inclusive and sustainable economy. In this respect, the Bank will continue to promote responsible banking practices, support green and sustainable finance, and invest in solutions that improve efficiency, accessibility and trust.

The results achieved during 2025 are also a reflection of the professionalism and dedication of the management team and all employees of the Bank. Their commitment, integrity and customer-oriented approach remain essential to the Bank's success and to the trust that clients and stakeholders place in Intesa Sanpaolo Bank Albania.

Looking ahead, the Board remains confident in the Bank's ability to further strengthen its market position and continue creating value for customers, shareholders, employees and the communities it serves. Our focus will remain on prudent growth, sound governance, innovation, sustainability and long-term value creation.

On behalf of the Board of Directors, I would like to thank our shareholders for their continued support, our clients and partners for their trust, the management team for its leadership, and all employees for their valuable contribution throughout the year.

Chairman of the Board of Directors

Message from the CEO



2025 confirmed the strength of Intesa Sanpaolo Bank Albania's long-term vision and the solidity of a business model built on sustainable growth, responsible banking and strong customer relationships.

In a macroeconomic environment that continued to evolve rapidly, we maintained a clear strategic focus: supporting households, businesses and institutions through a banking approach increasingly centered on advisory excellence, innovation and proximity to clients.

The transformation taking place across the financial industry is profound. Customer expectations are evolving, technologies are reshaping interactions, and the role of banks is becoming increasingly strategic in helping individuals and businesses navigate financial choices with greater clarity, confidence and perspective. In this context, Intesa Sanpaolo Bank Albania continued to evolve its operating model, strengthening advisory capabilities across all areas of the business while further integrating digital innovation with relationship banking.

Our ambition is clear: to continue building a bank capable of combining international expertise with deep local understanding, technological excellence with human insight, and financial performance with long-term value creation.

The results achieved in 2025 reflect the consistency of this approach.

During the year, the Bank further consolidated its position in the Albanian market, confirming solid performance across key business segments while maintaining a strong capital and liquidity profile. Growth in retail, corporate and wealth management activities was accompanied by continued investments in digitalization, process simplification and customer experience enhancement.

Supporting the real economy remained central to our commitment. We continued to stand alongside entrepreneurs, small businesses and SMEs at every stage of their business journey — from day-to-day operations to investment, expansion and long-term development. Through dedicated advisory support, tailored financing solutions and the expertise of our teams, we strengthened our role as a trusted partner for Albanian enterprises, contributing to competitiveness, employment and sustainable economic growth across the country.

At the same time, we further strengthened our focus on private banking and corporate relationships, areas

where trust, continuity and quality advisory remain fundamental. In an increasingly dynamic market environment, clients value not only efficiency and innovation, but also the ability to rely on experienced professionals capable of understanding their ambitions and supporting informed decision-making over the long term.

Sustainability also continued to guide our strategic direction, fully aligned with the priorities of the Intesa Sanpaolo Group. Today, sustainability is not a parallel commitment but an integral component of the way banks generate value, manage risk and contribute to long-term economic resilience and social progress. Innovation remained another strategic priority throughout 2025. We continued to enhance our digital channels and service model with the objective of offering clients an increasingly seamless, efficient and personalized banking experience. At the same time, we remain convinced that the future of banking will not be defined solely by technology, but by the ability to combine innovation with trust, expertise and meaningful human relationships.

Being part of the Intesa Sanpaolo Group represents a distinctive strength for our Bank. It enables us to leverage international best practices, advanced capabilities and a strong culture of innovation, while remaining deeply connected to the local market and the evolving needs of Albanian families and businesses.

None of these achievements would have been possible without the professionalism, competence and commitment of our people. Their expertise, dedication and customer-centric approach continue to distinguish Intesa Sanpaolo Bank Albania in the market. Every day, our employees demonstrate the highest standards of professionalism and relationship management, representing one of the Bank's greatest strengths and a key driver of the trust our clients place in us.

As we look ahead, we remain confident in Albania's long-term growth prospects and in the opportunities that the future will bring for the banking sector. Intesa Sanpaolo Bank Albania will continue to invest in innovation, advisory excellence and sustainable growth, with the ambition of strengthening its role as a trusted financial partner for customers, businesses and communities across the country.

Because banking today is not only about providing services.

It is about generating confidence, enabling progress and helping clients make informed decisions for the future.

Giuseppe Giampietro
Chief Executive Officer
Intesa Sanpaolo Bank Albania



Macroeconomic
Environment and
Banking Sector

General Overview

The Albanian economy continued its positive trend throughout 2025, despite a slower pace compared to the previous year. Growth was mainly driven by public and private sector salaries, stable inflation, improved fiscal indicators, reduced public debt, increased loans and deposits, continued drop in non-performing loans, increased foreign direct investment, improved current account deficit, as well as further strengthening of the exchange rate.

However, growth rates slowed slightly compared to the 2024, as the economy was led mostly by public administration, taxes and subsidies, construction and to a lesser extent tourism. Two important sectors, namely industry and agriculture, continued to float in negative territory. In 2025, international rating agencies maintained Albania's outlook stable, following an upward rating in the previous year.

Private domestic consumption grew at the slowest pace since the Pandemic, reflecting the challenge of population decline, which is also adversely affecting the labor market and economic productivity. The country's population continued to shrink further, reaching to 2.36 million inhabitants in 2025, or otherwise put, almost 40 thousand inhabitants less than the figure in the 2023 Census. Meanwhile, net migration continues to be negative and natural increase figures are close to zero.

According to INSTAT indicators for 2025, Gross Domestic Product (GDP) grew by 3.79%, recording a slight slowdown compared to the revised level of 4.05% last year.

Activities leading economic growth in 2025 included: Public administration and defense; mandatory social insurance; education; health and social work activities; Net taxes on products; Construction; Real estate activities, while Wholesale and retail trade; repair of motor vehicles and motorcycles, transport and storage; accommodation and food service activities accounted for less.

Manufacturing Industry and Agriculture continued to be in negative territory throughout 2025, affected by increasing costs, unfavorable international conjuncture and strengthening of the local currency, which negatively affected exporters, who are gradually losing the competitive advantage of cheap labor costs.

Consumption growth rates slowed in 2025, affected by the slowdown in final consumption of the population, meanwhile Final Consumption of Public Administration improved.

The initial expectations of international institutions for 2026 projected stable growth, at 3.5-3.6%. Following recent developments, and being faced with uncertainties in the economic environment, as a result of the outbreak of the conflict in the Middle East and its consequences on energy prices, the expectations for economic growth remain unstable. The energy chain effect on price increases could lead to tightening of monetary policy, while curbing consumption and trade, with a possible slowdown of the economy.

By the end of 2025, the Consumer Price Index (CPI) was steady, following the decline to its lowest level since 2020, in 2024. It remained below the 3% target of the Bank of Albania.

The average annual inflation rate for 2025 was 2.23%, compared to 2.22% the previous year. Inflationary pressures were low during the first half of 2025, before increasing slightly in the last months of the year, driven by food and rent increases. The highest inflation rate was recorded in July, at 2.50%, while the lowest rate was recorded in January and February, at 1.90%.

In 2025, the Bank of Albania continued its attenuating monetary policy for the second consecutive year. In July, the central monetary institution further reduced the base rate by 0.25 percentage points, decreasing it to 2.50%, the lowest level since October 2022. Following the outbreak of the conflict in the Middle East, the Bank of Albania has maintained that, despite the uncertainties in the global economic environment remaining high, monetary policy decision-making would continue to be based on the analysis of the latest economic and financial data. In this context, the decisions of the Bank of Albania will aim at maintaining the price stability, concomitantly complying with the fiscal policy and exchange rate developments.

Foreign Direct Investments (FDIs) in Albania grew by 3.28% in 2025, reaching Eur 1.63 billion, the highest level ever recorded, despite a slowdown in the growth rate. The trend of foreign investments is the increasing dependence on real estate purchases by foreigners. For the fourth consecutive year, Real estate activities constituted the main cluster of foreign investments, impacted by the country's return to a tourist destination, which in turn has encouraged purchases by foreigners, mainly in the coastal areas. In 2025, real estate investments accounted for 34.31% of the total, compared to 23.94% in 2024 and 11.40% in 2018. The second largest contributor was Financial and insurance activities, accounting for 17.79% of the total, mainly driven by the increase in

the capital of the banking sector. Trade and Extracting industry each attracted approximately 9% of the total. In October 2025, Moody's international credit agency maintained unchanged the debt rating "Ba3", with a constant unchanged outlook. In 2024, the agency revised Albania's outlook upward for the first time from "B1 – with a positive outlook" to "Ba3 – stable". In its assessment of October 2025, Moody's emphasized that macroeconomic stability was maintained during the three major shocks that affected the Albanian economy, namely, the earthquake, the pandemic and the European energy crisis, while also commending the sustainability, and the ability for rapid recovery. The agency evaluates the positive trend of public debt that has shown a downward trend since 2022, after three major shocks. The financial sector remains adequately capitalized and liquid, while potential risks remain under control. In its March 2026 rating, Moody's reaffirmed Albania's long-term sovereign credit rating at Ba3 with a stable outlook. The stable outlook reflects Moody's assessment that the upside and downside risks to Albania's Ba3 rating are balanced.

Another agency, S&P, after the improvement of Albania's long-term sovereign credit rating to 'BB-' from 'B+' in 2024 has also maintained it unchanged in 2025. In September, the same agency reaffirmed Albania's long-term sovereign credit rating at 'BB', with a stable outlook. The agency emphasizes that Albania's fiscal discipline and strong foreign exchange reserves support the country's macroeconomic stability. S&P estimates that economic growth prospects remain resilient, supported by private investment and the EU accession process. A positive development highlighted by S&P is the acceleration of Albania's EU accession process, where 24 out of 33 negotiation chapters have currently been opened, including the one on Competitiveness and Inclusive Growth cluster. S&P maintained the same rating, with a stable outlook in March 2026, emphasizing that tourism would continue to remain a key pillar of economic growth.

As a former recipient of International Monetary Fund (IMF) funding, Albania is subject to Post-Program Monitoring, which requires biannual reviews of macroeconomic developments, risks, and policies. In its last review, in November 2025, while commending the country's growth momentum, IMF warned of the challenges that lie behind it. Growth remains tourism-driven, while external risks have increased. The Fund pointed out that a faster-than-expected contraction of the working-age population could deepen labor shortages, fuel inflation, impose tighter monetary policies, and weaken the growth outlook. The IMF reiterated its call for caution regarding the growth of

real estate lending, which requires careful monitoring for assessing its impact on the systemic risk. The IMF recommendations included putting in place a broad package of productivity-enhancing reforms for ensuring sustainable economic growth.

The unemployment rate for the population aged 15 and above dropped by 0.50 percentage points to 8.30% at the end of 2025, the lowest historical level ever recorded. The positive performance of the service sector, mainly thanks to tourism, as well as lack of available labor, influenced by emigration are the main factors leading to a continuous drop in the unemployment rate in the country. The unemployment rate for young people between 15-29 years old also dropped significantly, falling to a historical minimum of 15.1% at the end of 2025, with a contraction of 4.10 percentage points.

In 2025, Albania sustained to experience a good tourist year, despite a significant slowdown in the growth rates of tourism compared to the previous two years. Foreign national arrivals reached 12.47 million, with an increase of 6.58% on an annual basis, following an expansion of 15.17% and 34.62% two years ago, respectively.

Tourists from Kosovo continued to constitute a higher share in the total foreign national arrivals, accounting for 37.40% of the total. While Italian citizens ranked second once again, accounting for 10.37% of arrivals, with a slight decrease compared to the previous year. The third largest group included citizens from North Macedonia, who accounted for 6.62% of the total. 2025 also marked a significant double-digit increase in tourist arrivals from Germany, France, Ukraine, Israel, Denmark, and India, although their share in relation to the total remains low.

Macroeconomic environment in 2025

During 2025, the economic growth rates were stable across all quarters. However, for the second consecutive year, the main impact on growth was not driven by the real sectors of the economy, but by the activities of Public Administration, Education, Health and Net Taxes.

In the first quarter of 2025, the economy grew by 3.83% on an annual basis. Public administration, education, and health contributed to more than half of the growth (by 2.24 percentage points), followed by Net taxes (by 1.24 percentage points). Trade, transport, accommodation and food services was the third sector with the highest impact (by 0.33 percentage points), followed by Construction (by 0.16 percentage points). Industry, energy and water

activities, as well as Agriculture, forestry and fishing were in negative territory.

During the second quarter, Gross Domestic Production grew by 3.64%. Public administration, education, and health continued to render the main impact by 1.65 percentage points, followed by Net taxes (by 0.87 percentage points). Trade, transport, accommodation and food services remained the third sector, by 0.47 percentage points. Real estate activities also were prominent, by 0.37 percentage points, followed by Construction (by 0.30 percentage points). Industry and agriculture pursued their negative contribution.

In the third quarter, the economy grew by 3.89%, compared to the same period of the last year, led again by Public administration, education, and health (by 1.68 percentage points) and Net taxes (by 0.76 percentage points). The contribution of Trade, transport, accommodation and food services grew slightly, by 0.62 percentage points thanks to tourism sector activities during the summer, followed by construction and real estate. Industry and agriculture contribution remained under negative domain, by -0.48 and -0.26 percentage points, respectively.

During the fourth quarter, economy grew by 3.80%. This was thanks to Net taxes, which grew by 1.54 percentage points, followed by Construction (by 1.17 percentage points), Public administration and defense; mandatory social insurance; education; health and social work activities by 1.02 percentage points. Trade, Transport, Accommodation and food services contributed by only 0.22 percentage points. Industry and Agriculture activities continued to render a negative contribution.

Throughout 2025, out of 10 main economic activities, only one recorded a double-digit growth, while 2 sectors witnessed a drop.

Public administration and defense; mandatory social insurance; education; health and social work activities represented the engine of growth in 2025 as well, by 14.29%, compared to 10.64% in 2024. The increase in wages and the concentration of capital investments during the last months of the year were the main factors accounting for this trend.

In 2025, Immovable Properties (Real estate) sector accounted for the highest growth, among the range of private activities, recording an expansion of 8.26%, compared to 3.98% in 2024.

Construction followed immovable Properties, with an increase of 4.59%, compared to 4.52% last year. Arts, entertainment and recreational activities, household goods production activities for own use

and other service grew by 3.77%, compared to 9.29% in 2024.

Wholesale and retail trade; transportation and storage; accommodation and food service activities which is directly affected by tourism, slowed down in the course of 2025, growing only by 2.32%, compared to 5.52% last year and 8.78% in 2023.

Finance and insurance activities ended the year with a growth of 2.25%, compared to 4.04% in the previous year.

Scientific, professional and technical activities, as well as administrative and support service activities grew by 1.55%, compared to 7.33% the previous year.

The Information and communication activities during 2025 witnessed an increase of 1.99%, following a contraction of 2.82% in the previous year.

Agriculture was in a negative cycle for the sixth consecutive year, contracting 1.95%, compared to the 2.00% drop of the previous year. The main impact on this trend was the shrinkage of livestock.

Extracting industry and energy recorded a decline for the second consecutive year, contracting 3.15%, compared to 4.55% a year ago. Whereas Manufacturing industry shrank by 1.59%, with a slowdown compared to the decline of 3.56% in the previous year.

In 2025, the final consumption of the population slowed down, increasing by 2.77%, compared to 3.71% in 2024, despite the continued salary increase. The Final Consumption of Public Administration increased by 9.95%, vis a vis an expansion by 5.98% in the previous year.

Overall consumption in economy grew by 3.82%, compared to 4.02% in 2024, significantly influenced by public administration consumption.

Consumer Price Index (CPI) fluctuated between 1.90% and 2.50% throughout 2025. The highest rate was recorded in July, at 2.50%, and the lowest in January and February, at 1.90%.

The average annual inflation in 2025 was 2.23%, compared to 2.22% the previous year. In particular during the second half of the year, inflation performance was primarily affected by the increase in the price of rents, meanwhile the increase in food prices was slower. Food and non-alcoholic beverages recorded an average annual increase of 2.59%, compared to 2.60% which was the figure in the previous year. Transports recorded a decline for the third consecutive year, by 0.77%, following

an increase in 2022, as a result of Russia's attacks on Ukraine. Rent, water, fuel and energy increased by an average of 2.50% in 2025, marking a strong expansion during the second half of the year, with the indicator exceeding 4% in September, and reaching 4.80% in December. The growth in this cluster reflects the high demand for short-term accommodation units from tourists, leading to drop in the supply of long-term rentals, and consequently to their increased cost.

Bank of Albania (BoA) inflation projections provide for a return to its target of 3% within the first half of 2026. However, the crisis in the Middle East, which broke out in March this year, is expected to push the inflation rate above this target, due to the increase in energy prices in international markets and the knock-on effect on both imported and domestic products inflation.

Following two years of tight monetary policies, during 2025 the Bank of Albania changed its course again, returning to its attenuating monetary policy, as a result of the rapid drop in inflationary pressures and thanks to preliminary positive indicators of the economy. BoA lowered the base rate twice during 2025, ending the year at 2.75%.

The attenuating trend of the monetary policy pursued throughout 2025, and the base rate was reduced by 0.25 percentage points in July, to reach 2.50% by the year's end. According to Bank of Albania, the reduction of the base interest rate in July was accompanied by a drop in interest rates in the money market, and in particular in the lending market. This monetary policy move facilitated the costs of new borrowing as well as the costs of servicing existing loans. Consequently, lending to the private sector continued to record rapid and stable growth rates, supporting the expansion of consumption and investments in the country.

Future monetary policy decisions will continue to be triggered by new information, and in particular by analyses and assessments on the performance of domestic inflationary pressures. However, it remains likely that following the developments of the conflict in the Middle East, BoA will change its course again, re-installing tighter monetary policies.

Exports, for the third consecutive year, continued to demonstrate a negative trend, despite a slower decline rate compared to the previous year. This negative performance was influenced by the continued depreciation of Euro, unfavorable international conjuncture and increased business costs, mainly due to the increase in the labor costs. Sales abroad shrank by 6.15% on an annual basis in the course of 2025, following the contraction

of 14.29% in 2024. Only two out of the nine main clusters displayed growth.

Exports of Textiles and footwear dropped by 1.09% in 2025, compared to the shrinkage by 16.81% in the course of 2024. Despite slight improvements, the sector's performance was adversely affected by the depreciation of Euro, and an increase in labor costs, leading the industry that was operating with custom-made materials, to gradually lose the advantage of low-priced labor force. Textiles and footwear continue to remain the largest group of exports from Albania, accounting for 30.02% of exports total for 2025, compared to 28.20% during the previous year.

Minerals, Fuels, and Energy commodity group recorded a shrinkage of 6.85% in the course of 2025, compared to 24.69% the previous year. The unfavorable conjuncture in international stock markets being the main reason behind this trend. Minerals, fuels and energy remained the second largest group in the country, accounting for 19.01% of the total compared to 18.16% which was the figure in 2024.

Exports of Food, Beverages, Tobacco moved to the third largest exporting group in the country, due to an expansion by 5.01%, in 2025. The sector's improvement was influenced by both the expansion of production, mainly in greenhouses, as well as by the higher demand in international markets for agricultural products. This group comprised 16.16% of total exports in 2025, marking a significant increase from the previous year, when it accounted for 14.30% of the total. Construction Material and Metals moved to the fourth largest exporting group in the country, due to the sharp drop for the third consecutive year, of 25.38%, compared to 21.66% that shrank in 2024. This trend was affected by a lesser demand for metals and construction materials, which forced the closure of the country's largest company in this sector in August 2023.

Exports of Machinery, equipment and spare parts increased by 5.91% in 2025, following a shrinkage of 3.81% in 2024. The sector, which focuses on the assembly of electrical systems for vehicles and works mainly with the active processing regime has recovered, impacted by the increase in demand from European and international partners. The share of this group in total exports reached 11.46% in 2025, compared to 10.09% in 2024.

Italy remains the country's main export partner, accounting for 41.94% of the total, with a slight decrease from 43.69% the previous year. Exports to Italy shrank by 10.43% in 2025, following a decline of 13.86% in 2024. The main impact on this trend was the 4.46% reduction in exports of Textiles and

Footwear, which account for the main share of sales to Italy, with 51.72% of the total.

Kosovo continued to be the country's second largest trading partner, by 9.72% of the total, compared to 9.90% the previous year. Exports to Kosovo dropped by 8.63% year-on-year, following a shrinkage by 8.90% in 2024, due to the curbs on construction materials and metals. The main products exported to Kosovo include minerals, fuels, and energy (44.81% of the total), food, beverages and tobacco (21.37% of the total), construction materials and metals (9.72%). Greece remained the third largest trading partner, accounting for 6.92% of the total, compared to 6.29% which was the figure in the previous year. Exports to Greece grew by 7.90% year-on-year, following a drop by 18.18% the previous year. The main products sold in Greece included textiles and footwear (40.42%), followed by food, beverages and tobacco" (20.92%), as well as construction material and metals (17.65% of the total).

Germany was once again the country's fourth largest trading partner, accounting for 6.48% of the trade's total, compared to 5.97% which was the figure in 2024. Exports to Germany suffered a slight increase by 1.88% in the course of 2025, after having contracted by 4.67% in the course of 2024. Textiles and footwear constitute the main group of exports to Germany, accounting for 44.82% of the total, followed by minerals, fuels, electricity by 20.13%, and machinery, equipment and spare parts", by 19.83%. Spain remained the country's fifth partner, accounting for 4.50% of the total, compared to 3.49% which was the trade's volume figure for the previous year. Exports to Spain grew by 19.93% in 2025, after having dropped by 31.21% year-on-year in 2024. Minerals, fuels and energy (oil) represent the main group of exports to Spain (74.11% of the trade's total) and the exports performance is directly linked to this product, which in 2025 increased by 21.81%.

Imports suffered a slight drop by 0.77% in 2025, following an increase by 2.88% during 2024. The main import clusters include Machinery, equipment and spare parts (25.68%), Food, beverages and tobacco (8.28%) and Chemical and plastic products (3.25%).

As far as imports are concerned, Italy remains once again the country's main trading partner, accounting for 20.91% of the exports total, followed by China, which continued to be the second partner, by 13.39%. Turkey was again the third partner by 9.61%. The fourth partner is Greece, by 7.91% and then Germany, by 6.82%.

Due to the drop in exports at a faster pace than imports, the trade deficit worsened for the second consecutive year, increasing by 2.97%. Consequently,

the imports-exports coverage ratio decreased to 39.01%, compared to 41.66% in 2024 and 50.45% in 2023.

The local currency (Lek) continued to remain strong against foreign currencies. The average exchange rate of Euro against the local currency in 2025 was 97.83 lek per euro, strengthening by 2.87% compared to 2024, although slowing compared to 7.41% that was appreciated in 2024. This is the lowest annual average level ever reached since Euro introduction as a currency in 2002, and the first time that the annual average exchange rate has dropped below the limit of ALL 100. The local currency has appreciated against the common currency for 12 consecutive years, since 2013. The decline in Euro reflects the high supply of foreign currency in the market, the increase in foreign direct investments in real estate, the increase in emigrant inflows and tourism generated revenues. The common currency fluctuated during the second half of the year ranging from ALL 97-99, ending 2025 at ALL 96.77. The historical lowest level was recorded in December 24th, at ALL 96.46.

The dollar demonstrated a downward trend, depreciating by 6.82%, to ALL 86.69, hitting the lowest level since 2008, as a result of developments in the domestic market where the local currency strengthened significantly against other major foreign currencies.

Bank of Albania has continuously intervened in the foreign exchange (FOREX) market, with the goal of increasing its foreign exchange reserves, in line with a calendar set at the beginning of the year, but also with the view of curbing the decline of the common currency.

In 2025, Bank of Albania purchased a record amount of EUR 1.03 billion in the foreign exchange market, of which EUR 297.9 million through planned purchases at the auction, while EUR 729.1 million were direct purchases to curb the decline of the common currency. A year earlier, BoA had purchased a total of EUR 932.5 million.

During the first quarter of 2025, BoA purchased 33.2 million Euro through three auctions. In the second quarter, were purchased 88.9 million Euro. In the third quarter, were purchased 108 million Euro and while 66.7 million Euro were purchased in the fourth quarter. The amount purchased during 2025 through auctions increased to Euro 297.90 million, compared to Euro 283.80 million purchased during 2024.

In addition to auction purchases, in 2024 the Bank of Albania also began intervening in the foreign exchange market in order to meet the monetary

policy and financial stability objectives. This practice continued throughout 2025. During 2025, the total amount of purchases to this end reached Euro 729.10 million.

Remittance inflows for 2025 totaled EUR 1.11 billion, an increase of 7.08% compared to the same period a year ago, compared to 12.48% expansion in 2024. This is the highest level of remittances that emigrants have brought to the country, at least since 2008, based on the data reported by Bank of Albania. The continuous increase of the remittances is linked to the new cycle of emigration that has occurred in the country over the recent years.

The unemployment rates dropped to a historical minimum of 8.30% by the end of the fourth quarter of 2025, marking a decrease of 0.50 percentage points compared to the same period a year ago. Male unemployment rates in the fourth quarter of 2025 were 7.40% and female unemployment accounted for 9.60%. In comparison to the same quarter of 2024, the unemployment rates dropped by 0.3 percentage points for women, and 0.7 percentage points for men. The average gross monthly salary for an employee in 2025 totaled ALL 84,100 (annual average). In comparison to the end of 2024, the change in the average gross monthly salary for an employee represented an increase of 8.58%. Indexed to the average annual inflation, the real increase in salaries was 6.32%.

The minimum gross monthly salary remained unchanged at ALL 40 thousand in 2025, while it increased in January 2026, by ALL 10 thousand, totaling ALL 50 thousand. The average salary in the state sector, for the first time, crossed the limit of ALL 100 thousand reaching ALL 100,279, with an increase of 8.95%. The average monthly salary for an employee in the private sector totaled ALL 77,154 (as an average for 2025), recording an annual increase of 8.42%.

Labor market conditions still remain tight, with businesses continuing to struggle to fill in the vacancies due to a shrinking workforce, especially among the youth population.

Total budget revenues grew by 6.20% in 2025, slowing from the 10.40% expansion of the previous year. The performance was driven largely by personal income tax and social insurance and health contributions, in line with the continued increase of the average salary in the economy, as well as by VAT, which reflects consumption, also driven by tourism.

The largest share of budget revenues (30.12%) of the total continues to come from the VAT. VAT revenues grew by 6.20% on an annual basis in 2025. Health and

social insurance contributions were 10.90% higher, as a result of the salary increase. Along the same lines, revenues from Personal Income Tax expanded by 24.77% in 2025. Revenues from business profit tax witnessed a minimum increase of 2.72%.

Public expenditures increased by 10.04% in 2025, with the strongest impact rendered from the expansion of personnel expenses by 11.53%, as a result of the salary related policy. Capital expenditures grew by 13.99% on an annual basis, following a shrinkage of 2.91% in 2024. Their concentration in the last months of the year remains a prevailing feature.

The budget deficit in 2025 increased by 158%, as a result of the increase in expenditures at higher pace than revenues. However, public debt continued its downward trend, falling to 53.04% of GDP, with a slight shrinkage of 1.17 percentage points. This is the lowest public debt figure since 2007.

The Banking Sector

During 2025, the banking system demonstrated an acceleration in asset growth rates. Non-performing loans (NPLs) continued to decline further, while loans and deposits increased. However, the slower growth of profits in relation to the size of the balance-sheet led to a decline in profitability and profitability indicators.

According to data of the Bank of Albania, the total assets of the system as of the end of 2025 totaled ALL 2.29 trillion, recording an expansion of 9.39% compared to the end of 2024, from 6.43% growth the previous year. These were the highest growth rates since 2021.

As in previous years, the banking system invested the available money more in lending to the economy and less in operations with government securities. Loans granted to the private sector and individuals grew by 13.51% annually during 2025, while operations with securities grew by 9.93%. Loans extended to the private sector and individuals were impacted by immovable property loans category, which grew to 36.10% the addition in 2025. Immovable property loans accounted for 12.79% of total assets at the end of 2025, compared to 7.51% at the end of 2018, indicating a continuous increase in the banking system's exposure to the immovable property sector.

The credit stock totaled ALL 943.74 billion, with an expansion of 12.91% on an annual basis, at a pace similar with the previous year, when growth resulted in 12.17%. Lending in local currency increased by 14.76% on an annual basis, whereas lending in foreign currency (expressed in Albanian lek) increased by 10.37% in 2025, compared to the

previous year. The growth of lending to private non-financial sector was driven by wholesale and retail trade, immovable property, electricity, gas, steam and air conditioning supply, manufacturing industry, and construction. Meanwhile, loans to individuals accounted for 40.99% of the total, compared to 38.77% of the total in 2024 (the rest is mainly owned by lending to public non-financial corporations). The stock of loans in Albanian lek by the end of 2025 accounted for 59% of the total, with an increase of 1 percentage point compared to the previous year.

According to Bank of Albania estimates, lending to the private sector has increased, supported by favorable financing conditions and increased demand. There was significant demand from small and medium enterprises (SMEs), mainly for covering short-term liquidity needs, whereas during the second half of the year there was a decline for large businesses and investments funding, also due to the high liquidity possessed by large enterprises. During the third quarter of 2025, the demand for individual loans vis-a-vis actual expectations was reported to decline, for the first time after the increase reported during the nine consecutive quarters. Banks deem the drop in demand for individuals loans to be the result of lower needs for funding home purchase, as well as due to current and expected developments in this market. In addition, it was also driven by the macroprudential measures taken by the Bank of Albania for new lending in immovable properties.

Deposits totaled ALL 1.48 trillion by the end of 2025, with an annual increase of 9.01%, compared to 4.33% the previous year, mainly driven by the increase in savings in the local currency. Savings in Lek expanded by 12.94% annually, compared to 8.62% the previous year. Foreign currency deposits, expressed in Lek had an expansion of 5.61%, after a minimum increase of 0.91% in 2024. However, other data from Bank of Albania, on deposits in the common currency, reported in Euro indicate that savings in Euro in December 2025 reached EUR 8.75 billion, with an annual growth of 8.73%. A year earlier, the growth resulted 10.19%.

The system's profit for 2025 reported according to local standards was ALL 35.60 billion, compared to 4.72% on annual basis. A year ago, profit grew by 15.03%, reaching a historic record of ALL 37.36 billion. However, the change in monetary policies has slowed the growth of profit in the banking system.

The profit slowdown led to a decline of the profitability indicators. Return on Assets (RoA) averaged 1.98% in 2025, compared to 2.21% in 2024. Return on Equity (RoE) dropped to 16.36% in 2025, compared to 18.90% in 2024.

In 2025, non-performing loans were at 3.80%, compared to 4.17% which was the figure in December 2024. This is the lowest rate since 2007. The Bank of Albania estimates that the loan portfolio quality remains good and the currency structure is oriented towards the Albanian lek.

After several years with an unchanged number of banks (11), 2025 marked renewed interest in new entrants in the banking market. In 2025, Bank of Albania granted two preliminary licenses for new banks, one with Turkish capital, while for the first time a digital bank is expected to enter the market. The system continued to be well diversified in terms of origin of capital. At the end of 2025, 24.10% of the system's assets originated from Turkey, 14.20% from Austria, 9.50% from Italy. There is a growing share of banks with Albanian capital, which by the end of 2025 reached 37.90%. The share of Hungarian capital reached 8.70% of the total. Bulgarian capital accounts for 3.30%; German capital 2.40%.

Following a shrinkage several years before, during the last two years the banking system began to expand again the network of branches and the number of employees, with an obvious acceleration in 2025. By the end of 2025, the banking system counted 449 branches, i.e. 44 more than for the same period last year. The number of employees grew, reaching 7,856, or 702 additional employees compared to the end of 2024. This is the highest number of employees ever recorded in the banking system.

Key macroeconomic indicators 2020-2024	2021	2022	2023	2024	2025
Annual inflation (%) as of end of y/y	3.7	7.40	4	2.1	2.3
Unemployment rate (%)	11.5	10.9	9.5	8.8	8.3
Real GDP growth rate (%)	8.97	4.86	4.02	4.05	3.79
GDP at current prices (ALL billion)	1,866.70	2,149.70	2,364.28	2,517.82	2,642.51
GDP per capital (USD)	7,253.60	7,781.10	9,779.00	11,294.00	12,540.00
Public debt (% of GDP)	74.07	64.12	57.64	54.21	53.04
Budget deficit (% of GDP)	(-4.6)	(-3.6)	(-1.3)	-0.7	-1.78
Average exchange rate (ALL per 1 Euro)	122.44	118.92	108.75	100.69	97.83
Average exchange rate (ALL per 1 USD)	103.5	113.15	100.62	93.04	86.69

Data on Banking System	2021	2022	2023	2024	2025
Total assets (million lek)	1,773,793	1,877,308	1,965,276	2,091,593	2,288,123
Total assets to GDP (%)	100.25	91.21	85.01	83.96	86.59
Total credit to GDP (%)	37.65	34.66874	32.17	33.47	35.71
Total deposits to GDP	68.73	62.06928	56.42	54.57	56.17
Economy lending to total assets (%)	37.55	38.00932	37.84	38.91	41.25
Total credit (in million Lek)	666,178	713,552	744,163	835,817	943,745
ALL Credit weight	0.52	0.52	0.57	0.58	0.59
FCY Credit weight	0.48	0.48	0.43	0.42	0.41
Total deposits in million Lek	1,216,059	1,271,642	1,304,310	1,361,206	1,484,349
Weight of ALL deposits	0.45	0.43	0.44	0.46	0.49
Weight of FCY deposits	0.55	0.57	0.56	0.54	0.51
Net result (in billion Lek)	21.63	21.68	32.48	37.36	35.6
Return on Assets (%)	1.33	0.94	1.85	2.21	1.98
Return on Equity (%)	12.17	8.48	15.92	18.9	16.36
Capital Adequacy Ratio (%)	18.08	18.58	19.24	19.6	19.85
NPL ratio (% versus total)	5.65	5	4.74	4.17	3.8
Money outside deposit corporate (billion lek)	366.25	387.65	393.55	423.56	483.44
Money supply - money liability (billion lek)	1,582.31	1,659.29	1,698.23	1,785.24	1,967.79
MOB/Money supply (%)	23.15	23.3624	23.17904	23.73	24.56

(Data source: quarterly GDP publications, INSTAT; Labor Force Survey and Labor Market, Q4 2025, INSTAT; Banking system data, Bank of Albania and Association of Banks; Balance of Payments data, Bank of Albania; Fiscal Statistics 2025, Ministry of Finance; Fiscal Macroeconomic Framework 2027-2029; Quarterly Public Debt Report, Q4 2025; Monetary Policy Report of the Bank of Albania, Q4 2025.)

Financials at a Glance



FINANCIALS AT A GLANCE

INTESA SANPAOLO BANK / KEY FIGURES

Income Statement	2021	2022	2023	2024	2025
Net Interest Income	3,486	3,688	5,948	6,373	5,820
Net Fees and Commissions	873	955	968	1,024	1,027
Pre-tax Income	647	1,518	3,652	3,804	3,361
Taxes	-127	-228	-598	-679	-551
Profit	520	1,290	3,054	3,126	2,810
Balance Sheet	2021	2022	2023	2024	2025
Total Assets	195,671	192,797	195,310	202,127	210,725
Loans	52,968	54,267	53,002	56,422	63,961
Securities	74,135	73,197	79,116	80,731	82,991
Due from Banks	33,853	34,425	43,503	49,447	51,525
Deposits	169,461	167,115	166,184	172,406	179,741
Capital	21,751	21,632	24,729	23,970	26,614
Total Liabilities	195,671	192,797	195,310	202,127	184,111
Indicators	2021	2022	2023	2024	2025
Profit / Assets	0.26%	0.65%	1.56%	1.55%	1.33%
Profit / Total Capital	2.39%	5.96%	12.35%	13.04%	10.56%
Income from interest / Assets	2.09%	2.24%	3.45%	3.78%	3.43%
Interest expense / Liability	0.40%	0.42%	0.50%	0.74%	0.88%
Capital Adequacy	23.39%	26.46%	27.81%	24.55%	26.30%
Net Assets / Employee	263	243	234	241	260
Number of employees	659	700	729	740	709

Values in ALL '000

	2024	2025	Change	Change in %
Net Interest Margin	6,373	5,834	(539)	-8.5%
Non-Interest Income	1,856	1,981	125	6.7%
Total Revenue	8,229	7,816	(414)	-5.0%
Operating Expenses	(3,700)	(3,763)	63	1.7%
Loan Provisions	(202)	51	(253)	-125.2%
Net Income	3,126	2,810	(316)	-10.1%
Return on Average Assets	12.2%	1.3%	-0.2%	
Return on Equity	45.0%		-1.0%	
Cost/Income Ratio		208,236	3.2%	
Total Assets	208,236	58,287	8,934	4.3%
Total Loans (gross)	172,406	172,406	7,225	12.4%
Customer Deposits	23,592	23,592	7,335	4.3%
Total Shareholders' Equity			2,796	11.8%

Values in ALL Million

Management Discussion



Management Discussion

Intesa Sanpaolo Bank Albania Main Challenges and Achievements during 2025

In face of the current geo-political situation and consequently a diverse macro-economic environment, Intesa Sanpaolo found itself in a situation loaded with challenges and uncertainties. We successfully managed to act in agility and quickly re-shape our priorities, while at the same time looking forward to our main strategic pillars.

ISB Albania grew in terms of number of customers and profitable transactions in all business units, while increasing its fee-based income supported by the increase of core customers.

ISB Albania made significant progress during 2025 in the following areas:

Solid capital position: the capital adequacy ratio in 2025 stood at the level of 26.3%, keeping ISP Albania in a comfortable position for taking advantage of organic growth opportunities.

Credit quality: further improvement of the NPL stock in 2025, which dropped by 21.2% compared to 2024, keeping the NPL ratio stable reaching 2.2% in December 2025.

Commercial activity: optimistic growth and a well-positioned commercial model focus on higher growth, especially under the Individuals component. Large Corporate lending was concentrated on financing industries like energy, transportation etc., while lending on Retail was focused on mortgage loans and consumer loans.

CREDIT RISK

Credit Origination quality was at healthy levels, with just 2.19% new lending for the last three years recording 90+ days average vintage.

New lending is acquired based on know-how and awareness of sectors' specificities, pre-defined solutions, policies & products, with main reference to "Sustainable Lending" as components of volumes increase. Such results also involved partnerships and risk sharing agreements with experienced partners such as EBRD. In addition, the Bank focused on capacity building with the goal of ensuring sustainable lending, as renewable energy production plants evaluation, in cooperation with IFC.

The bank has set up guidelines and rules regarding the Social Governance Environment which is important for the lending process. Hence, the bank

does not lend in the coal sector and shall gradually exit within 2030 from sectors such as exploration and production of Tar sands, Shale/tight oil gas and similar. Along these lines, during 2025 the bank continued to review and design specific loan products focusing on sustainable lending, and supporting customers through best sustainable funding.

In compliance with Group rules, the Bank has put in place a Risk Appetite Framework (RAF) with regards to the control of main risks such as: Credit Concentration risk, Real Estate risk, Sovereign risk, Foreign Exchange credit risk, etc.

The function of Proactive Credit Exposures Management (PCEM) has been in place since 2016, providing for more pro-active credit quality monitoring and addressing credit deterioration from the outset. The framework on Credit Control activities, setting up 1st and 2nd level controls on credit area aims at a prompt and better identification of any inadequate credit practices and mechanisms, as well as ensuring effective corrective actions.

The Bank has adopted IFRS 9 standard since January 1, 2018, by reclassifying the financial assets in stages as per risk classification applying respective credit losses calculation (1 year or Lifetime expected credit losses). While in 2019, the bank adopted the New Definition of the Default, in compliance with ISP Group rules.

NPL MANAGEMENT

2025 maintained the positive trend in the loan portfolio quality. The Bank continues to outperform the Banking sector average regarding the NPL improving the NPL ratio compared to 2024. These results were mainly due to:

Early intervention on positions potentially subject to restructuring / rescheduling avoiding portfolio deterioration combined with support / involvement by Under-writing team and the new PCEM role, in defining solutions from early revision stages to later deteriorated ones.

NPL stock reduction to healthy levels, enabled by good collection results, coupled with the moving off balance sheet of staled positions as per Central Bank regulations.

Re-possessed assets structure and activity, a separate unit under Operational Division Unit went on generating positive results with regards to assets marketing and sale.

RETAIL BANKING

The bank managed to grow in the core indicators in

2025. An outstanding result marked in loan volumes with 14% increase. Continuous increase in consumer loans, followed with a stable increase in mortgage loan products were the main contributors to these results. Dedicated service model combined with selected products kept bank's competitive position in deposits. Had it not been for the negative impact on FX rate an increase of 6% would have resulted on the deposits side.

During 2025, the Retail Division delivered solid commercial performance, while continuing to advance its digital transformation agenda. The Bank's core customer base increased by 13%, confirming the effectiveness of acquisition initiatives and strengthened market presence. The activity ratio remained broadly stable, highlighting further opportunities for deepening customer engagement in 2026.

For the second consecutive year, the Bank won the government tender for Subsidized Student Loans, implemented in partnership with AKFAL (National Agency for Financing Higher Education Studies) and the Ministry of Education and Sports. The product offers unsecured consumer loans with a fixed interest rate of 6%, of which 5 percentage points are subsidized by AKFAL during the study period, providing meaningful financial support for students pursuing higher education.

Digital Transformation and Channels

During 2025, the Bank accelerated its digital transformation, focusing on strengthening customer trust in digital channels while promoting alternative channels as the primary interaction model for everyday banking.

Strategic initiatives were directed toward increasing digital adoption and engagement, expanding API capabilities for fintech partners, improving customer journeys, and reducing paper-based processes through secure end-to-end digital workflows. A redesigned mobile application interface and additional functionalities further enhanced the overall digital banking experience.

Digital Banking – Individuals

Digital adoption among retail customers continued to expand in 2025:

- Digital banking users increased by 11%
- 85% of individual transactions were conducted through ATMs
- Digital transactions accounted for over 18% of total

retail transactions

The implementation of a modern cross-platform development framework was a major milestone, fully transforming the mobile banking platform's backend. The upgrade helped enhance scalability, stability, and service delivery speed, aligning the Bank's mobile offering with leading market standards.

The introduction of Digital Signature across documents and services generated through the core banking system significantly reduced paper consumption in line with ESG objectives while shortening service processing times.

Customer support was further strengthened through chatbot optimization, while ATM services were enhanced through a strategic agreement aimed at expanding and optimizing the ATM network.

In parallel, Open Banking capabilities continued to expand in line with PSD2 and local regulatory requirements, enabling secure integration between the Bank and licensed Third-Party Providers through dedicated APIs.

Digital banking – legal entities (digi4biz)

Digital channel usage among Small Business customers increased by 16%, driven by growing adoption of bulk payments and digital treasury services.

The launch of Mobile Banking for Business (Digi4Biz) represented an important milestone, enabling companies to access core Internet Banking functionalities through a dedicated mobile experience and facilitating more efficient day-to-day financial management.

SEPA Readiness

During 2025, the Bank advanced its SEPA readiness in alignment with the Bank of Albania roadmap. Euro transfer processes in digital banking were updated to meet SEPA standards, providing clearer transaction information and enhanced control mechanisms for both individuals and businesses.

Branch Network and Infrastructure

The Bank continued investing in the modernization of its physical network to complement its digital channels.

During the year:

- Brunes Branch underwent expansion and refurbishment

- Fier Branch was expanded and fully modernized in line with Group standards
- Elbasan Branch completed a full refurbishment

These upgrades enhanced operational efficiency and customer experience across the branch network.

Digital branch

The Digital Branch further strengthened its role as a key remote service channel. A unified agent platform integrating calls, emails, customer data, and interaction history improved productivity and service quality, supporting the management of approximately 88,000 in-bound calls throughout the year.

Outbound capabilities were enhanced through automated dialing solutions, resulting in 12,000 successful out-bound calls, while queue management and skill-based routing improved request allocation and first-contact resolution.

External Channels and Partnerships

The Bank continued to expand its distribution ecosystem through strategic partnerships and community engagement initiatives.

The Mortgage Center strengthened further its cooperation with actors in the immovable property business, supporting a steady pipeline of mortgage opportunities and reinforcing the Bank's presence in the housing finance market.

The partnership with Easy Pay enhanced the distribution of unsecured lending while also improving customer convenience, enabling loan installment repayments through an extensive agent network and increasing accessibility across the country.

In parallel, the Bank maintained an active engagement with leading universities through dedicated campaigns and academic events, successfully strengthening its positioning among younger customer segments and supporting the growth of its student-focused offerings.

Assets Under Management

During 2025, the Bank continued to strengthen the Assets under Management (AUM) activity, further consolidating its position in the investment products distribution market. Building on the foundations established in prior years, the Bank maintained a prudent and structured approach focused on sustainable portfolio growth and long-term client engagement.

AUM volumes recorded steady expansion, supported by consistent net inflows and strengthened client confidence in capital market instruments. The activity contributed positively to the diversification of the Bank's revenue base, increasing fee-based income and reinforcing the resilience of overall financial performance.

The Bank continued to enhance internal capabilities and coordination to ensure consistent client experience and disciplined portfolio monitoring.

In parallel, it maintained a strong focus on staff training, further expanding knowledge in Wealth Management. In cooperation with the relevant structures of the IBD and Eurizon, the Bank also prepared the new sales network staff, who commenced their investment products distribution activity in 2026.

Looking ahead, the Bank remains committed to the sustainable development of its AUM business by broadening access to investment solutions, deepening client relationships, and supporting long-term value creation for customers, in line with its strategic growth objectives.

Bancassurance

During 2025, the Bank further strengthened its Bancassurance activities, building on the solid foundations of previous years and delivering improved financial performance through a disciplined, customer-oriented approach.

Continuous investment in staff development remained a priority. Targeted training initiatives enhanced the professional capacities of branch sales teams, ensuring high service standards and a consistent advisory approach across the network.

Bancassurance performance exceeded that of the previous year, generating higher commission income and contributing to greater diversification of the Bank's revenue streams. These results reflect the effective integration of insurance solutions into the Bank's core financial services, supported by operational efficiency and service quality.

Looking ahead, the Bank remains committed to the sustainable development of its Bancassurance business through the expansion of its insurance product offering and the strengthening of cooperation with new insurance partners. This approach is expected to further enhance value creation for customers and stakeholders, while supporting the Bank's long-term growth objectives.

Customer Relations

Intesa Sanpaolo Bank Albania places customers at the center of its strategy and continuously seeks opportunities to leverage data and technology in order to provide financial insights and personalized well-being solutions in the daily lives of consumers.

We work every day to strengthen the trust our customers place in us and to use our scale and capabilities to promote financial well-being as a strategic competitive advantage. Our efforts have evolved from simply offering personalized services to delivering solutions that are relevant to clients' unique and changing needs at any given moment.

To maintain this role, we continue to invest in different types of customer satisfaction surveys that serve multiple purposes — from understanding new clients' perceptions of the Bank's services, to measuring the emotional and relational bond between customers and ISP Albania, as well as assessing customer satisfaction levels in comparison with key competitors in the market. These insights help us ensure that we continue to deliver strong value within the banking sector. In this context, we have continued to monitor satisfaction levels across all bank touchpoints, enhance customer feedback management, and strengthen the "close the loop" process. We remain fully committed to continuous improvement and to generating positive results, which during 2025 have been reflected in the following areas:

- Sales of products to new clients have improved significantly. As a result, the "Cross-Sell on the First Day" indicator increased by 46 bps. If we continue to maintain this focus and sustain the current momentum, we will soon be able to say that we have successfully sold one additional product to every new client.
- Service quality for new clients remains equally important. To measure progress in service quality, each year we define key focus areas and establish the respective KPIs to be achieved. The latest measurements have identified improvements in the "Welcome" experience and "Branch Image," while also highlighting the need for continued focus on the "Farewell" and client "Follow-up" phases.
- Related to benchmarking results we may say that we are in line with the main competitors.

Corporate Banking & SMEs

The Corporate & SME Division falls under the overall Intesa Sanpaolo Group's strategy that identifies ESG as a central strategic priority. It continued to integrate ESG principles across all areas of its business. In

pursuit of this objective, the Division consistently promotes financing solutions that enable ESG-driven investments and supports the sustainable economic development of Albania. Accordingly, throughout 2025 the Corporate & SME Division prioritized lending operations toward initiatives aligned with green transition and circular economy frameworks, with specific focus on projects designed to enhance resource efficiency, reduce environmental impact, and support sustainable production models. This activity includes funding for green buildings, photovoltaic plants, hydropower infrastructure, and the acquisition of electric vehicle fleets through financial leasing solutions. As part of this commitment, in the course of last year, 27 new credit limits were granted to Corporate & SME clients, totaling approximately Euro 64 million. This reflects a strong year-on-year increase of around 35%, underscoring the Bank's growing contribution to sustainable development in Albania.

Digitalization remains a key enabler of our bank strategic ambition to deliver a seamless, accessible, and operationally efficient banking experience. During last year, Intesa Sanpaolo Bank Albania successfully launched the Mobile Banking platform for legal entities, which represents a key milestone within its broader investment plan aimed at strengthening and modernizing advanced digital capacities. This enhanced service model substantially reduces dependency on branch interactions, while simultaneously promotes greater convenience, efficiency, and autonomy for our clients. During 2025, approximately 81% of all payment transactions of Corporate & SME clients have been executed through electronic channels, while only 19% have been processed at the branches. Furthermore, the deployment of robotics automated processes has further optimized back-office operations, improved processing accuracy, and reduced turnaround times for payment transactions executed in branches.

Intesa Sanpaolo Bank Albania remains fully committed to offering a comprehensive range of products and services to Corporate & SME clients, including standard loans, overdraft facilities, project finance and syndicated loans, as well as trade finance solutions such as: bank guarantees and letters of credit. The portfolio is further complemented by treasury products (including Spot, Forward FX transactions and Time Depo), domestic and international payment services, POS terminals, business cards, and other related solutions.

During 2025, Intesa Sanpaolo Bank Albania expanded its service portfolio by introducing SEPA Euro payments. By supporting this initiative, the bank enabled Corporate and SME clients' access to lower-cost transactions across all SEPA member

countries, as well as domestic Lek and Euro currency payments.

In line with the strategy of the Government of Albania to reduce cash in circulation, the Bank intensified its efforts over the past year to promote services that support this initiative. Within this framework, in 2025 particular emphasis was placed on expanding the network of POS terminals installed for our customers, which recorded a 29% increase compared to the previous year. This expansion contributed to a 17% growth in the total value of POS-processed transactions, driven by a 22% rise in the number of transactions executed through these terminals.

Intesa Sanpaolo Bank Albania continued to prioritize the Trade Finance portfolio, providing substantial facilities to its clients. This strategic focus led to a marked increase in the issuance and utilization of letters of credit and bank guarantees, while ensuring full compliance with regulatory requirements and internal risk-management standards. As a result, in the course of 2025 transaction volumes grew by 39% compared to the previous year, contributing to higher commission income from trade finance activities.

Being at the forefront of innovation in international trade transactions, our bank continues promoting actively the Confirming solution as an International Supply Chain Digitalized Finance Program, which has proven to be a strong enabler for International Trade, driving seamless and efficient cross-border transactions. The number of customers using this facility for enhancing their liquidity almost doubled during last year. In the course of 2025 Confirming platform helped settle successfully 361 invoices, totaling at Euro 11 Million commercial flows or 25% more than previous year.

During the past year, the Corporate & SME lending activity continued to be focused on supporting businesses affected by global market disruptions as a result of the international geopolitical environment. The Bank provided short term and working capital financing to help clients manage increased volatility, while also continuing to finance investment projects across the country's key industries. Throughout this period, particular attention was paid to maintaining lending portfolio quality. By the end of 2025, the Corporate & SME Division reported an 11% year-on-year increase in its loan portfolio. Project finance and syndicated lending continued to represent an important component of the Bank's lending activity. During 2025, total amount of new Projects financed by the bank reached Euro 60 million or 20% more than last year.

Fostering sustainable investments and facilitating access to green finance, Intesa Sanpaolo Bank

Albania continues to play a pivotal role in shaping a more resilient and climate-conscious economy. In this context, the bank continued successfully granting loans to Corporate & SME customers under the Green Finance for Inclusion, a European Union Program, aiming to support the green transition of local MSME's towards energy efficient and climate resilient investment opportunities in the country. This activity is performed through agreements in place with International Financial Institutions, opening new opportunities for businesses to access financing at more competitive rates compared to standard terms of bank offerings. Several SME clients have been benefitting from these initiatives, for a total funding of Euro 10.4 million, sa far as initiatives in renewable energy, green investment, green building.

The Bank further strengthened its position as a key financial partner, by expanding its portfolio of competitive lending solutions developed in cooperation with additional International Financial Institutions (IFIs) and the Government of Albania. A flagship initiative within this framework is the Albanian Agribusiness and Tourism Support Facility (AATSF), which is managed by the European Bank for Reconstruction and Development (EBRD). The program supports investments in agribusiness and tourism, through risk-sharing mechanisms and provides eligible customers with an additional 10% incentive grant. Recognizing the strong performance and impact of the program, the Bank enhanced its cooperation with the EBRD in 2025 by increasing this facility limit by Euro 10 million. This expansion brings the total financing available under the AATSF to approximately Euro 34 million, enabling broader support to Corporate and SME clients across the country. The Bank continues to work closely with the EBRD to identify new ways of collaboration, with the goal of extending its positive impact to other key sectors of the Albanian economy.

Intesa Sanpaolo Bank Albania, considers customer retention as crucial as acquisition, and therefore invests significant efforts in analyzing data from every interaction with its Corporate and SME clients. This data-driven approach enables Relationship Managers to anticipate client needs and deliver more personalized support, thereby strengthening long-term loyalty. Thanks to the skills of our advanced CRM platform, the Bank continuously monitors the overall health of clients businesses, allowing for accurate forecasting, proactive identification of developments, and efficient resource allocation to enhance service quality. By identifying emerging market trends, the Bank further promotes the adoption and increased utilization of Corporate and SME banking products, which in turn drives higher client engagement and contributes positively to overall financial performance.

During 2025, the bank strengthened its longstanding commitment to excellence in customer service via a new Business Model dedicated to SME clients. The dedicated SME Centers introduced at the end of 2024, enabled SME Relationship Managers to offer a more proactive support to SME customers. This strategic initiative has already marked a significant step forward in enhancing the banking experience for small and medium businesses across the country. SME clients experienced a more convenient and efficient service environment, along with tailored financial solutions that better meet their operational and growth needs. This transformation further underscores the commitment of Intesa Sanpaolo Bank Albania in fostering stronger partnerships with the business community and supporting the development of the Albanian economy.

Finance and Capital Market

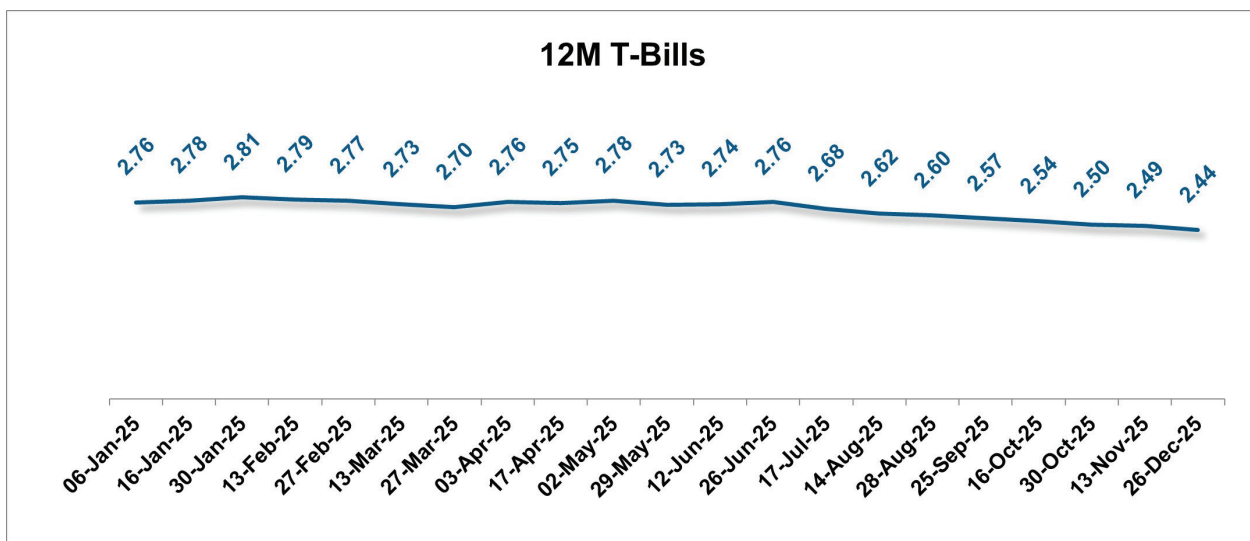
During 2025, Treasury and ALM delivered a stable contribution in NII in terms of investments in both Albanian Government and Foreign Currency Securities, which was driven mostly by the structural management and volume increase in both Local and Foreign Currency.

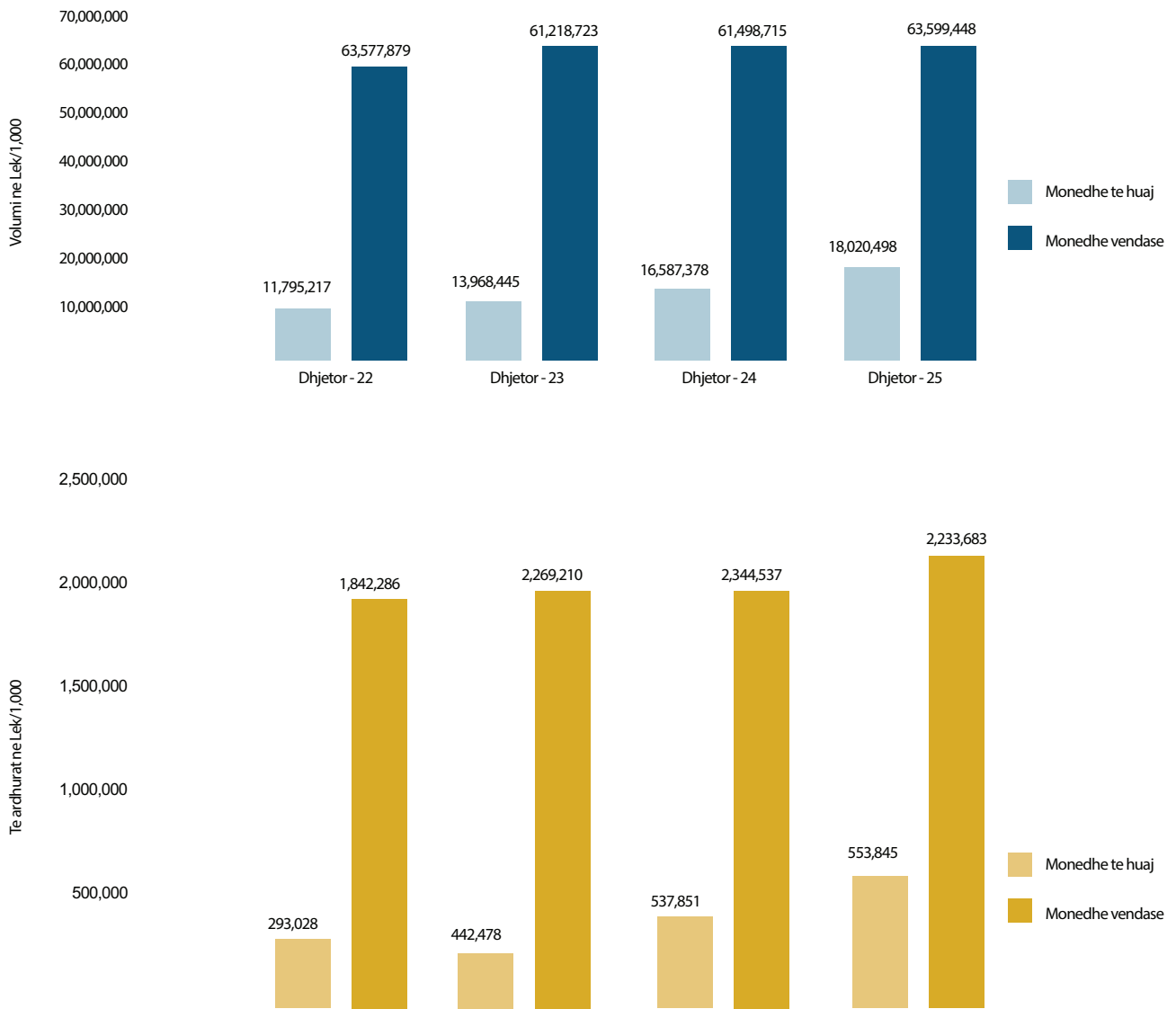
The domestic market was influenced by two major factors: first, the base rate, which ended 2024 at 2.75%, stabilized at 2.50% as of July 9, 2025. Second, the Ministry of Finance's demand, although lower than in 2024, remained aligned with the budget plan. In this context, the yields of the 12M T-Bill in the local currency, the most sensitive domestic instrument to the market condition developments, followed the anticipated downward trend in 2025 varying from 2.81% to 2.44%, with average 2.68% versus the range 3.69% to 2.73% with average 3.36% in 2024.

In the international front, ECB cut interest rates 4 times in 2025 by a cumulative amount of 100 bps, from 3% to 2%, while FED made three cuts totaling 75bps, from 4.25% to 3.50%.

Despite the following yields, the strong liquidity position helped offset this impact by allowing increased investment volumes. For Foreign Currency investments, the strategy focused on high-quality, short-term T-bonds, which provided attractive returns and liquidity flexibility. In the Local Currency market, the emphasis shifted towards benchmark bonds. At the same time, there was a careful management of the excess of liquidity available on the Nostro accounts through Money Market financial instruments supported by the increased number of financial institution counterparties as well as mother company. This approach ensured effective allocation and optimal tenor distribution, taking into account all risk and liquidity parameters.

Other important activities of this Department, closely related to the activity of Corporate & SME and Retail customers have focused on competitiveness in trading the financial instruments, such as: Spot Foreign Exchange transactions and Albanian Government securities in the retail market, both increased compared to the previous year.





COO Management

During 2025, the Chief Operating Officer (COO) area has been overseeing key operational domains, including ICT, Security & BCM, Back Office, and Logistics, ensuring a streamlined and cohesive approach to operational management.

This Annual Report provides a comprehensive overview of the COO Division's performance, achievements, and challenges, showcasing the initiatives that have strengthened its infrastructure, enhanced operational resilience, improved customer experience, and reinforced security measures. Through strong cooperation and a continuous improvement mindset, the COO Division has contributed to the Bank's success and is well-positioned for future growth.

ICT Department

Among the ISP Group initiatives, the main projects accomplished during 2025 for the implementation of

solutions in compliance with ISP Group standards and key regulatory institutions such as the ECB and the Bank of Italy include:

- **Digital Branch** - The Digital Branch project aimed to transform the contact center from a traditional assistance model into a Digital Branch capable of performing both service and sales activities. This shift, which was driven by the acceleration of digitalization and adoption of remote interaction channels successfully achieved the project's objectives and deliverables during 2025. ICT development delivered the GO application, a customized interface for the Digital Branch that provides all necessary information and controls for managing customer interactions.

- **ECB Loan Tape** – Activities for Data Harmonization and Enhancement of the BFD Data Feeding process were completed in line with the agreed plan. The objective of the project was to meet ECB requirements for the production of Credit Risk Loan Tapes supporting On-Site Inspections (OSI), by providing a standardized dataset. The implementation of new fields was aligned with the full scope of the project

completed during 2025.

- **Global Intranet** – ISPA launched the new Global Intranet as a strategic initiative to enhance internal communication, collaboration, and integration. The fully renewed platform was designed to create a more interconnected digital workplace, supporting employees in their daily activities and professional development. The intranet provides easy access to information and resources, supported by intuitive navigation tools, including introductory videos and infographics. The project was successfully delivered through strong collaboration between local teams and ISP Group colleagues, reflecting a shared commitment to innovation and continuous improvement. The platform also enables user feedback through dedicated support tools, ensuring ongoing optimization and alignment with employee needs.

- **ERMAS-ILIAS** - The ERMAS-ILIAS project involves upgrading the existing liquidity risk framework to a new solution developed by Prometeia, enabling advanced static and dynamic liquidity analysis. The implementation includes key regulatory and managerial indicators (LCR, NSFR, ALMM) and integration with DataMart and DSH for improved data collection and reporting.

- **ESG Data GAR** - In 2025, ISBA implemented a digital solution to support ESG Pillar III disclosures in line with EBA guidelines and EU Taxonomy requirements. The initiative included defining the necessary dataset for the calculation of the Green Asset Ratio (GAR) and automating the completion of Templates 6, 7, and 8. The solution enables an accurate calculation of taxonomy-aligned exposures at both deal and counterparty level, ensuring standardized, efficient, and compliant regulatory reporting.

- **ORT Project** - The project was launched to identify and register all IT assets within the Bank, including business applications, system servers, and software, within the ServiceNow (SNOW) platform. This in turn enabled the creation of a centralized Configuration Management Database (CMDB) to improve asset visibility, management, and reporting. The project enhances IT governance by ensuring accurate inventory tracking, better control of infrastructure, improved incident and change management, and stronger compliance with internal and regulatory requirements.

- **Flutter - In 2025**, the Digital 2.0 program delivered the functional analysis phase for Payments and Cards, including a comprehensive GAP analysis across seven banks. The project defined a standardized set of functionalities aligned with the VUB Flutter-based architecture, redesigned key features, and harmonized the user interface across entities. This initiative reduced functional gaps between banks and established a common foundation for improved

digital delivery, scalability, and consistency across the Group.

New services and products with special focus on alternative channels are already in place, and have led to an increased range of self-service features for the customers, namely:

- **SEPA Program** – During 2025, the SEPA program delivered key regulatory and system enhancements to ensure compliance with European and Central Bank payment standards. The implementation included the transition to ISO 20022 (MX format) for both domestic and cross-border payments, upgrades to core payment systems, and alignment of external channels to support accurate payment processing.

Additionally, the project advanced the bank's SEPA Adherence readiness, enabling participation in the SEPA scheme through an intermediary # model, ensuring full operational compliance with regulatory requirements by October 2025.

- o **Domestic Payments:** Upgrade local payment systems to ensure SEPA readiness and ISO 20022 compliance for domestic transactions.
- o **Cross-Border Payments:** Transition cross-border payments from SWIFT MT to ISO 20022 MX format, in line with regulatory deadlines.
- o **SEPA Adherence:** Enable SEPA participation through indirect access via the Group intermediary model, in line with EU requirements.
- **RDS / Remote Offer** - ISPA took this initiative with the aim of enhancing efficiency and security in document management processes. As part of this effort, 40 documents have been enabled for digital signing, with the option for further expansion.

The implementation of RDS (Remote Digital Signature) / Remote Offer strengthens the security of digital transactions and streamlines authentication across platforms. This opportunity is available for other bank documents as well, such as: contracts, agreements, and customer forms. Key benefits include improved security, faster processing, scalability, and enhanced user experience.

- **Automatic barcodes for NISA contracts** – An additional feature has been added to PDMS which automatically stamps the barcodes of Notarial Information System of Acts.

- **Revision of Corporate & SME Lending process** - During 2025, the bank initiated the enhancement of the Legal Entities lending process to improve efficiency, standardization, and speed-to-approval. The project focused on Corporate and SME lending, aiming to reduce Time to Yes and Time to Cash, while maintaining portfolio quality and risk standards.

Key improvements included standardized customer assessment and implementation of tools for centralized reporting, and monitoring. Training programs were also introduced to support consistent applications of the new process.

Infrastructural and IT Security related initiatives

- **PKI infrastructure replacement** – The root certificate of the Public Key Infrastructure, which provides digital certificates to applications and users for secure communication and authentication expired after 15 years in production. ICT Infrastructure and IT Security successfully implemented a new PKI infrastructure with a new root certificate and completed a large-scale replacement of more than 2,000 digital certificates without service interruption.

- **QoS in WAN links of branches** – The installation of PCs in branches for RDS also were in need of traffic prioritization, to avoid delays in critical applications. ICT Infrastructure implemented traffic marking and queuing across all network devices to ensure optimal performance.

- **Upgrade of Data Warehouse** – The data warehouse DBMS is upgraded to the reflect the latest version offered by the vendor.

- **SDLC Platform upgrade** – All components of Software Development Lifecycle Platform are upgraded to the latest version offered by the vendor.

- **Upgrade of old operating systems** - Continuous actions were taken to upgrade machines and applications to the latest versions. Notably, all instances of legacy IBM AIX systems were successfully decommissioned during the year.

- **Upgrade of VDI Operating Systems** – End User Operating Systems have been upgraded to the latest version of Microsoft Windows 10, aiming to uniform all OS-es for End User computing.

Security & BCM Department

In Line with the industrial plan of ISP Group, ISP Bank Albania has followed the ISP Group Strategy by adopting and aligning the local context with parent company technological target solutions and processes.

The Bank demonstrated a consistent upward trajectory in security maturity resulting in overall posture increase as regards Identify, Protect, Detect, Respond and Recover functions.

2025 marked a successful transition to Implemented/Target State for several critical security controls such as:

- Adoption of target Identity and Access Governance solution
- Implementation of enhanced Data Loss Prevention (DLP) and Data Labeling group target solutions
- Enhancement and strengthening of Application Security capabilities
- Hardened local infrastructure and enforced device lifecycle management.

The Security & BCM Department achieved full budget execution, ensuring activation of all planned security investments.

The strategic goals to be pursued by ISP Bank Albania, in collaboration and under the guidance of Intesa Sanpaolo Group, aim at raising awareness regarding cyber risks and cyber posture via launch of the Group Extended Integrated Model on Information Security through this customized security program (Integration Plan) organized in three mainstreams of intervention/enhancement:

A. Governance - adoption of the Information Security Model, including various macro areas of intervention, such as:

- Adaptation of Parent Company security rules into local regulatory framework
- Enhancement of the Security and Business Continuity Awareness & training
- Definition and local approval of the Information Security Plan dhe BCM Information Flows
- Third Party Classification and Monitoring
- End Of Life systems management
- Execution of Risk Target Process operative model

B. Measures/projects - implementation of the Target Security Measures and finalization of ongoing projects:

- Endpoint Protection - ATM Protection Solution - [Target Solution]
- Replacement of the PAM solution with Group Target solution
- Extension of the Data Labeling solution to enable the classification and protection of documents and emails to all users
- Introduction of formal Cryptographic Key Management policy and procedure, implementation of a technological solution, in order to ensure that encryption keys are stored and managing through a Hardware Security Module (HSM)

- Adoption of ISP Group fraud prevention solutions
- Feasibility study on the implementation of a solution for data at-rest encryption
- Cloud Security – Extension of further cloud protection and monitoring solutions

C. Integrated Control Model: Completed the Control Plan for 2025 as per the defined plan, in coordination with the Parent Company.

The Bank remains committed to maintaining a safe and secure environment across all branches and offices. In 2025, the bank enhanced the physical security framework through the implementation of the risk assessment process, advanced monitoring and rigorous security protocols. Regular audits, staff training, and emergency preparedness drills were conducted to ensure continuous alignment with industry best practices and regulatory requirements. These measures are integral to safeguarding our employees, customers, and assets, while supporting uninterrupted banking operations.

The 2025 cycle successfully elevated ISP Bank Albania's security standards. The bank is entering 2026 with a matured Target State architecture, having effectively mitigated identified risks associated with Security & BCM department.

Back Office

In 2025, the Back Office played a key role in advancing the Bank's strategic transformation and strengthening its payment infrastructure. Key efforts focused on supporting three major payment projects led by the Bank of Albania, in alignment with both local and EU regulatory requirements.

These included the upgrade of domestic payment systems—AIPS (high-value payments) and AECH (low-value payments)—ensuring full alignment with national and European standards. The Bank also progressed in implementing the ISO 20022 standard for cross-border payments, transitioning from MT to the MX message format in line with global requirements.

Additionally, the Bank advanced its SEPA adherence and implementation as mandated by regulatory authorities, successfully applying to participate as an indirect SEPA participant via the Intesa Sanpaolo Group.

As a result, the Bank now provides faster, more efficient, and standardized LEK and Euro payment services. Customers benefit from reduced costs, improved transparency, and simplified processes, with SEPA payments offering a similar experience to domestic transfers.

In parallel, the Back Office enhanced operational excellence through automation initiatives, including payment process automation and improved reconciliation processes, alongside strengthened internal controls. These efforts helped increase efficiency, reduce operational risk, and improve service quality.

Logistics Department

In line with the Group policies and governance standards, the Logistics Department played a strategic role in supporting operational excellence, sustainability objectives, and cost efficiency. Throughout the year, the Department focused on optimizing real estate and logistics costs, improving space utilization, promoting environmentally responsible practices, and enhancing both client experience and corporate image.

A key contribution during the year was the effective support provided to business segments through the reconfiguration and adaptation of branch premises to accommodate the Agro Center model. This initiative enabled more efficient use of infrastructure and alignment with evolving business needs.

Targeted refurbishment and expansion projects, including the modernization of the Bank-owned Elbasan branch, as well as the extension of Brunes branch delivered measurable benefits in cost optimization and operational effectiveness. These improvements enhanced customer facilities and working conditions, including better lighting, air circulation, and workspace functionality.

All initiatives ensured compliance with Occupational Health & Safety requirements, Group standards, and local regulations, reinforcing the Bank's commitment to a safe and sustainable working environment.

From a governance perspective, the Department strengthened the control framework through the implementation of key policies and procedures, including:

- o ISBA Rules for Real Estate Cost Management and Control
- o ISBA Rules on Green Banking Procurement
- o Procedure Workflow on Corporate Insurance
- o Procedure on Repossessed Assets Sale Process

These initiatives reinforced transparency, risk control, sustainability, and cost discipline, supporting the Bank's long-term strategic objectives.

Financial Review



Financial Review

In 2025, ISP Albania declared a net profit of ALL 2,810 million.

Compared to 2024, there was a drop in net revenues in some components.

Transaction-based revenues continued to present stable core income compared to the previous year, motivated specifically by cards business. Credit quality positively improved keeping NPL ratio stable at minimal levels. Net profit in 2025 was strongly affected by the good performance on revenues and loans provisions. The Bank managed to deliver a good performance, while concomitantly maintaining a healthy balance sheet structure. The analysis is made based on 2025 and 2024 results according to IFRS. If otherwise stated, all figures are presented in millions of ALL.

		Change	
		amount	%
NET INCOME (LOSS)		2,010 3,126	316 -10%
Minority interests			
Levies and other changes concerning the banking industry (net of tax)	-410 -400		(11) 3%
Charges (net of tax) for integration and exit incentives	-354 -294		(60) 20%
Taxes on income	-686 -801		115 -14%
Income (loss) before tax		4,260 4,621	(361) -8%
Other income (expenses)		34 4	30 -723%
- Net impairment losses on other assets		126 306	(179) -59%
- Net provisions for risks and charges	-3 -16		13 -80%
Net adjustments to loans	-202	51	253 -123%
Operating margin		4,053 4,530	(177) -11%
Operating costs	-3,763 -3,294		(63) 2%
Adjustments to property, equipment and intangible assets	-476 -461		(13) 3%
Other administrative expenses	-1,402 -1,418		16 -1%
Personnel Expenses	-1,887 -1,820		(67) 4%
Operating income		7,816 8,229	(414) -5%
Other Operating Income (Expenses)	11 9		(1) 14%
Net result of fin. assets and liab. valued at FV through PL and on Oth.		965 841	124 15%
Net fee and commission income		-1,027 -1,024	3 0%
Net Interest Income		5,834 6,373	(539) -8%

 Y 2025
  Y 2024

Lending Results – entirely generated in domestic market

- Total performing loans as of December 2025 stood at ALL 64,048 mln, increased by 13.5% from December 2024, driven by Corporate Segments. However, it is important to mention that Retail segments delivered an excellent performance. Overall y-o-y performance on lending and funding is strongly impacted by the exchange rate effect, considering that the bank has a concentration in fcy of more than 53% of its portfolio.

Credit quality - further improvement

- Improved credit quality, with a decline in the NPL ratio. Total Non-performing loans in December 2025 stood at ALL 1,463 mln, down by 21.2% compared to December 2024.

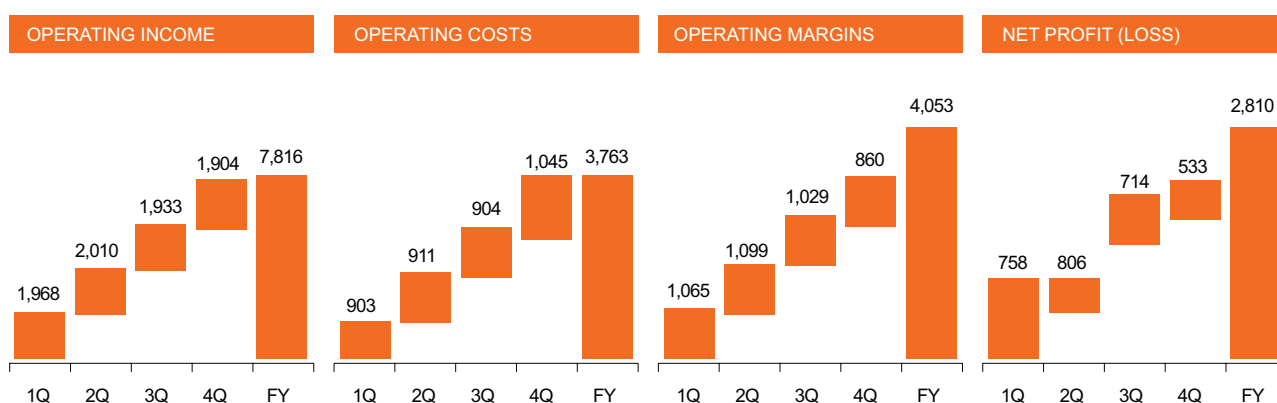
Strengthened capital position

- Regulatory Capital in December 2025 stood at ALL 24,493 million, up by 13.3% from December 2024 impacted from the increase of retained earnings for ALL 2,871 mln.
- Capital Adequacy Ratio at 26.3%, up by 1.8% (December 2024: 24.55%)

Cost discipline and efficiency

Cost income ratio at 48.1%, increased by 3.2% (2024: 45%)

Quarterly development of main consolidated income statement figures (ALL in mln)

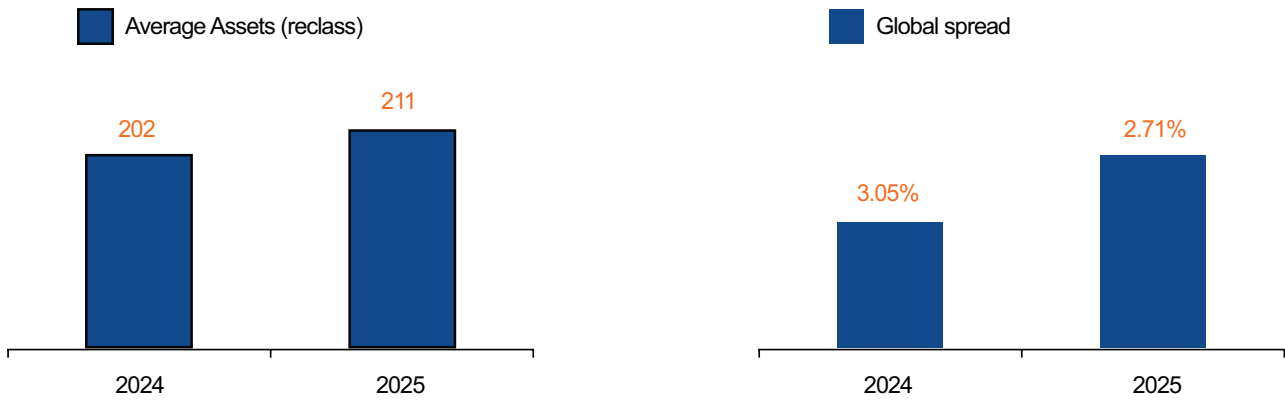


Operating Income

In the course of 2025, operating income dropped by 5%, primarily driven by the negative effects on interest income, down by ALL 539 mln:

• Interest income

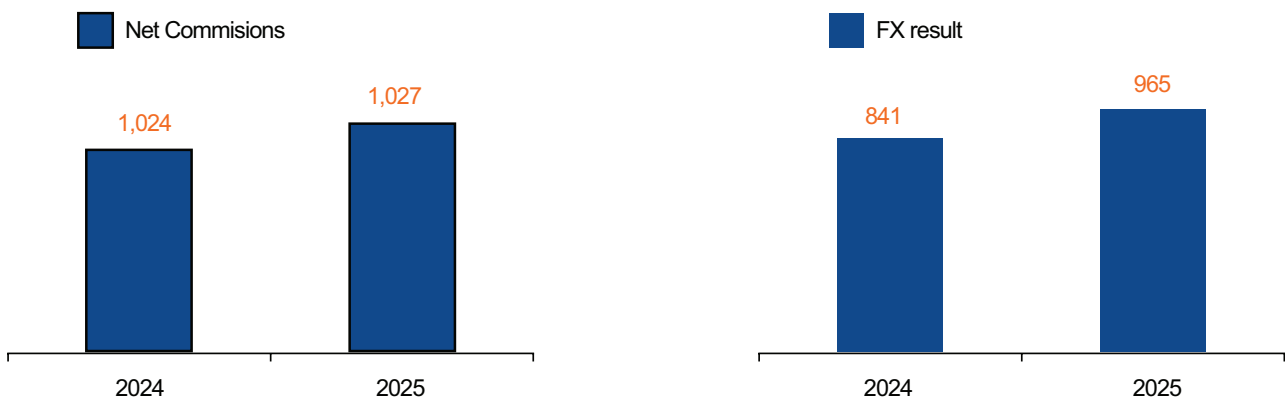
Net interest income decreased, primarily affected by the decrease of the interest rates in the market. Performing loans delivered a good performance, where the positive impact from loans volumes (+344 mln) offset the negative impact from interest rates decrease (-297 mln). The y-o-y negative impact was a mix of volume effect for ALL +171 mln and spread effect for ALL -692 mln, mainly driven by assets side.



- Higher commission income in almost all categories

Net Commissions resulted 0.3% higher in 2025, driven positively by the guarantees and card transactions, and negatively from loans and payments transactions, with the latter impacted negatively from the introduction of SEPA on October 2025.

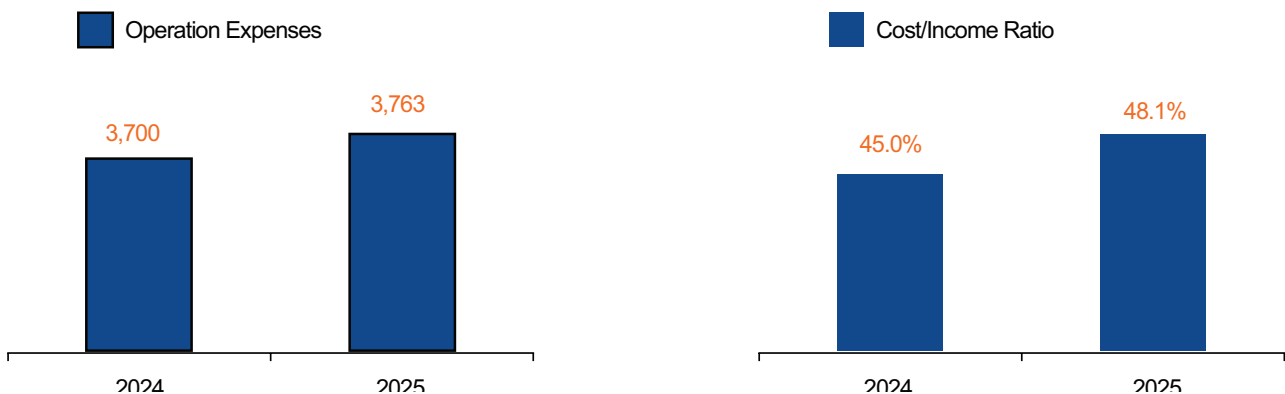
Higher income on trading transactions by 14.7% in 2025 compared to 2024, mainly driven by higher operational activity with customers.



Total Operating Costs

Operating cost resulted 1.7% higher than in 2024, driven by:

- The category of Personnel Expenses was higher than 2024 by +3.7%, driven by higher costs for salaries and wages, primarily impacted by higher cost/FTE (+9%).
- the category Other Administrative Expenses was lower by 1.1% compared with 2024, as a result of several



strong cost optimization initiatives that the bank undertook during 2025.

- Adjustments to property, equipment and intangible assets was higher by 2.7% than in 2024, following higher costs for rents (IFRS16) and capitalization of work in progress.

In full alignment with the Bank's overall strategy, the bank has paid particular attention on the lowering of "run the bank" costs, by leveraging on the development of economies of scale through ISG Central Procurement.

Improved credit risk

The NPL portfolio dropped by ALL 394 mln which was followed by a drop of ALL 182 mln in provisions fund for non-performing loans, which translated into an improvement of non-performing loans coverage ratio by 5.2%, reaching 70.9%.

	Dec 2020	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
NPL ratio	4.5%	3.9%	3.0%	3.1%	3.2%	2.2%
NPL coverage ratio	54.5%	52.9%	52.3%	57.2%	65.6%	70.9%
Cost of risk	0.37%	0.91%	0.43%	-0.30%	0.36%	-0.08%

Forward looking statement

Below are some of the main initiatives that stand behind Budget 2026:

- **Revenue growth:** accelerate growth (lending & deposits) to increase market share supported mainly by the following initiatives:

- o Lending acceleration program;
- o Credit scoring for consumer customers, and Internal rating model for legal entities;
- o Leverage on campaigns on ISP brand awareness, to acquire deposits;
- o Tailor-made pricing (differentiated at segment and high valued customers);
- o Leverage on IMI-CIB support, especially for structured finance.

- **Strong focus on fee-based income:**

- o Cards business boosting (ATM revenue sharing model with NEXI; credit cards penetration; Apple & Google pay);
- o Repricing activities, impacts started in 2026;
- o Enhancement of Bancassurance and AUM;
- o POS business enhancement (soft POS; strong control on expenses (Intelica));
- o Maintaining high transactional activity with customers as a driver for commissions & forex income;
- o Leverage on trade finance products and Factoring.

- **Proactive cost management/ efficiency:**

1. Cost control

- o Monitoring & optimizing IT costs,
- o Optimizing service model for variable costs,
- o Vendors re-negotiation,
- o Further exploiting cost discipline actions,
- o Leveraging on Global Procurement support.

2. Efficiency

- o Processing robotics on back office,
- o Outsourcing of support activities – focus on commercial ones: (Digital Branch; Archive centralization; Cash handling),
- o Optimization of workforce toward strengthening of commercial structures.

- **Preserving the good portfolio quality**

- o Maintaining a stable new NPL (~1% of total performing portfolio),
- o Reinforcing prevention activities, leveraging enhanced early warning systems based on sector-specific credit risk indicators.

- **Products & productivity:** Facilitating banking processes, improving products, enhancing salesforce productivity and creating a lean business model.

- **Customers:** Providing customers with tailored advice and guidance about their financial needs; developing a multi-channel approach to reach customers in different ways.

- **Enhancement of digital capabilities to increase efficiency & productivity:**

- o Front-end digital solutions for customer relationship
- o Boosting digital engagement and digital sales
- o Network footprint, toward an efficient and strong commercial focus
- o Revenue growth: Improving market share through strong synergies across Divisions and leverage on IMI-CIB support, especially for structured finance, as an area with extended expertise

Cost reduction: Cost optimization as a business-as-usual approach, toward efficiency.

Low cost of risk: High quality loan origination, through forward – looking credit decisions.

Improve customer base and core customer base, through contests and sponsorship activities.

Strengthen the ESG value proposition

Create a people-oriented culture and employee empowerment

Sustainability & ESG Strategy



Sustainability & ESG strategy

Sustainability is embedded at the core of Intesa Sanpaolo Bank Albania's strategy, in line with the Intesa Sanpaolo Group Business Plan 2022 - 2025, where ESG represents one of the key strategic pillars, with a strong focus on climate transition and social impact.

During 2025, Intesa Sanpaolo Bank Albania supported the Albanian economy by financing Corporate, SME and Retail clients, while facilitating their transition towards a more sustainable and inclusive model. This approach is driven by the strengthening of sustainable lending, the development of ESG-aligned products and the provision of dedicated advisory services.

At the same time, the Bank maintained a strong focus on corporate social responsibility, embedding ESG principles into its daily operations and contributing to broader sustainability objectives.

Governance remains a cornerstone of the Bank's ESG approach, supported by high standards of integrity, a robust internal control system and a strong commitment to employee protection, ensuring alignment with Group policies and international best practices.

Looking ahead, the Bank will continue to strengthen its ESG strategy in line with the evolving strategic direction of Intesa Sanpaolo Group, further supporting sustainable growth, technological innovation and long-term value creation.

ENVIRONMENTAL SUSTAINABILITY

The bank's product portfolio impacting the environment

Intesa Sanpaolo Bank Albania supports the transition towards a low-carbon and sustainable economy, through a structured sustainable financing approach, reflecting its commitment to environmental sustainability.

The Bank's environmental contribution is primarily driven by financing solutions supporting **renewable energy, energy efficiency and green buildings**, in line with internationally recognized sustainability standards. Through dedicated products such as: photovoltaic financing for both corporate and small business clients, as well as green personal loans developed in cooperation with international financial institutions, the Bank enables investments in solar

energy systems, energy-efficient technologies and improvements in the environmental performance of residential and commercial properties.

A key component of the Bank's environmental strategy is the promotion of financing aligned with circular economy principles, aimed at supporting projects that enhance resource efficiency, recycling, reduce waste and extend the lifecycle of materials and products. In this context, the dedicated **Circular Economy Plafond**, established with the support of Intesa Sanpaolo Group in cooperation with the Ellen MacArthur Foundation, provides favorable financing conditions for investments supporting the transition towards more sustainable economic models.

Furthermore, the Bank supports investments aligned with additional environmental categories, including **clean transportation, sustainable water and resource management and climate change adaptation and resilience**, contributing to a broader environmental impact across sectors. Through this diversified approach, Intesa Sanpaolo Bank Albania focuses on key environmental objectives, supporting the decarbonization of the economy and the transition towards a more sustainable future.

Intesa Sanpaolo Bank Albania's sustainability contribution is driven by its ESG financing portfolio, with a focus on renewable energy, green buildings, social lending and circular economy financing.

In 2025, the Bank allocated over €72.3 million to ESG financing, reinforcing its commitment to environmental transition and social inclusion and contributing to the development of a more sustainable economy in Albania.

Sustainable Contributions (January - December 2025):



NET ZERO COMMITMENT & OWN EMISSION PLAN

As part of Intesa Sanpaolo Group, the Bank aligns with the Group's commitment to achieve **Net Zero emissions by 2050**, covering both its own emissions and those related to its lending and investment portfolios, in line with the Net-Zero Banking Alliance. This long-term commitment is supported by intermediate **decarbonization targets for 2030** across key sectors, ensuring a progressive and measurable transition.

At local level, the Bank implements a structured emission reduction plan, aligned with Group guidelines and objectives, focusing on the reduction of its operational footprint. The plan is supported by a multi-phase approach, covering the periods **2021 - 2025, 2025 - 2030 and 2030 -2050** and includes concrete initiatives aimed at reducing emissions generated by the Bank's activities.

Key actions include the gradual transition towards **electric mobility** through the replacement of the Bank's vehicle fleet, the reduction of indirect emissions through **energy efficiency measures** such as the installation of photovoltaic systems for own consumption and the replacement of equipment with more efficient alternatives, as well as initiatives aimed at reducing the environmental impact of **business travel and paper consumption**, including the use of recycled materials and digitalization of processes.

In addition, the Bank promotes responsible sourcing practices by adopting a **Green Procurement approach**, ensuring that goods and services are selected based on environmental criteria throughout their lifecycle, while taking into account market availability.

SOCIAL SUSTAINABILITY

SUSTAINABILITY & OUR STAKEHOLDERS

The activity of Intesa Sanpaolo Bank Albania is entirely driven by our Code of Ethics, which enshrines the foundation that guides our bank in choices, actions and its corporate culture. The Code of Ethics is our *modus operandi*, that drives our vision toward creating sustainable value over time in economic, financial, social and environmental terms. This is realized based on our core values for building relationship of trust with our stakeholders. We promote and implement sustainable policies and practices in relation to our people, our customers, our shareholders, suppliers, environment and our community. The mission of our Code of Ethics is: We: **BELIEVE** in the integrity and sustainability of our actions and those of our Bank, **CARE** for our

customers through the excellence of our products, our services and our behavior, **CREATE VALUE AND INNOVATION** for people, businesses, and communities in all countries and areas where we operate, **BUILD A FUTURE** fostering sustainable development in favor of the environment, the younger generations and a truly inclusive society.

In line with the updated Code of Ethics, the Bank also integrates evolving principles related to innovation and digital transformation, including the responsible use of technologies such as artificial intelligence

EMPOWERING FINANCIAL INCLUSION

Intesa Sanpaolo Bank Albania is committed to promoting financial inclusion by expanding access to finance and supporting **key segments of society and economy**, contributing to inclusive growth and social development.

The Bank continues to collaborate with international financial institutions, including the European Bank for Reconstruction and Development, to develop tailored financial solutions and enhance its ESG product offering. In this context, dedicated programmes such as **Youth in Business** support young entrepreneurs up to the age of 35, providing access to financing, guarantee schemes and advisory services, fostering entrepreneurship and innovation.

The Bank also promotes inclusive financing through products designed to support key segments of society. Particular focus is placed on empowering women entrepreneurs through dedicated financing solutions, enabling women-led businesses to grow, innovate and strengthen their market presence. Since its introduction, this initiative has contributed to promoting equal opportunities and supporting the development of a more inclusive business environment.

In addition, the Bank supports housing accessibility through financing solutions developed in cooperation with public institutions, facilitating access to affordable housing for eligible individuals and families as well as facilitating young individuals and families to access tailored mortgage solutions. The Bank also offers subsidized student loans, developed in cooperation with public institutions to provide financial support to students for tuition fees and living expenses, thus improving access to higher education.

Through this diversified approach, Intesa Sanpaolo Bank Albania contributes to reducing financial barriers, supporting entrepreneurship and promoting equal opportunities, while strengthening its role in the sustainable development of the Albanian economy.

Corporate social
responsability



Strategic Approach:

Intesa Sanpaolo Bank Albania promotes and applies Corporate Social Responsibility principles across its relationships with employees, customers, suppliers, shareholders and the communities it serves. These efforts are guided by the Bank's Code of Ethics, which defines the core values, principles and commitments shaping its role as a responsible financial institution and a contributor to sustainable development.

As an integral part of Intesa Sanpaolo Group, the Bank integrates social responsibility into its strategic decisions and daily operations, maintaining a strong focus on creating long-term value for society and supporting inclusive and sustainable growth. Through continuous engagement with stakeholders, Intesa Sanpaolo Bank Albania contributes to addressing social and environmental challenges, while strengthening its role as a responsible and trusted partner in the Albanian market.

Sustainable Development Goals (SDGs)

Intesa Sanpaolo Bank Albania remains committed to supporting the United Nations Sustainable Development Goals (SDGs) through a range of corporate social responsibility initiatives aligned with its social and environmental priorities. During 2025, the Bank continued to implement activities contributing to the SDGs, generating positive impact across key areas such as education, social inclusion, environmental awareness and community development



(See below detailed activities, aligned with the respective SDGs)

SDG 1 – NO POVERTY!



SDG 3: Good Health and Well-being



SDG 4: Quality Education



SDG 8: Decent Work and Economic Growth



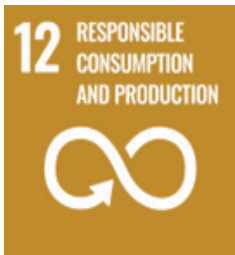
SDG 10: Reduced Inequalities



SDG 11: Sustainable Cities and Communities



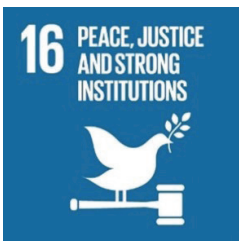
SDG 12: Responsible Consumption and Production



SDG 15: Life on Land



SDG 16: Peace, Justice and Strong Institutions



SDG 17: Partnerships for the Goals



Governance sustainability

Governance sustainability lays at the core of our strategy, reflecting our commitment to ethical conduct, transparency, and responsible management. We have continued to strengthen our governance framework to align it with evolving environmental, social, and governance (ESG) standards, ensuring effective oversight, sound risk management and regulatory compliance. Our Board and Executive leaders are dedicated to fostering a culture of integrity, inclusivity and accountability across all levels of the organization. These efforts support our objective of creating longlasting value for stakeholders, while contributing positively to the broader social and environmental landscape.

ESG strategy is further enforced in the organizational structure of the Bank by appointing the role of ESG Manager to a high-level position within its organizational chart (Deputy CEO), establishing a dedicated ESG Committee and a dedicated ESG structure, in charge of coordinating initiatives and playing a business development role. Alongside these activities, a separate structure is due to manage ESG risks in the CRO Division, while the structure for Corporate Social Responsibility has been further reinforced.

CORPORATE CONDUCT INTEGRITY

Integrity in corporate conduct is fundamental to our governance sustainability framework, with a strong emphasis on applying strict Anti-Bribery and Anti-Corruption policies. Our bank maintains zero-tolerance approach to bribery, corruption, and any form of unethical behavior. Comprehensive policies and procedures are in place to prevent, detect, and address misconduct, supported by regular employee training, internal control, and strong whistleblowing mechanisms. In parallel, we place high priority on Privacy and Consumer Protection, ensuring that customer data is handled with the utmost care, confidentiality, and in full compliance with applicable data protection laws. We continually enhance our systems and processes to safeguard personal information and deliver transparent and responsible services.

PEOPLE MANAGEMENT

At the heart of our organization lies a strong commitment to our People First strategy, recognizing that our employees are the driving force behind our success. We continue to foster a culture built on trust, collaboration, and continuous development, ensuring that every colleague feels empowered, valued, and inspired to contribute to our shared vision.

During 2025, we focused on strengthening employee engagement, enhancing professional capacities, and creating meaningful opportunities for growth. We believe that investing in our people is essential not only for individual success, but also for the sustainable growth of the organization.

Key pillars of our development strategy remain continuous learning, reskilling and upskilling.

In parallel, digitalization continues to play a central role in the transformation of our HR processes and employee experience, building on the successful launch of the #People HR Portal, which now serves as a central hub for HR services, talent management, and internal mobility, improving accessibility, efficiency, and transparency across the organization.

Our commitment to employee development is further reflected in several impactful initiatives launched throughout the year:

- The recognition of Intesa Sanpaolo Bank Albania as a **Top Employer**, reinforcing our position as an organization that prioritizes people and workplace excellence;
- The launch of **Discovery Under 35 initiative**, aimed at understanding, engaging, and developing young talent across the Group;

As we continue to evolve, our ambition remains clear: to build a modern, agile, and inclusive organization where people can thrive, by combining digital innovation, targeted training, and a strong people-centric culture. In so doing, we are shaping an environment that not only meets current needs, but also prepares our workforce for future challenges.

Our employees are not just part of our organization—they are its greatest strength. And as we move forward, we remain fully committed to supporting their growth, well-being, and success.

Intesa Sanpaolo Bank Albania is awarded certified Top Employer!

In January 2025, Top Employers Institute officially awarded Intesa Sanpaolo Bank Albania Top Employer in Albania. Top Employers Institute is one of the most globally recognized institutions in evaluating excellence in Human Resource practices. This prestigious certification is a concrete testament to our commitment towards building and developing a positive, inclusive, and supportive work environment, where every employee feels valued and has real opportunities for personal and

professional growth.

Intesa Sanpaolo Bank Albania is the only bank in Albania to have received this important award – an achievement that makes us proud and motivates us all to work with dedication and passion.

Through professional development programs, flexible work policies, and commitment to diversity and inclusion, the Bank continues to build a culture that prioritizes employee well-being and promotes innovation at every level of the organization.

Participation in Job and Career Fairs 2025

Between February and May 2025, representatives of the Human Resources Department participated in several important job and career fairs held across the country.

At the end of February, the Work & Study fair was organized at the Palace of Congresses in Tirana. The fair is a national event supported by institutions such as: the Municipality of Tirana, the Ministry of Finance, and the Ministry of Education. On April 2nd and 3rd, our Bank's colleagues participated in the Barleti University Job Fair and the 12th Career Fair of EPOKA University, where practical opportunities and employment were offered to students and graduates seeking professional challenges.

Additionally, in April, the Bank took part in the University of Tirana's Faculty of Economics and Faculty of Natural Sciences Job Fairs, as well as the European University of Tirana (JET) Job Fair. These fairs represent perfect platforms for building collaborations with educational institutions as well as for identifying new talents that will be pillars of our future success.

As a result of participating in the job fairs during the first half of 2025, the Bank has employed 5 new staff members and offered professional internships to 40 candidates.



“Discovery under 35” – A New Space for the Voice of Young Colleagues

Another important innovation is the Group's new initiative for young colleagues: Discovery under 35. As part of the Staff Strategy of Intesa Sanpaolo Group, this program aims to:

- Gain a deeper understanding of the experiences, strengths, and professional ambitions of colleagues under 35 (until December 31, 2026),
- Create a unified view of this part of the staff at the Group level,
- Develop more targeted and effective training and development programs.

Colleagues who are part of this initiative have at least one year of experience and are on an open-ended contract. Discovery under 35 represents a real opportunity for dialogue, active listening, and co-creating the future, strengthening motivation and the sense of belonging within the Group.

End-of-Year Party 2025 – Together Towards the Symphony of the Future

The conclusion of 2025 was undoubtedly marked by the End-of-Year Party, where we gathered to celebrate, under the theme Future Symphony, with the slogan Together Towards the Symphony of the Future. We aimed to celebrate:

- Our collective achievements,
- The energy and collaboration,
- And our shared vision for the years to come.

ESG REPORTING AND PERFORMANCE MEASUREMENT

ESG-related activities are regularly monitored and reported through dedicated governance mechanisms, including the ESG Committee, as well as through Group reporting tools, ensuring transparency and consistency in tracking sustainability performance.

The Bank applies structured processes for the identification and classification of ESG-related products and transactions, while continuously assessing exposure in ESG-sensitive sectors and potential reputational risks.

ESG objectives are integrated into the Bank's performance management framework, with dedicated Key Performance Indicators (KPIs), which get assessed on a regular basis as part of the annual evaluation process. In addition, the Bank

monitors measurable targets related to its own emission strategy, supporting progress towards its sustainability commitments.

SUSTAINABILITY & ESG AWARDS - Our trophy room

Intesa Sanpaolo Bank Albania continues to receive important national and international recognitions, reflecting its strong commitment to environmental, social and governance (ESG) principles and its contribution to sustainable development.



In 2025, the Bank was awarded Best ESG Bank in Albania 2025 by Global Banking & Finance Awards®, highlighting the successful integration of ESG principles into its strategy and business model, as well as its dedication to generating long-term value for the economy, society and the environment.

Relationships with Shareholders



RELATIONSHIP WITH SHAREHOLDERS

Intesa Sanpaolo Bank Albania guarantees timely and transparent communication with shareholders and the financial community in general, with the intent of providing clear, complete and prompt information on the status of the Bank's implementation of strategies and the results it achieves. The Bank has established a specific relationship with its shareholders, based on transparency and full mutual trust. The bank's goals are that values of all shareholders' capital invested in Intesa Sanpaolo Bank Albania is protected and groomed in a sustainable fashion. The Bank invests in enhancing this trust with information through different communication channels as: the publication of the financial statements after each semester, annual reports and press releases in the Bank's website, keeping the continuous exchange and organizing frequent meetings with the Shareholders Assemblies in writing or in their physical presence. The Bank's capacity to generate constant growth in profitability is also determined by high liquidity, further improvement of the capital base, reduction of operating costs, rigorous and prudent provisioning policy as well as the continuous and careful crediting to support the economy.

RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

We believe that behavior based on listening and exchanging ideas with our suppliers fosters the ongoing improvement of those relationships, reinforcing them and generating reciprocal value. Our attitude is based on trust that involves the suppliers in an active role and that leads them to promptly report problems that require the identification of a common solution. We believe that a clear and transparent attitude contributes to maintaining enduring relationships with our suppliers. We are convinced that integrity is a fundamental premise of these relationships. Our choice of suppliers is based on clear and proven criteria through objective and transparent procedures. We guarantee equal opportunity in the selection of suppliers and commercial partners, with due consideration to their compatibility and capacity for the size and needs of our company. Intesa Sanpaolo Bank Albania criteria on supplier and technology selection are part of the process for having a better environment and energy efficiency equipment.

During 2021, ISPBA, as part of Intesa Group was working for complementing the Group's centralized procurement project with the principles of transparency and fairness stated in the Code of Ethics, while aligning it with EU and ECB procurement directives.

Risk Appetite and Risk Tolerance Statement

Intesa Sanpaolo Bank Albania

1. Strategic Approach to Risk

The Bank has established a clear Risk Appetite and Risk Tolerance Framework, which is endorsed by the Board of Directors and directly linked to the Bank's mission, strategy, and long-term objectives.

The Bank has adopted a Risk Appetite Framework (RAF), which defines the maximum level of risk the Bank is willing to assume in pursuit of its strategic objectives, while preserving capital adequacy, liquidity, reputation, and regulatory compliance.

RAF is approved by the Board of Directors, and it gets reviewed at least annually. RAF is integrated with ICAAP and ILAAP processes and is aligned with Bank of Albania regulations.

2. Core Principles of Risk Appetite

- Financial resilience and long-term stability.
- Full compliance with regulatory requirements.
- Effective control of risks across all business activities.
- Strong risk management culture integrated into decision-making.

3. Risk Appetite by Main Categories

- Capital Risk: Low tolerance.
- Credit Risk: Moderate appetite.
- Market Risk: Low appetite.
- Liquidity Risk: Conservative profile.
- Operational / Compliance / Reputational Risk: Very low appetite.

4. Risk Management Frameworks and Tools

- Quantitative limits and KRIs.
- Escalation mechanisms for breaches.
- Periodic reporting to Committees and Board.
- Stress testing and scenario analysis.
- Statistical models and capital adequacy assessments.

5. Key Quantitative Indicators

Capital: CET1 $\geq 11\%$, CAR $\geq 16\%$, Leverage Ratio $> 6.5\%$

Liquidity: LCR $\geq 113\%$, NSFR $\geq 103\%$, Loan-to-Deposit $\leq 55\%$

Credit: Large Exposures $\leq 20\%$ of capital

Market: EVE Sensitivity -€11 million, NII -€7 million

Operational: Critical incidents monitored monthly

6. Conclusion

The Bank aims to maintain a sustainable risk profile, with strong capitalization, high liquidity, and a conservative approach toward non-financial risks. The Statement is reviewed annually or whenever significant regulatory changes occur.

Remuneration Policy

The Bank's Remuneration Policy is developed by the Human Resources and Organization Department and gets approved by the Board of Directors.

The Bank's Remuneration Policy reflects international best practices, with the aim of establishing a fair, transparent and appropriate compensation structure for the Bank.

Each year, the Bank reviews the Remuneration Policy, adapting and improving it in line with changes within Intesa Sanpaolo Group, market developments, and applicable regulatory requirements. The Policy is aligned with the Bank's risk management policies and is designed to avoid encouraging excessive risk-taking beyond the acceptable risk levels defined by the Bank.

Furthermore, the Remuneration Policy is consistent with the business strategy, short-term and long-term objectives of Intesa Sanpaolo Bank Albania, as well as with the principles and policies of Intesa Sanpaolo Group.

The Remuneration Policy defines the principles for distributing remuneration in a proportionate manner, in line with the role, responsibilities, performance and contribution of staff, while also considering their impact on the Bank's risk profile.

In this context, the Board of Directors annually approves the identified staff whose professional activities have, or may have, a material impact on the Bank's risk profile, based on their role, responsibilities, decision-making authority and relevant contribution. For this purpose, the Bank identifies the following categories of identified staff:

1. Identified staff at Group level;
2. Identified staff at Bank level.

<u>Table 19: Forms and elements of remuneration for Executive Directors (year end)</u>	Value /000LEK
The total aggregated value of payments and bonuses for the current fiscal year 2025 immediate / for the current period . For the past period	
Executive Directors	
Fixed Elements of remuneration	128,664.85
Cash/bonus	
Shares	8,009.24
Others	24,256.78
Variable Elements of remuneration	
Cash/bonus	33,989.71
Shares	
Others	

<u>Table 19: Forms and elements of remuneration for Board of Directors and Audit Committee (year end)</u>	Value /000LEK
The total aggregated value of payments and bonuses for the current fiscal year 2025 immediate / for the current period . For the past period	
Board of Directors and Audit Committee	
Fixed Elements of remuneration	8,022.06
Cash/bonus	
Shares	
Others	
Variable Elements of remuneration	
Cash/bonus	
Shares	
Others	

Audited Financial
Statements



INTESA SANPAOLO BANK ALBANIA SH.A.

Financial Statements
For the year ended 31 December 2025
(with independent auditors' report thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Intesa Sanpaolo Bank Albania sh.a

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Intesa Sanpaolo Bank Albania sh.a (the "Bank"), which comprise the statement of financial position as at December 31, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Albania. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information included in Intesa Sanpaolo Bank Albania sh.a 2025 Annual Report

Management is responsible for the other information. The other information consists of the information included in the Bank's 2025 Annual Report, prepared in accordance with articles 17, 18 and 19 of the Law no. 25/2018 "For Accounting and Financial Statements", but does not include the financial statements and our auditor's report thereon. The Bank's 2025 Annual Report is expected to be made available to us after the date of this auditor's report.

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young - Ekspert Kontabël i Autorizuar
Dega në Shqipëri

March 24, 2026
Tirana, Albania



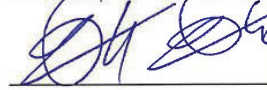
Mario Vangjel
Certified Auditor

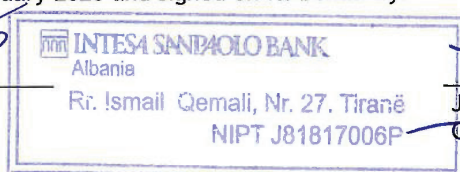
Intesa Sanpaolo Bank Albania sh.a.
Statement of financial position as at 31 December 2025
(in thousands of Lek)

Statement of financial position

	Notes	2025	2024
Assets			
Cash and cash equivalents	13	8,329,548	11,046,340
Loans and advances to banks	14	51,524,618	49,446,943
Investment securities	15	82,991,200	80,731,322
Loans and advances to customers	16	63,960,822	56,421,796
Tax assets	36	135,314	154,091
Other assets	21	422,727	724,254
Investment property	20	495,300	501,410
Repossessed assets	22	104,760	162,004
Property and equipment	17	1,633,980	1,813,257
Right-of-use assets	18	564,518	541,748
Intangible assets	19	562,271	583,835
Total Assets		210,725,058	202,127,000
Liabilities			
Due to banks and financial institutions	23	1,899,608	2,685,057
Current tax liability	36	-	39,128
Due to customers	24	179,740,815	172,405,715
Lease liabilities	18	541,105	507,729
Other liabilities	27	1,569,382	2,033,134
Provisions	26	314,597	481,379
Deferred tax liabilities	25	45,985	4,588
Total Liabilities		184,111,492	178,156,730
Equity			
Share capital	28	5,562,518	5,562,518
Share premium	28	1,383,880	1,383,880
Reserves	29	6,974,599	7,141,465
Retained earnings		12,692,569	9,882,407
Total Equity		26,613,566	23,970,270
Total Liabilities and Equity		210,725,058	202,127,000

These financial statements have been approved by the Board of Directors of Intesa Sanpaolo Bank Albania sh.a. on 23 February 2026 and signed on its behalf by:


Giuseppe Giampietro
Chief Executive Officer




Julian Cella
Chief Financial Officer

The Statement of financial position is to be read in conjunction with the accompanying notes on pages 6 to 80 forming an integral part of these financial statements.

Intesa Sanpaolo Bank Albania sh.a.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2025

*(in thousands of Lek)***Statement of profit or loss and other comprehensive income**

	Notes	2025	2024
Interest income	30	7,427,324	7,867,911
Interest expense	30	(1,606,992)	(1,494,765)
Net interest income		5,820,332	6,373,146
Fee and commission income	31	1,886,907	1,782,044
Fee and commission expense	31	(859,854)	(757,837)
Net fee and commission income		1,027,053	1,024,207
Other income	32	1,022,220	937,765
Other operating expenses	33	(488,178)	(474,547)
Operating income		7,381,427	7,860,571
Net impairment loss on financial assets	9 (v)	217,551	26,704
Impairment losses/write-backs to other financial activities	26	7,716	16,782
Write down to NRV of repossessed collaterals	22	(42,934)	(35,448)
Personnel expenses	34	(1,886,878)	(1,871,316)
Depreciation and amortization	17,18,19,21	(557,373)	(562,429)
Fair value (increase)/decrease of Investment property	20	(6,110)	16,154
Other administration expenses	35	(1,748,907)	(1,599,599)
Provisions for risk and expenses	26	(3,328)	(46,994)
Total expenses		(4,020,263)	(4,056,146)
Net income before taxes		3,361,164	3,804,425
Income tax expense	36	(551,002)	(678,709)
Profit for the year		2,810,162	3,125,716
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Change in fair value of investment securities at FVOCI		(172,651)	589,035
Related tax		3,066	(130,082)
Items that will not be reclassified to profit or loss			
Change in revaluation of shares		2,719	-
Related tax		-	-
Other comprehensive income for the year, net of tax		(166,866)	458,953
Total comprehensive income for the year, net of tax		2,643,296	3,584,669

The Statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes on pages 6 to 80 forming an integral part of these financial statements.

Intesa Sanpaolo Bank Albania sh.a.
Statement of changes in equity for the year ended 31 December 2025
(in thousands of Lek)

Statement of changes in equity

	Share capital	Share premium	Legal and regulatory reserves	Fair value reserve	Revaluation reserve	Other capital reserve	Merger Reserve	Retained earnings	Total
Balance at 1 January 2025	5,562,518	1,383,880	1,825,623	1,253,488	534,404	714,554	2,813,396	9,882,407	23,970,270
Profit for the year	-	-	-	-	-	-	-	2,810,162	2,810,162
Other comprehensive income	-	-	-	-	-	-	-	-	-
Change in fair value of debt investment at FVOCI, net of income tax	-	-	-	(166,866)	-	-	-	-	(166,866)
Change in the Revaluation reserve	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(166,866)	-	-	-	-	(166,866)
Transaction with owners, recorded directly in equity	-	-	-	-	-	-	-	-	(166,866)
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Total contributions by and distribution to owners	-	-	-	-	-	-	-	-	-
Balance at 31 December 2025	5,562,518	1,383,880	1,825,623	1,086,622	534,404	714,554	2,813,396	12,692,569	26,613,566

The Statement of changes in equity is to be read in conjunction with the accompanying notes on pages 6 to 80 forming an integral part of these financial statements.

Intesa Sanpaolo Bank Albania sh.a.
Statement of changes in equity for the year ended 31 December 2025 (continued)
(in thousands of Lek)

Statement of changes in equity

	Share capital	Share premium	Legal and regulatory reserves	Fair value reserve	Revaluation reserve	Other capital reserve	Merger Reserve	Retained earnings	Total
Balance at 1 January 2024	5,562,518	1,383,880	1,825,623	794,535	534,404	714,554	2,813,396	11,100,177	24,729,087
Profit for the year	-	-	-	-	-	-	-	3,125,716	3,125,716
Other comprehensive income	-	-	-	-	-	-	-	-	-
Change in fair value of debt investment at FVOCI, net of income tax	-	-	-	458,953	-	-	-	-	458,953
Change in the Revaluation reserve	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	458,953	-	-	-	-	458,953
Transaction with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	(4,343,486)	(4,343,486)
Total contributions by and distribution to owners	-	-	-	-	-	-	-	(4,343,486)	(4,343,486)
Balance at 31 December 2024	5,562,518	1,383,880	1,825,623	1,253,488	534,404	714,554	2,813,396	9,882,407	23,970,270

The Statement of changes in equity is to be read in conjunction with the accompanying notes on pages 6 to 80 forming an integral part of these financial statements.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***Statement of cash flows**

	Notes	2025	2024
Net profit for the year		2,810,162	3,125,716
Adjustments for:			
Depreciation and amortization	17,18,19, 21	557,373	562,429
Fair value decrease/(increase) of investment property	20	6,110	(16,154)
Net impairment reversal of financial assets	9 (v)	(225,267)	(43,487)
Write down of repossessed collateral		42,934	35,448
Net Gain/ (loss) from sale of properties		(33,457)	(2,627)
Net interest income	30	(5,820,332)	(6,373,146)
Tax expense	36	505,085	678,709
Changes in			
Loans and advances to banks		(2,077,998)	(5,943,530)
Loans and advances to customers		(7,481,985)	(3,721,868)
Due to banks		(769,774)	(422,191)
Due to customers		7,350,031	6,004,607
Inventory and other assets		422,757	28,400
Other liabilities and provisions		(622,818)	533,447
Deferred tax asset		-	(5,000)
Deferred tax liability		44,461	4,588
Proceeds from sale of repossessed collaterals		55,535	-
Interest received		7,315,025	7,769,990
Interest paid		(1,623,772)	(1,261,706)
Income taxes paid		(679,526)	(610,058)
Net cash from/(used) in operating activities		(225,457)	343,567
Cash flows from investing activities			
(Purchase)/sale of property and equipment	17	(131,075)	(144,667)
(Purchase)/sale of intangible assets	19	(33,343)	(177,802)
Acquisitions of investments securities	15	(50,336,434)	(50,647,304)
Sale/Maturity of investment securities		48,199,068	50,042,995
Net cash used in investing activities		(2,301,784)	(926,778)
Cash flows from financing activities			
Dividend paid to shareholders	28	-	(4,343,486)
Repayment of lease liability	18	(175,725)	(160,217)
Proceeds from borrowings	23	-	1,125,111
Repayment of borrowings	23	(13,826)	(12,490)
Net cash used in financing activities		(189,551)	(3,391,082)
Net increase in cash and cash equivalents		(2,716,792)	(3,974,293)
Cash and cash equivalents at 1 January	13	11,046,340	15,020,633
Cash and cash equivalents at 31 December	13	8,329,548	11,046,340

The Statement of cash flows is to be read in conjunction with the accompanying notes on pages 6 to 80 forming an integral part of these financial statements.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***1. Reporting entity**

Intesa Sanpaolo Bank Albania Sh.a, (the “Bank”), is a financial institution domiciled in Albania as joint stock company and involved primarily in corporate and retail banking. Intesa Sanpaolo S.p.A is the sole shareholder and also ultimate parent, located in Torino, Italy at the address “Piazza San Carlo”.

The Bank’s registered office is at “Ismail Qemali” street, no. 27, and operates through a network of 34 branches and agencies, located in different cities of Albania: Tirana, Durrës, Vlora, Elbasan, Fier, Berat, Gjirokastra, Korca, Lushnja, Shkoder, Lezhe, Kavaje (2024: 35 branches and agencies). The Bank had 709 employees as at 31 December 2025 (2024: 767).

2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). They were authorized for issue by Management and approved by the Board of Directors on 23 February 2026.

3. Basis of preparation

The financial statements are prepared on a historical cost basis except for financial assets at FVOCI, investment properties and own used properties, which are stated at fair value and inventory of repossessed collaterals which is measured at the lower of cost and net realizable.

4. Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 12.

Comparative

Certain reclassification is made in order to obtain better presentation and disclosure in the financial statements as at 31 December 2025 and as at 31 December 2024. More specifically:

- “Amortization of leasehold improvements” of ALL 27,196 thousand was presented as a separate line in the statement of profit or loss and other comprehensive income for the year ended 31 December 2024, and for both periods ending on 31 December 2025 and 2024 it is presented in one line with “Depreciation and amortization”. The respective disclosures in the notes to the financial statements have been made with respect to this reclassification.

5. Functional and presentation currency

The financial statements are presented in Lek, which is the Bank’s functional and presentation currency. Except as indicated otherwise, financial information presented in Lek has been rounded to the nearest thousand.

6. Going Concern

The Bank’s management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

7. Use of estimates and judgments

The preparation of the Bank’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***7. Use of estimates and judgments (continued)**

Management has assessed the materiality of various items based on both quantitative thresholds and qualitative considerations. Materiality is determined not only by the magnitude of amounts but also by the nature of the items and their potential impact on users of the financial statements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates from the review are recognized prospectively.

A. Judgements

Information about judgements made in applying material accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

-Note 9.(a): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

-Note 9.(f).(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties is included in the following notes.

-Note 9.(a): impairment of financial instruments: determining inputs into the ECL impairment model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information

-Note 9.(g): determination of the fair value of financial instruments and non-financial assets with significant unobservable inputs

-Note 8.(e).(ii): recognition of deferred tax assets

-Note 8.(r): recognition and measurement of contingencies: key assumption about the likelihood and magnitude of an outflow of resources

-Note 8.(n): net realizable value of inventory: fair value measurement with significant unobservable inputs.

8. Summary of accounting policies

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

(a) Foreign currency

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognized in profit or loss. Foreign currency differences arising from retranslation of transactions with owners are recorded directly in equity.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(b) Effective Interest rate**

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. 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.

Amortized cost and gross carrying amount

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 8.(f)(vi).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortized cost;
- interest on debt instruments measured at FVOCI;
- Other interest income presented in the statement of profit or loss includes interest income on lease receivables.

Interest expense presented in the statement of profit or loss include interest expense from financial liabilities measured at amortized cost.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(c) Fees and commissions**

Fees, commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate (see Note 8.(c)).

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations, as explained further in the notes below.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

i. Fee income earned from services that are provided over a certain period of time

Fees and commission earned for the provision of services over a period of time are accrued over that period. These fees include collection and payment, account servicing fees, investment management fees, and guarantees fees.

ii. Fee income from providing financial services and earned at a point in time

Fees and commissions arising from negotiating or participating in the negotiation of a transaction with a third party, such as other fees and commission expense relating mainly to transaction and service fees including ATM and POS fees, advance liquidation of credit lines, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(d) Leases

At inception of a contract, the Bank assesses whether a 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

i. Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and offices premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(d) Leases (continued)***i. Bank acting as a lessee (continued)*

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payment 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 a rate, initially measured using the index of rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is change in the Bank's estimate of the amount expected to payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 the right-of-use asset is reduced to zero.

The Bank presents right-of-use assets in and lease liabilities in separate lines in the face of statement of financial position. The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. Bank acting as a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Bank acts as a lessor, it determines at lease inception whether the lease is a financial lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(e) Income Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(i) Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(e) Income Tax (continued)***(ii) Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(f) Financial assets and financial liabilities*(i) Recognition and initial measurement*

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank. Nostro transactions are recognized when the transaction is settled and cleared internally. All other financial instruments (including regular-way purchases and sales of financial assets) are initially recognized on the trade date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, the Bank classified a financial asset as measured at amortized cost, FVOCI or FVTPL.

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows (Hold to collect mode);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (Hold to collect and sell model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(f) Financial assets and financial liabilities (continued)****(ii) Classification (continued)**

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money 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 profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities as other financial liabilities, subsequently measured at amortized cost. See notes 8.(p), (q).

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(f) Financial assets and financial liabilities (continued)****(iii) De-recognition****Financial Assets**

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Modification of financial assets and financial liabilities**Financial assets**

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see (iii)) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(f) Financial assets and financial liabilities (continued)****(iv) Modification of financial assets and financial liabilities (continued)****Financial assets (continued)**

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 8.f.(vi)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see Note 8 (b)).

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Off-setting

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from Bank's similar transactions such as in the trading activity.

(vi) Impairment

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(f) Financial assets and financial liabilities (continued)****(vi) Impairment (continued)**

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *cash and deposits*: are measured as 12-month ECLs which represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Due to the maturity of less than 12 months then the 12-month ECLs are the credit losses expected over the period to maturity.
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 9(a).

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(f) Financial assets and financial liabilities (continued)****(vi) Impairment (continued)**

In assessing whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortized cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; *and*
- *debt instruments measured at FVOCI*: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized against the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

The contractual amount outstanding on financial assets that were written off by the Bank as at 31 December 2025 and that were still subject to enforcement activity was LEK 7,220 million (2024: 7,228 million).

(g) Fair value measurement

The bank measures financial instruments such as FVOCI, and non-financial assets such as investment properties and buildings (part of property and equipment), at fair value at each balance sheet date.

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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(g) Fair value measurement (continued)**

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is entirely supported by observable market data or the transaction is closed out.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines and recognize whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of investment properties and buildings. Involvement of external valuers is determined by the Parent Bank.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the notes 10 and 11.

(h) Cash and cash equivalents

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

(i) Loans and advances

Loans and advances captions in the statement of financial position include loans and advances measured at amortized cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

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

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(j) Investment securities**

The “investment securities” caption in the statement of financial position includes

- debt investment securities measured at amortized cost (see f (ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- debt securities measured at FVOCI;

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- Interest revenue using the effective interest method
- ECL and reversals, and
- Foreign exchange gains and losses

When debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

(k) Property and equipment**(i) Recognition and measurement**

Equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Property are measured at revalued amounts, being the fair value at the date of revaluation less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land and art works are not depreciated.

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

	<u>2025</u>	<u>2024</u>
• Buildings	20-33 years	20-33 years
• IT and Electrical Equipment	4 to 8 years	4 to 8 years
• Furniture	3 to 10 years	3 to 10 years
• Other non-electrical assets	5 years	5 years

(l) Intangible assets

Software, licenses and trademarks compose intangible assets and are stated at cost less accumulated amortization. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is charged on a straight-line basis in profit or loss over the estimated useful lives, from the date that it is available for use. The estimated useful lives for the current and comparative periods are as follows:

	<u>2025</u>	<u>2024</u>
• Software	5 years	5 years
• Licenses and trademarks	10 years	10 years

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(m) Investment property**

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognized in profit or loss within other income. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(n) Repossessed collateral

Repossessed collateral comprises assets acquired through enforcement of security over non-performing loans and advances to customers which do not earn rental and are not used by the Bank and are intended for disposal in a reasonably short period of time, without significant restructuring. Repossessed assets are measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss.

(o) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amount of its non-financial assets (other than inventory and deferred tax assets) 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 recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset 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 which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Deposits

Deposits are the Bank's sources of debt funding. Deposits are initially measured at fair value plus directly attributable transaction costs and subsequently measured at their amortized cost using the effective interest method.

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

(q) Provisions

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

A provision for bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognized when that minimum activity threshold is reached.

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

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(r) Financial guarantees and loan commitments**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.
- the Bank recognizes a loss allowance

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(s) Employee benefits**(i) Defined contribution plans**

The Bank makes only compulsory social security contributions that provide pension benefits for employees upon retirement. In Albania, the local authorities are responsible for providing the legally set minimum threshold for pensions under a defined contribution pension plan. The Bank's contributions to the benefit pension plan are expensed in profit or loss as incurred.

(ii) 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 recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(t) Changes in accounting policy and disclosures

- **New and amended standards**

IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. Management has assessed that this amendment did not have an impact on the Bank's financial statements.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***8. Summary of accounting policies (continued)****(t) Changes in accounting policy and disclosures (continued)**

- **Standards issued but not yet effective and not early adopted**

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the financial statements.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is discharged, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social, and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including ESG-linked) and equity instruments classified at fair value through other comprehensive income. The Bank is currently in the process of assessing the impact of the new amendment, however is not intending to early adopt such amendments.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if contracts in scope of the amendments are used as hedging instruments, and introduce new disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and cash flows. The clarifications regarding the 'own-use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application. The Bank does not expect that the amendments will have a material impact on its financial statements.

- **Annual Improvements to IFRS Accounting Standards - Volume 11**

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards. Management will assess the impact during the year 2026.

- **IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. In the following reporting periods, Management will analyse the requirements of this newly issued standard and assess its impact.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management**

The Bank is exposed to the following risks from financial instruments:

- a. credit risk
- b. liquidity risk
- c. market risk
- d. operational risk

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

Risk management framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Governance Committees (Executive Directors Committee, Credit Committee, Asset Liability Committee, Operational Risk Committee, Credit Risk Governance Committee, Problematic Loans Committee and other committees) that have the authority for decision-making in their specified areas.

Risk Management Division is responsible for developing and monitoring the Bank's risk management policies in these areas. All the Bank's committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

(a) Credit Risk

In the normal course of its business, the Bank is exposed to credit risk on its loans and advances to customers and banks, investment securities and other off-balance-sheet items. Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, debt securities, on funds with other financial institutions and other off-balance sheet items. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Bank manages its exposure to credit risk on a regular basis by closely monitoring credit limits, its loan portfolio and concentration of exposure.

(i) Management of credit risk

The Board of Directors has delegated responsibility for decision-making to Committees in Credit Area. The Risk Management Division, reporting to the CEO, is responsible for the oversight and management of the Bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Reviewing and assessing credit risk.* The Bank's Underwriting Department assesses all credit exposures, before facilities are committed to customers by the Bank. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Bank's risk classifications* in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk classification is used in determining where impairment may be required against specific credit exposures.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk****(i) Management of credit risk**

According to the Bank's methodology, all exposures are classified between Performing (including Stage 1 and Stage 2) and Non- Performing exposures (Stage 3-including Past Due, Unlikely to Pay "UTP" and Doubtful). The bank classifies the performing portfolio in two clusters Stage 1 and Stage 2 based on a set of rules harmonized with the guidelines of Intesa Sanpaolo Group, driven by the signs of deterioration of the exposure as per below specifications:

Stage 1	Stage 2	Stage 3
<ul style="list-style-type: none"> Performing exposures without days past due Performing exposures with less than 30 days past due 	<ul style="list-style-type: none"> Performing exposures with more than 30 days past due Performing exposures with significant increase in PD since origination through delta PD lifetime or alternative criteria (e.g. rating downgrade, external scores) Backstop measures for delta lifetime PD Other staging criteria: Forborne (performing exposure and probation period) and Early Warning Signal 	<ul style="list-style-type: none"> Exposures with more than 90 days past due Past Due in Probation Period Unlikely to Pay UTP in Probation Period Doubtful Forborne Non performing NPV test > 1% in case of distressed restructuring

- Developing and maintaining the Bank's risk classifications* (continued) The Non-Performing portfolio is classified by analyzing the exposures also based on a set of rules harmonized with the guidelines of Intesa Sanpaolo Group. These rules include objective evidence being: breach of contract (such as default or delinquency in interest or principal payments); significant financial difficulty of the borrower; and other significant adverse financial information relating to the customer.
- Reviewing compliance* of business units with agreed exposure limits, including those for selected industries and product types. Detailed analyses are provided monthly to the Problem Assets Committee on the credit quality of customer exposures and specific actions are proposed.
- Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk.

(ii) Maximum Exposure to Credit Risk

The following table shows the current maximum exposure to credit risk for the applicable components of statement of financial position:

	Maximum Exposure	
	31 December 2025	31 December 2024
Cash and cash equivalents (excluding cash on hand)	6,518,505	9,281,732
Loans and advances to banks	51,524,618	49,446,943
Investment securities	82,991,200	80,731,322
Loans and advances to customers	63,960,822	56,421,796
Sundry debtors	35,884	17,617
Total on-balance-sheet risk	205,031,029	195,899,410
Undrawn credit commitments	7,857,295	8,946,551
Letters of credit	861,901	995,858
Guarantees in favor of customers	8,130,631	6,802,101
ECL off balance sheets	(38,459)	(46,534)
Total credit related commitments	16,811,368	16,697,976
Total Credit Risk Exposure	221,842,397	212,597,386

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(ii) Maximum Exposure to Credit Risk (continued)**

The balances are presented net of ECL. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure, but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act or event, generally related to the import or export of goods, and payment and performance guarantees.

Such commitments expose the Bank to similar credit risks, which are mitigated by the same control processes and policies. Every month, the Bank assesses the credit related commitments for impairment. Amounts subject to individual impairment assessment are non-cancellable commitments granted to non-performing customers or customers with restructured credit facilities.

In the commitments are included bank guarantees counter guaranteed by the Parent Bank amounting ALL 1,628 million (2024: ALL 818 million) assessed with no credit risk, excluded from the disclosures in the note 9(a)(v) below.

(iii) Credit Quality by class of financial assets

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 9(a)(i). Past due is based on EBA definition of non-performing loans and it refers to the loans and advances to customers with more than 90 days past due.

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
Performing	63,073,801	974,364	-	64,048,165
Past Due	-	-	91,447	91,447
Unlikely to Pay	-	-	869,298	869,298
Doubtful	-	-	502,696	502,696
Total	63,073,801	974,364	1,463,441	65,511,606
Loss allowance	395,633	118,115	1,037,036	1,550,784
Carrying amount	62,678,168	856,249	426,405	63,960,822
	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
Performing	54,612,730	1,819,360	-	56,432,090
Past Due	-	-	68,293	68,293
Unlikely to Pay	-	-	1,031,859	1,031,859
Doubtful	-	-	773,702	773,702
Total	54,612,730	1,819,360	1,873,854	58,305,944
Loss allowance	470,491	175,988	1,237,669	1,884,148
Carrying amount	54,142,239	1,643,372	636,185	56,421,796

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)**

	31 December 2025			
	Stage 1	Stage 2	Stage3	Total
Financial guarantee and commitment				
Performing	15,202,695	13,303	-	15,215,998
Past Due	-	-	309	309
Unlikely to Pay	-	-	2,114	2,114
Doubtful	-	-	3,282	3,282
Total	15,202,695	13,303	5,705	15,221,703
Loss allowance	33,280	(174)	5,353	38,459
Carrying amount	15,169,415	13,477	352	15,183,244

	31 December 2024			
	Stage 1	Stage 2	Stage3	Total
Financial guarantee and commitment				
Performing	15,868,592	52,963	-	15,921,555
Past Due	-	-	292	292
Unlikely to Pay	-	-	2,107	2,107
Doubtful	-	-	1,920	1,920
Total	15,868,592	52,963	4,319	15,925,874
Loss allowance	41,117	1,419	3,998	46,534
Carrying amount	15,827,475	51,544	321	15,879,340

PD Range	31 December 2025			
	Stage 1	Stage 2	Stage3	Total
Loans and advances to customers				
0%-0.05%	43,600	-	-	43,600
0.05% -11.70%	63,030,201	-	-	63,030,201
11.70%-29.50%	-	850,752	-	850,752
29.50%-99.99%	-	123,612	-	123,612
100%	-	-	1,463,441	1,463,441
Total	63,073,801	974,364	1,463,441	65,511,606
Loss allowance	395,633	118,115	1,037,036	1,550,784
Carrying amount	62,678,168	856,249	426,405	63,960,822

PD Range	31 December 2024			
	Stage 1	Stage 2	Stage3	Total
Loans and advances to customers				
0%-0.05%	39,387	-	-	39,387
0.05% -11.70%	54,143,140	-	-	54,143,140
11.70%-29.50%	430,203	1,719,152	-	2,149,355
29.50%-99.99%	-	100,208	-	100,208
100%	-	-	1,873,854	1,873,854
Total	54,612,730	1,819,360	1,873,854	58,305,944
Loss allowance	470,491	175,988	1,237,669	1,884,148
Carrying amount	54,142,239	1,643,372	636,185	56,421,796

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(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iii) Credit Quality by class of financial assets (continued)

	31 December 2025			
	Stage 1	Stage 2	Stage3	Total
Loans and advances to banks*				
Performing	40,221,735	-	-	40,221,735
Total	40,221,735	-	-	40,221,735
Loss allowance	2,067	-	-	2,067
Carrying amount	40,219,668	-	-	40,219,668

Investment securities at FVOCI

Performing	81,949,073	-	-	81,949,073
Total	81,949,073	-	-	81,949,073
Loss allowance**	226,530	-	-	226,530
Carrying amount	81,949,073	-	-	81,949,073

Investment securities at amortized cost

Performing	758,335	283,531	-	1,041,866
Total	758,335	283,531	-	1,041,866
Loss allowance	1,370	1,088	-	2,458
Carrying amount	756,965	282,443	-	1,039,408

	31 December 2024			
	Stage 1	Stage 2	Stage3	Total
Loans and advances to banks*				
Performing	42,163,099	-	-	42,163,099
Total	42,163,099	-	-	42,163,099
Loss allowance	1,653	-	-	1,653
Carrying amount	42,161,446	-	-	42,161,446

Investment securities at FVOCI

Performing	76,359,711	-	-	76,359,711
Total	76,359,711	-	-	76,359,711
Loss allowance**	378,756	-	-	378,756
Carrying amount	76,359,711	-	-	76,359,711

Investment securities at amortized cost

Performing	4,073,013	324,487	-	4,397,500
Total	4,073,013	324,487	-	4,397,500
Loss allowance	24,280	1,609	-	25,889
Carrying amount	4,048,733	322,878	-	4,371,611

*Loans and advances to banks include current accounts with banks, money market placements with contractual maturity less than 3 months (see Note 13) and deposits with correspondent banks (see Note 14).

**Loss allowance for investment securities at FVOCI is recognized in other comprehensive income and not as a contra account to the carrying amount of the financial asset in the statement of financial position (see Note 8 (f) (vi) Presentation of allowance for ECL in the statement of financial position).

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*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(iii) Credit Quality by class of financial assets (continued)**

The following table sets out information about the overdue status of gross loans and advances to customers in Stages 1, 2 and 3.

Loans and advances to customers	31 December 2025			
	Stage 1	Stage 2	Stage3	Total
Up to 30 days in arrears	63,073,801	874,934	479,137	64,427,872
30 to 90 days in arrears	-	99,430	214,044	313,474
More than 90 days	-	-	770,260	770,260
Total	63,073,801	974,364	1,463,441	65,511,606

Loans and advances to customers	31 December 2024			
	Stage 1	Stage 2	Stage3	Total
Up to 30 days in arrears	54,612,730	1,698,705	555,326	56,866,761
30 to 90 days in arrears	-	120,655	139,212	259,867
More than 90 days in arrears	-	-	1,179,316	1,179,316
Total	54,612,730	1,819,360	1,873,854	58,305,944

All loans and advances to banks and investment securities fall in the overdue status of less than 30 days in arrears as of 31 December 2025 and 31 December 2024.

The following table sets out the credit quality of debt securities and loans and advances to banks based on Moody's ratings, Staging and IFRS Category:

	Investment's debt securities		
	31 December 2025		
	Stage 1	Stage 2	Total
Sovereign			
Rate Aaa, Aa1 & Aa3	9,245,785	-	9,245,785
FVOCI	9,245,785	-	9,245,785
AC	-	-	-
Rate Baa3 & Ba3	68,661,180	282,443	68,943,623
FVOCI	67,904,215	-	67,904,215
AC	756,965	282,443	1,039,408
	77,906,965	282,443	78,189,408
Financial Institutions			
Rated Aaa & Aa1	4,799,073	-	4,799,073
FVOCI	4,799,073	-	4,799,073
Total carrying amount	82,706,038	282,443	82,988,481
	31 December 2024		
	Stage 1	Stage 2	Total
Sovereign			
Rate Aa1 & Aaa	8,679,044	-	8,679,044
FVOCI	8,679,044	-	8,679,044
AC	-	-	-
Rate Baa3 & B1	66,806,063	322,878	67,128,941
FVOCI	62,757,330	-	62,757,330
AC	4,048,733	322,878	4,371,611
	75,485,107	322,878	75,807,985
Financial Institutions			
Rated Aaa	4,923,337	-	4,923,337
FVOCI	4,923,337	-	4,923,337
Total carrying amount	80,408,444	322,878	80,731,322

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(iii) Credit Quality by class of financial assets (continued)**

	Loans and advances to banks					
	31 December 2025			31 December 2024		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Rated Aaa	485,816	-	485,816	5,434,115	-	5,434,115
Rated Aa2	7,172,209	-	7,195,069	2,585,363	-	2,585,363
Rated Aa1	47,460	-	47,460	2,664,238	-	2,664,238
Rated Aa3	2,429,634	-	2,429,634	-	-	-
Rated A1	4,588,507	-	4,565,647	5,423,856	-	5,423,856
Rated A3	24,411,222	-	24,411,222	2,467,875	-	2,467,875
Rated Baa1	6,879	-	6,879	11,927,568	-	11,927,568
Rated Baa2	-	-	-	3,476,003	-	3,476,003
Rated Ba1	594,193	-	594,193	191,052	-	191,052
Rated Ba3	485,816	-	485,816	7,491,190	-	7,491,190
Rated B1	-	-	-	501,839	-	501,839
Rated A2	27,658	-	27,659	-	-	-
	40,221,735	-	40,221,735	42,163,099	-	42,163,099

(iv) Collateral held and other credit enhancements

The estimated cash flows derived from the collateral, including guarantees securing the exposures, are usually the main source of future cash flows from non-performing loans. Some of the valuation parameters used for the calculation are:

- *Realizable value of collaterals*, which is estimated by reducing the appraised market value of the collateral with a discount factor. This considers the characteristics of similar groups of collaterals. It presumes an average recoverable value of specific collateral, based on the Bank's experience.
- *Timing of the expected cash flow*, which represents the expected recovery time (in years) for a specific type of collateral.

The recovery costs are deducted from estimated future cash flows. Collateral, generally, is not held over loans and advances to financial institutions, except when securities are held as part of reverse repurchase and securities borrowing activity. Usually, collateral is not held against investment securities, and no such collateral was held at 31 December 2025 and 2024.

The following presents a summary of the loans and advances to customer portfolio, categorized by stage and disclosed both in gross and net of Expected Credit Losses. Additionally, it indicates whether these loans are backed by collateral or not.

31 December 2025	Loans and advances to customers					
	Collateralized		No-collateral			
	GBV	NBV	GBV	NBV	GBV	NBV
Stage 1	63,073,801	62,678,168	49,922,570	49,705,969	13,151,231	12,972,199
Stage 2	974,364	856,249	854,687	774,817	119,677	81,432
Stage 3 collective	668,630	254,400	98,238	52,874	570,392	201,526
Stage 3 individual	794,811	172,005	794,811	172,005	-	-
Total	65,511,606	63,960,822	51,670,306	50,705,665	13,841,300	13,255,157

31 December 2024	Loans and advances to customers					
	Collateralized		No-collateral			
	GBV	NBV	GBV	NBV	GBV	NBV
Stage 1	54,612,730	54,142,239	42,761,587	42,535,746	11,856,680	11,609,410
Stage 2	1,819,360	1,643,372	1,697,444	1,560,325	121,916	83,047
Stage 3 collective	570,699	239,100	154,426	89,906	394,510	146,414
Stage 3 individual	1,303,155	397,085	1,303,155	397,086	-	-
Total	58,305,944	56,421,796	45,916,612	44,583,063	12,373,106	11,838,871

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(iv) Collateral held and other credit enhancements (continued)**

Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated every year for corporate segment and every three years for retail segment. An estimate of the undiscounted and discounted fair value of collaterals and other security enhancements held against financial assets is shown below:

	Collateral of Loans and advances to customers			
	31 December 2025		31 December 2024	
	Undiscounted	Discounted	Undiscounted	Discounted
Against individually impaired				
Property	2,121,972	661,646	2,546,624	782,019
Pledges and guarantees	1,563,146	727	1,895,947	14,597
Cash	-	-	-	-
Debt securities	100,150	-	100,150	-
Other	-	-	-	-
Total	3,785,268	662,373	4,542,721	796,616
Net carrying amount		172,005		397,085

Net carrying amount represent loans which are individually assessed and in recovery amount is considered only eligible collateral.

The gross amount of collaterals includes the value of collaterals before testing the individually impaired loans. The net carrying amount is the present value of the same collaterals under this test.

The table below shows the total amount of collaterals for the loans assessed under the category of collectively impaired including all the Stage 3 exposures that are lower than EUR 100 thousand.

These collaterals do not undergo the same testing procedures as the above group, collaterals are not included for the purpose of ECL when exposures are provided collectively.

The information on the table below provides information on how much the collectively impaired loans and advances to customers are secured against their respective collaterals. Only eligible collaterals are included in discounted collaterals.

	Collateral of Loans and advances to customers			
	31 December 2025		31 December 2024	
	Undiscounted	Discounted	Undiscounted	Discounted
Against Collectively Impaired				
Property	84,336,685	35,223,068	92,844,105	37,103,883
Pledges and guarantees	91,628,998	5,028,443	83,471,172	2,640,642
Cash	595,487	565,015	530,219	504,387
Debt securities	15,653,402	312,013	13,635,744	489,818
Other	-	-	137,803	-
Total	192,214,572	41,128,539	190,619,043	40,738,730
Net carrying amount		63,788,817		56,024,711

It is the Bank's policy to dispose of assets repossessed through the recovering process. The amounts collected from the proceeds are used to reduce or liquidate the carrying amount of the non-performing loans. The table below sets out the carrying amount and the value of undiscounted collateral of the loans and advances to customers measured at amortized cost.

	31 December 2025		31 December 2024	
	Carrying amount	Collateral	Carrying amount	Collateral
Stage 1 and Stage 2	63,534,417	192,214,572	55,785,611	190,619,043
Stage 3	426,405	3,785,268	636,185	4,542,721
	63,960,822	195,999,840	56,421,796	195,161,764

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(iv) Collateral held and other credit enhancements (continued)**

When the Bank holds repossessed assets in its ownership, their conversion into cash is the Bank's first aim, through marketing the properties for sale. If there is no satisfactory offer collected, the Bank's practice is to keep the asset for sale until receiving the best offer. The amounts of repossessed properties are disclosed in note 22.

Depending on operational needs and the suitability of the asset to fulfill those needs, management may decide to make use of the property; in such cases a reclassification into property and equipment (see note 17) of the Bank is performed. The breakdown of the gross book value of the loans and advances by class, along with the fair value of the collateral held by the Bank as security, are as follows:

31 December 2025	Over-collateralized portfolio		Under-collateralized portfolio	
	Gross book value of portfolio	Fair value of collateral	Gross book value of portfolio	Fair value of collateral
Mortgage Lending	16,847,143	51,618,806	273,594	107,022
Leasing	24,640	55,412	-	-
Personal loans	1,425,988	3,068,696	5,938,103	-
Overdrafts and credit cards	47,514	76,026	465,896	387
Loans to businesses	33,040,525	172,982,674	5,985,046	2,544,631
Total	51,385,810	227,801,614	12,662,639	2,652,040

31 December 2024	Over-collateralized portfolio		Under-collateralized portfolio	
	Gross book value of portfolio	Fair value of collateral	Gross book value of portfolio	Fair value of collateral
Mortgage Lending	14,106,803	48,364,918	661,587	88,619
Financial Leasing	20,139	56,237	-	-
Personal loans	1,291,656	2,587,699	4,903,138	-
Overdrafts and credit cards	34,029	64,703	426,307	2116
Loans to businesses	31,961,146	177,981,437	3,046,268	354,383
Total	47,413,773	229,054,994	9,037,300	445,118

The table below shows the breakdown of the gross book value of credit impaired loans and advances given to customers by ranges of their collateral coverage:

31 December 2025	Over-collateralized portfolio		Under-collateralized portfolio	
	Credit impaired loans	Fair value of collateral	Credit impaired loans	Fair value of collateral
Mortgage Lending	204,954	1,137,912	1,448	-
Financial Leasing	-	-	-	-
Personal loans	5,446	9,975	427,388	-
Overdrafts and credit cards	-	-	27,814	-
Loans to businesses	783,752	3,574,861	12,354	2,968
Total	994,152	4,722,748	469,004	2,968

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*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(iv) Collateral held and other credit enhancements (continued)**

31 December 2024	Over-collateralized portfolio		Under-collateralized portfolio	
	Credit impaired loans	Fair value of collateral	Credit impaired loans	Fair value of collateral
Mortgage Lending	228,509	1,031,966	37,844	-
Financial Leasing	-	-	-	-
Personal loans	4,190	6,240	298,211	-
Overdrafts and credit cards	445	520	26,476	-
Loans to businesses	1,256,185	4,437,853	3,011	2,485
Total	1,489,329	5,476,579	365,542	2,485

(v) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 8(f).(vi).

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date;
- with the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD, for loans to banks and investment securities only;
- qualitative indicators based on forbearance and early warning signals; and
- a backstop of 30 days past due.

Incorporation of forward-looking information

The Bank incorporates its own model of forward-looking information into the measurement of ECL. The forward looking components are included and performed through the incorporation of the PD Satellite Model, whose purpose is to include forward looking information in Probability of Default (PD) parameter and to predict the impact of future economic shocks on the portfolio's PDs. PD satellite model establishes a link between ISBA legal entities/retail default rate and the macroeconomic variables. As an insight, PD satellite model estimates the change in the Probability of Default (PD) over time based on the identification of an empirical link between the PD and the macroeconomic variables with the aim to be able to forecast PD along various scenarios quantifying the impact of macroeconomic factors on it.

In order to estimate a satellite model, several data are necessary. On one hand, it is necessary to define a proxy for the probability of default: considering that in ISBA a PD model is not present, the satellite model defined can't directly estimate the dependence of PDs on macroeconomic variables, for this reason the target variable of the model is defined as default rate based on Bank internal data. On the other hand, the time series regarding the main macroeconomic indicators which need to be collected, and they will be used within the statistical model in order to shape a relation with the proxy of the probability of default.

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*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(v) Amounts arising from ECL (continued)***Incorporation of forward-looking information (continued)*

For defining and allocating managerial adjustments aimed at capturing specific economic moments characterized by high volatility and/or risks of significantly deviating from expected scenarios, the Managerial Overlay framework is introduced, using more extreme scenarios than those already in use.

For this purpose, the methodology already used to the determination of the PD-IFRS9 on performing positions is adopted also for the allocation of managerial overlay adjustments which determine changes in the parameter into PD-MO.

The PD-MO is floored with PD-IFRS9, to ensure that the in-model adjustments are never better than the situation without such adjustments.

To address specific economic conditions characterised by heightened volatility and an increased risk of outcomes materially deviating from baseline expectations, a Managerial Overlay framework has been established. This framework incorporates more severe macroeconomic scenarios than already in use. For this purpose, the methodology used to estimate the IFRS 9 probability of default (**PD-IFRS9**) for performing exposures is also applied to determine and allocate managerial overlay adjustments, resulting in an adjusted probability of default (**PD-MO**). The **PD-MO is floored at PD-IFRS9**, ensuring that the application of managerial overlays cannot result in a lower level of credit risk than that produced by the underlying IFRS 9 model in the absence of such adjustments. Had such introduction being applied at 1 January 2025 it will release ECL by ALL 252,255 thousand.

The tables show the values of the key forward looking economic indicators/assumptions used in each of the economic scenarios for the ECL calculations. To allocate the weights across the FLI scenarios (Extreme Best, Best, Base, Worst, Extreme Worst), the Entity utilized the NORM.DIST function, using the Base Scenario as the central distribution driver. Values below are expressed in percentage

	Actual 2025	2026	2027	2028
Key Drivers				
Real GDP y/y				
Extreme best	6.22	9.45	9.55	9.74
Base Line	3.55	3.89	3.89	3.89
Best	3.49	3.43	3.40	3.40
Worst	3.43	2.87	2.87	2.87
Extreme worst	0.16	(3.05)	(3.69)	(4.22)
Bank Loans y/y				
Extreme best	33.26	53.19	51.95	53.67
Base Line	12.20	4.12	2.86	5.91
Best	12.04	3.75	2.46	5.52
Worst	11.88	3.29	2.02	5.10
Extreme worst	5.46	(4.52)	(9.08)	(10.71)
Bank Deposits y/y				
Extreme best	11.98	18.62	18.38	19.85
Base Line	5.28	3.77	2.42	5.49
Best	5.22	3.40	2.02	5.10
Worst	5.15	2.94	1.58	4.68
Extreme worst	0.68	(4.83)	(6.40)	(6.33)

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(v) Amounts arising from ECL (continued)***Modified financial assets*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 8 (f)(iv).

Measurement of ECL (Expected Credit Losses)

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

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

Lifetime expected loss covers expected loss for the whole life IFRS 9 specifies that if the credit risk on a financial instrument has increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to Lifetime expected credit losses and if the credit risk on such instrument has not increased significantly, 12-months expected losses should be calculated instead. 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 Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of loss rates from defaulted counterparties (ISBA has established in 2022 the internal LGD Model in order to calculate the LGD Parameter, which is calculated based on the LGD clusters). 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. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates 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 Bank 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. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Sensitivity analyses

Sensitive analysis Management has considered a standard scenario that include increase or decrease of 10% in the PD and ECL. The sensitivity analyse of Bank' possible losses as a result of increase or decrease of credit loss indicators is presented in the table below:

	PD & LGD stressed for +/- 10%	
	+10%	-10%
Impairment as at 31 December 2025 for Loans & Advances to Customers	121,736	(121,736)
Impairment as at 31 December 2024 for Loans & Advances to Customers	152,367	(152,367)

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(v) Amounts arising from ECL (continued)***Low Default Portfolio*

Low Default Portfolio includes securities and loans to banks used as a category for impairment purposes only under the IFRS 9 rules and consists of exposures with the following parties:

- Sovereign (Central Banks, Governments, Municipalities, Public Sector Entities);
- Institutions (Banks, and other financial institutions);

Intragroup exposures are exposures with the following parties:

- Parent Company;
- Other ISP subsidiaries.

Intragroup transactions are generally classified as Stage 1 with a 12- months ECL following the staging rules for Low Default Portfolio and intragroup exposures based on parent company driven methodologies including validation.

Exposures are classified to Stage 2 based on the significant increase of credit risk criterion measured by Lifetime PD comparison. This criterion for Low Default Portfolio is defined based on the specific rating and residual maturity of exposure. Thresholds are provided by Parent Company.

The criteria used to assess whether the debt securities credit quality deteriorated significantly since origination is Lifetime PDs comparison. The instrument issuer rating (counterparty rating) is used for the Lifetime PD comparison rather than rating of the single instrument (i.e. at the reporting date different instruments or tranches related to the same issuer will be assigned with the rating of the counterparty at a given date). Debt securities purchased in tranches PD at origination is determined through First In First Out (FIFO) methodology.

Debt securities include “Low Credit Risk Exemption” based on the assumption that the credit risk has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Therefore, Investment grade instruments at the reporting date are classified to Stage 1.

This exemption is applicable only for instruments belonging to FVOCI portfolio. The following criteria are approved for each stage for Bonds residual maturity of the financial instrument.

Stage 1	Stage 2	Stage 3
<ul style="list-style-type: none"> • Debt with no significant credit quality deterioration Investment grade debts 	<ul style="list-style-type: none"> • Debt with significant increase in PD since origination 	<ul style="list-style-type: none"> • Defaulted Debt

Collective assessment is the approach to impairment evaluation based on statistical methods by using credit risk parameters which are estimated based on historical data for homogenous groups of assets.

Loss allowances

The Bank establishes an allowance for impairment losses that represents its estimate of expected and incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, as well as collectively assessed and less significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of expected losses that have not been identified.

The following tables show reconciliations from the opening to the closing balance of the expected credit losses by class of financial instrument.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(v) Amounts arising from ECL (continued)****Movements in impairment allowance funds for:**

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Balances at 1 January 2025	1,653	-	-	1,653
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial Assets that have been derecognized	(1,333)	-	-	(1,333)
Net remeasurement of loss allowances	(100)	-	-	(100)
New financial assets originated or purchased	1,913	-	-	1,913
Foreign exchange and other movements	(66)	-	-	(66)
Balances at 31 December 2025	2,067	-	-	2,067

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Balances at 1 January 2024	1,746	16	-	1,762
Transfer to Stage 1	16	(16)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial Assets that have been derecognized	(1,315)	-	-	(1,315)
Net remeasurement of loss allowances	(54)	-	-	(54)
New financial assets originated or purchased	1,343	-	-	1,343
Foreign exchange and other movements	(83)	-	-	(83)
Balances at 31 December 2024	1,653	-	-	1,653

	Stage 1	Stage 2	Stage 3	Total
Investment securities at FVOCI				
Balances at 1 January 2025	378,756	-	-	378,756
Transfers between Stages	-	-	-	-
Financial Assets that have been derecognized	(143,374)	-	-	(143,374)
Net remeasurement of loss allowances	(153,367)	-	-	(153,367)
New financial assets originated or purchased	144,389	-	-	144,389
Foreign exchange and other movements	127	-	-	127
Balances at 31 December 2025	(143,374)	-	-	(143,374)

	Stage 1	Stage 2	Stage 3	Total
Investment securities at FVOCI				
Balances at 1 January 2024	656,934	-	-	656,934
Transfers between Stages	-	-	-	-
Financial Assets that have been derecognized	(266,784)	-	-	(266,784)
Net remeasurement of loss allowances	(242,114)	-	-	(242,114)
New financial assets originated or purchased	232,007	-	-	232,007
Foreign exchange and other movements	(1,287)	-	-	(1,287)
Balances at 31 December 2024	378,756	-	-	378,756

	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortized cost				
Balances at 1 January 2025	24,280	1,609	-	25,889
Transfers between Stages	-	-	-	-
Financial Assets that have been derecognized	(17,111)	-	-	(17,111)
Net remeasurement of loss allowances	(5,556)	(586)	-	(6,142)
New financial assets originated or purchased	-	-	-	-
Foreign exchange and other movements	(243)	65	-	(178)
Balances at 31 December 2025	1,370	1,088	-	2,458

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(v) Amounts arising from ECL (continued)**

Investment securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2024	73,052	1,861	-	74,913
Transfers between Stages	-	-	-	-
Financial Assets that have been derecognized	(2,820)	-	-	(2,820)
Net remeasurement of loss allowances	(45,409)	252	-	(45,157)
New financial assets originated or purchased	-	-	-	-
Foreign exchange and other movements	(543)	(504)	-	(1,047)
Balances at 31 December 2024	24,280	1,609	-	25,889

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2025	470,491	175,988	1,237,669	1,884,148
Transfer to Stage 1	116,030	(76,417)	(39,613)	-
Transfer to Stage 2	(4,023)	47,574	(43,551)	-
Transfer to Stage 3	(8,923)	(29,968)	38,891	-
Financial Assets that have been derecognized	(29,409)	(47,723)	(105,012)	(182,144)
Net remeasurement of loss allowances	(309,405)	19,679	260,946	(28,780)
New financial assets originated or purchased	130,786	12,224	25,024	168,034
Write offs	-	-	(352,029)	(352,029)
Foreign exchange and other movements	30,086	16,758	14,711	61,555
Balances at 31 December 2025	395,633	118,115	1,037,036	1,550,784

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2024	507,095	206,123	958,989	1,672,207
Transfer to Stage 1	53,703	(31,278)	(22,425)	-
Transfer to Stage 2	(10,958)	23,746	(12,788)	-
Transfer to Stage 3	(9,327)	(49,068)	58,395	-
Financial Assets that have been derecognized	(89,461)	(71,365)	(190,274)	(351,100)
Net remeasurement of loss allowances	(104,018)	90,228	395,876	382,086
New financial assets originated or purchased	156,800	12,344	98,060	267,204
Write offs	-	-	(53,690)	(53,690)
Foreign exchange and other movements	(33,343)	(4,742)	5,526	(32,559)
Balances at 31 December 2024	470,491	175,988	1,237,669	1,884,148

Loan commitments and financial guarantee contracts	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2025	41,117	1,419	3,998	46,534
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(599)	599	-	-
Transfer to Stage 3	-	-	-	-
Financial Assets that have been derecognized	(240)	(468)	-	(708)
Net remeasurement of loss allowances	(6,978)	(1,724)	1,355	(7,347)
New financial assets originated or purchased	339	-	-	339
Foreign exchange and other movements	(359)	-	-	(359)
Balances at 31 December 2025	33,280	(174)	5,353	38,459

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(v) Amounts arising from ECL (continued)**

	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2024	47,105	6,972	10,616	64,693
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	332	(332)	-
Transfer to Stage 3	-	(40)	40	-
Financial Assets that have been derecognized	(7,983)	(6,927)	(8,447)	(23,357)
Net remeasurement of loss allowances	(10,420)	859	1,803	(7,758)
New financial assets originated or purchased	13,792	223	318	14,333
Foreign exchange and other movements	(1,377)	-	-	(1,377)
Balances at 31 December 2024	41,117	1,419	3,998	46,534

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(a) Credit Risk (continued)

Gross amount

The following tables show reconciliations from the opening to the closing balance of the gross amount by class of financial instrument.

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Balances at 1 January 2025	42,163,099	-	-	42,163,099
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Financial Assets that have been derecognized	(1,158,799,725)	-	-	(1,158,799,725)
Increase/Decrease of the exposure	(2,773,141)	-	-	(2,773,141)
New financial assets originated or purchased	1,160,410,599	-	-	1,160,410,599
Foreign exchange and other movements	(779,097)	-	-	(779,097)
Balances at 31 December 2025	40,221,735	-	-	40,221,735
Loans and advances to banks				
Balances at 1 January 2024	38,773,365	22,604	-	38,795,969
Transfer to Stage 1	22,604	(22,604)	-	-
Transfer to Stage 2	-	-	-	-
Financial Assets that have been derecognized	(344,113,164)	-	-	(344,113,164)
Increase/Decrease of the exposure	(2,378,583)	-	-	(2,378,583)
New financial assets originated or purchased	350,075,297	-	-	350,075,297
Foreign exchange and other movements	(216,420)	-	-	(216,420)
Balances at 31 December 2024	42,163,099	-	-	42,163,099
Investment securities at FVOCI				
Balances at 1 January 2025	76,359,711	-	-	76,359,711
Transfer between stages	-	-	-	-
Financial Assets that have been derecognized	(42,452,857)	-	-	(42,452,857)
Increase/Decrease of the exposure	152,856	-	-	152,856
New financial assets originated or purchased	48,304,398	-	-	48,304,398
Foreign exchange and other movements	(415,035)	-	-	(415,035)
Balances at 31 December 2025	81,949,073	-	-	81,949,073

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(a) Credit Risk (continued)

Gross amount (continued)

Investment securities at FVOCI Balances at 1 January 2024	Stage 1	Stage 2	Stage 3	Total
Transfer between stages	71,832,488	-	-	71,832,488
Financial Assets that have been derecognized	-	-	-	-
Increase/Decrease of the exposure	(49,312,728)	-	-	(49,312,728)
New financial assets originated or purchased	147,696	-	-	147,696
Foreign exchange and other movements	53,999,506	-	-	53,999,506
Balances at 31 December 2024	(307,251)	-	-	(307,251)
	76,359,711	-	-	76,359,711

Investment securities at amortized cost

Balances at 1 January 2025	Stage 1	Stage 2	Stage 3	Total
Transfer between stages	4,073,013	324,487	-	4,397,500
Financial Assets that have been derecognized	-	-	-	-
Increase/Decrease of the exposure	(3,280,153)	-	-	(3,280,153)
New financial assets originated or purchased	(35,459)	(96)	-	(35,555)
Foreign exchange and other movements	-	-	-	-
Balances at 31 December 2025	934	(40,860)	-	(39,926)
	758,335	283,531	-	1,041,866

Investment securities at amortized cost

Balances at 1 January 2024	Stage 1	Stage 2	Stage 3	Total
Transfer between stages	7,034,323	323,783	-	7,358,106
Financial Assets that have been derecognized	-	-	-	-
Increase/Decrease of the exposure	(2,824,400)	-	-	(2,824,400)
New financial assets originated or purchased	(50,384)	-	-	(50,384)
Foreign exchange and other movements	-	-	-	-
Balances at 31 December 2024	(86,526)	704	-	(85,822)
	4,073,013	324,487	-	4,397,500

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(a) Credit Risk (continued)

Gross amount (continued)

	Stage 1	Stage 2	Stage 3	Total
Loans and Advances to Customers				
Balances at 1 January 2025	54,612,730	1,819,360	1,873,854	58,305,944
Transfer to Stage 1	1,033,176	(962,512)	(70,664)	-
Transfer to Stage 2	(322,751)	428,594	(105,843)	-
Transfer to Stage 3	(277,392)	(97,057)	374,449	-
Financial Assets that have been derecognized	(5,721,914)	(79,196)	(562,639)	(6,363,749)
Increase/Decrease of the exposure	(5,149,132)	(387,487)	(184,829)	(5,721,448)
New financial assets originated or purchased	19,664,483	29,118	157,982	19,851,583
Foreign exchange and other movements	(765,399)	223,544	(18,869)	(560,724)
Balances at 31 December 2025	63,073,801	974,364	1,463,441	65,511,606
Loans and Advances to Customers				
Balances at 1 January 2024	49,728,923	3,278,635	1,666,896	54,674,454
Transfer to Stage 1	222,947	(179,527)	(43,420)	-
Transfer to Stage 2	(1,560,785)	1,606,689	(45,904)	-
Transfer to Stage 3	(507,026)	(242,531)	749,557	-
Financial Assets that have been derecognized	(11,512,223)	(2,487,155)	(404,391)	(14,403,769)
Increase/Decrease of the exposure	(1,826,013)	(179,114)	(228,897)	(2,234,024)
New financial assets originated or purchased	20,975,191	47,802	144,524	21,167,517
Foreign exchange and other movements	(908,284)	(25,439)	35,489	(898,234)
Balances at 31 December 2024	54,612,730	1,819,360	1,873,854	58,305,944

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(a) Credit Risk (continued)

Gross amount (continued)

	Stage 1	Stage 2	Stage 3	Total
OFF BALANCE SHEET				
Balances at 1 January 2025	15,868,592	52,963	4,319	15,925,874
Transfer to Stage 1	15,099	(14,031)	(1,068)	-
Transfer to Stage 2	(16,864)	16,961	(97)	-
Transfer to Stage 3	(3,395)	(131)	3,526	-
Financial Assets that have been derecognized	(885,240)	(14,220)	(567)	(900,027)
Increase/Decrease of the exposure	(1,021,491)	(28,369)	(547)	(1,050,407)
New financial assets originated or purchased	1,507,140	214	160	1,507,514
Foreign exchange and other movements	(261,146)	(84)	(21)	(261,251)
Balances at 31 December 2025	15,202,695	13,303	5,705	15,221,703
OFF BALANCE SHEET				
Balances at 1 January 2024	16,479,346	69,408	13,392	16,562,146
Transfer to Stage 1	840	(50)	(790)	-
Transfer to Stage 2	(31,368)	31,368	-	-
Transfer to Stage 3	(2,267)	(201)	2,468	-
Financial Assets that have been derecognized	(5,289,847)	(69,198)	(11,171)	(5,370,216)
Increase/Decrease of the exposure	(336,656)	41	94	(336,521)
New financial assets originated or purchased	4,959,012	21,595	326	4,980,933
Foreign exchange and other movements	89,532	-	-	89,532
Balances at 31 December 2024	15,868,592	52,963	4,319	15,925,874

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(v) Amounts arising from ECL (continued)**

The following table provides for the year 2025 and 2024 a reconciliation between opening and closing balances of loss allowance per class of financial instrument:

	Loans and advances to banks	Loans and advances to customers	Investment securities at FVOCI	Investment securities at amortized cost	Total
Net remeasurement of loss allowance	(1,433)	(210,924)	(296,277)	(23,253)	(531,887)
New financial assets originated or purchased	1,913	168,034	144,389	-	314,336
Balances at 31 December 2025	480	(42,890)	(151,888)	(23,253)	(217,551)
	Loans and advances to banks	Loans and advances to customers	Investment securities at FVOCI	Investment securities at amortized cost	Total
Net remeasurement of loss allowance	1,343	30,986	(508,898)	(2,820)	(479,389)
New financial assets originated or purchased	(1,369)	267,204	232,007	(45,157)	452,685
Balances at 31 December 2024	(26)	298,190	(276,891)	(47,977)	(26,704)

(vi) Overview of modified and forborne loans

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank's Pro Credit Management Unit continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognized.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

	2025	2024
Amortised cost of financial assets modified during the period	110,656	34,533
Net modification loss	1	-

The following tables provide a summary of the Bank's forborne assets as of 31 December 2025 and 2024.

31 December 2025	Gross carrying amount	Performing portfolio		Non-performing portfolio	
		Modification	Refinancing	Modification	Refinancing
Corporate & SME	622,606	166,375	18,957	86,112	351,163
Mortgage	53,706	2,675	23,404	2,998	24,629
OVD	-	-	-	-	-
Small Bussines	57,313	36,147	12,420	8,745	-
Consumer	17,701	-	2,525	-	15,176

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(vi) Overview of modified and forborne loans**

	Gross carrying amount	Performing portfolio		Non-performing portfolio	
		Modification	Refinancing	Modification	Refinancing
31 December 2024					
Corporate & SME	862,209	-	52,019	171,523	638,667
Mortgage	70,076	4,259	19,851	5,110	40,856
OVD	-	-	-	-	-
Small Bussines	68,271	16,613	14,046	35,986	1,626
Consumer	14,001	-	2,208	-	11,793

(vii) Write-off policy

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. The Bank writes off a loan (and any related allowances for impairment losses) when the Bank's Board of Directors determines that the loans are uncollectible.

(vii) Concentration of Credit Risk

The Bank monitors concentration of credit risk by sector and location. An analysis of credit risk at the reporting date is shown below:

Concentration by sector	Net Loans and advances to customers	
	31 December 2025	31 December 2024
Services	15,643,212	14,673,929
Wholesale	10,997,551	10,571,220
Manufacturing	5,703,452	6,086,898
Construction	5,406,081	2,873,412
Real Estate	724,213	305,418
Other	505,202	618,473
Corporate total	38,979,710	35,129,350
Mortgage	17,177,095	14,798,704
Consumer	7,804,017	6,502,101
Retail total	24,981,112	21,300,805
Carrying amount	63,960,822	56,430,155

Concentration by sector	Loans and advances to banks	
	31 December 2025	31 December 2024
Related parties bank	20,073,955	11,677,959
Other EU countries	19,065,297	29,981,648
Other non-EU countries	486,223	-
Local banks	594,193	501,839
Carrying amount	40,219,668	42,161,446

Concentration by sector	Investment securities	
	31 December 2025	31 December 2024
Sovereign (Note 16)	78,192,126	75,807,985
Other Financial Institutions	4,799,074	4,923,337
Carrying amount	82,991,200	80,731,322

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(vii) Concentration of Credit Risk (continued)**

The largest exposure toward the bank is exposure to the Group parent and the largest customer is a private company operating in service sector with an exposure less than 5% to the loans and advances to customers portfolio.

Republic of Albania securities includes securities invested with Government of Albania classified as FVOCI and AC. Balances with Bank of Albania include current account and mandatory reserve with Bank of Albania.

(viii) Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed. The settlement risk with financial institutions and government counterparties is included within a system of limits for all the transactions with such counterparties and is subject to daily monitoring, defined and regulated in the internal documents "ISBA Credit Power Levels" and "ISBA Rules for the management and maintenance of the Financial Institutions limits" and the Central Bank of Albania regulation "On risk management arising from the large exposures of the Bank".

(b) Liquidity Risk

Liquidity risk is defined as the possibility that an institution is unable to meet its payment obligations due to its incapacity to liquidate assets or obtain adequate funding from the market (funding liquidity risk), or due to the difficulty of easily unwinding positions in financial assets without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions.

(i) Management of liquidity risk

The Bank's approach to managing liquidity risk is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank defines the guidelines for liquidity risk management and the contingency liquidity plan, which are subject to review by Group structures and approval by the Bank's Asset Liability Risk Committee and Board of Directors. The Treasury and ALM Department is responsible for liquidity management and the Risk Management Department is responsible for monitoring indicators and verifying adherence to the limits and the Bank's Regulation on Liquidity Risk Management is annually updated.

The Bank monitors liquidity, in accordance with this regulation, in order to manage its obligations when they fall due and activate emergency procedures in case of escalation.

A balanced ratio should be maintained between incoming sources and outflows, in both the short and medium-long term. This target is organized through the use of the following specific metrics "Liquidity Coverage Ratio up to 30 days" and "Net Stable Funding Ratio".

- **Liquidity Coverage Ratio (LCR) up to 30 days:** aims to ensure that the Bank maintains an adequate level of unencumbered high-quality liquid assets (HQLA) to meet its short-term liquidity needs under liquidity stress scenario ($LCR \geq 112\%$).
- **Net Stable Funding Ratio (NSFR):** aims to guarantee an adequate liquidity position over a medium/long-term time horizon. It establishes a minimum "acceptable" amount of funding over one-year horizon in relation to the needs arising from the liquidity characteristics and the residual maturities of assets and off-balances exposures ($NSFR \geq 102.5\%$).

Holding reserves of liquid assets (so-called Liquidity Buffer) is one of the main tools for mitigating liquidity risk. For the purpose of identifying and measuring this risk, both short and medium-long term, the classification of highly-liquid assets take on crucial importance.

Furthermore, the Bank prepares liquidity scenarios, based on assumptions provided by the Group guidelines, such as market or firm specific crisis situations, monitors "Early Warning LCR" threshold and additional monitoring tools. The short-term indicator (LCR) shows a very well level of liquidity of the bank, under a liquidity stress scenario.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(a) Credit Risk (continued)****(b) Liquidity Risk (continued)****(i) Management of liquidity risk (continued)**

In its Liquidity Guideline and Implementing Procedure, the bank measures and monitors the Survival Period Indicator, an indicator which measures the first day in which the Net Liquidity Position of a Bank turns negative, namely when there is no more additional liquidity to cover the simulated net liquidity outflows. The Net Liquidity Position, on a certain date, amounts to the difference between the available Liquidity Reserves (including the related variations arising from secured positions) and the net outflows expected until that date. The monitoring of the Survival Period indicators represents an important early warning system regarding the potential deterioration of the LCR indicator. An internal limit is defined at individual level. The bank should monitor that, under the stressed condition, the Net Liquidity Position is always positive at least up to 90 days.

For the year ended 31 December 2025 LCR ratio is 308.04% for all currencies (2024: 333.29%), 531.73% for ALL currency (2024: 536.05%) and 146.57% for foreign currency (2024: 136.32%). These ratios are well above the limit required from Bank of Albania, as explained below. NSFR ratio is 242% for all currencies (2024: 248%), 270.6% for ALL currency (2024: 280%) and 213% for foreign currencies (2024: 219%).

The Bank monitors liquidity, in accordance with the Central Bank regulations, in order to manage its obligations when they fall due and activate emergency procedures in case of escalation.

A balanced ratio should be maintained between incoming sources and outflows, in both the short and medium-long term. This target is organized through the use of the following specific metrics:

- **Bank of Albania Liquidity Ratio** in total, in foreign currency and in local currency, which is used to measure the Bank's compliance with the liquidity limits established by the Central Bank of Albania, 20% for all currencies and foreign currency and above 15% for the local currency.
- **Bank of Albania Liquidity Coverage Ratio (LCR) up to 30 days:** aims to ensure that the bank maintains an adequate level of unencumbered high-quality liquid assets (HQLA) to meet its short-term liquidity needs under liquidity stress scenario ($LCR \geq 100\%$ in Total currencies and $LCR \geq 80\%$ in foreign significant currencies). For each significant single currency $LCR \geq 80\%$.
- **Bank of Albania Net Stable Funding Ratio (NSFR)** has the purpose of guaranteeing an adequate liquidity position over a medium/long-term time horizon. It establishes a minimum "acceptable" amount of funding over one year horizon in relation to the needs arising from the liquidity characteristics and the residual maturities of assets and off-balances exposures. The bank reports on a quarterly basis to the Bank of Albania, the net stable funding ratio on an individual basis for total net stable funding ratio for total significant currencies and for each significant single currency (LEK, EUR, USD). The limits are: $NSFR \geq 100\%$ in Total currencies, and in foreign significant currencies is $\geq 100\%$ and for each single significant currencies (LEK, EUR, USD) is 100%.

All the above liquidity ratios are periodically monitored by the ISBA Bank' Enterprise, Market and Financial Risk office with reference to Group internal limits and guidelines and to Central Bank of Albania requirements.

During the year 2025, the bank has been within the internal and regulatory limits.

(ii) Compulsory reserve

On 7 February 2018 Bank of Albania approved the decision no.14 for the change on the Compulsory Reserve requirement. These changes have entered in force during June 2018 up to August 2019 and consist of the following:

- Decrease for the obligatory reserve requirement rate for local currency liabilities to 7.5% and 5% (previous rate applied: 10%).
- The new obligatory reserve requirement rate for foreign currency liabilities is 12.5% and 20%. Liabilities in foreign currency up to 50% of the total liabilities have a 12.5% requirement rate and for the part of above 50% of the total liabilities the requirement rate is 20% (previous rate applied: 10%).

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)
(b) Liquidity Risk (continued)

The table enclosed shows breakdown by the earliest contractual residual maturity of undiscounted balances of financial assets and liabilities. The FVOCI of the HQLA securities portfolio is classified as less than 1 months since they are traded on active markets. The non-HQLA securities are classified as per remaining maturity, since are considered as not liquid assets. Behavioral coefficients of ISP Group are applied for the drawdown percentages for off-balance-sheet categories such as committed credit lines and guarantees. The breakdown considers the cash flows in/out of the Bank for on and off-balance-sheet financial assets and liabilities, according to the earliest contractual residual maturity and not reflecting any retention history assumptions or earlier repayment.

	31 December 2025						Total
Assets (Cash Flow IN)	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years		
Cash on hand	1,811,043	-	-	-	-	-	1,811,043
Minimum reserve requirements	-	-	-	-	17,108,365	-	17,108,365
Advances to banks	2,295,892	-	-	-	-	-	2,295,892
HQLA Securities	79,345,010	-	-	-	-	-	79,345,010
Non-HQLA Securities	-	-	-	1,982,642	1,686,225	-	3,668,867
Loans to banks	4,033,578	2,734,244	22,578,942	1,505,135	93,401	-	30,945,300
Reverse repo	8,796,752	-	-	-	-	-	8,796,752
Loans and advances to customers (gross performing loans)	11,986,491	1,689,485	8,004,809	30,895,057	27,224,287	-	79,800,128
31 December 2025	(125,087,446)	(9,253,208)	(31,983,804)	(16,775,766)	(49,170)	(183,149,395)	
Liabilities (Cash flow OUT)							
Deposits from banks and customers-							
Current accounts	(112,884,929)	-	-	-	-	-	(112,884,929)
<i>Current accounts with banks</i>	(445,263)	-	-	-	-	-	(445,263)
<i>Current accounts with customers</i>	(112,439,666)	-	-	-	-	-	(112,439,666)
Deposits from banks	(256,464)	-	-	(1,197,881)	-	-	(1,454,345)
Deposits from customers- Time deposits	(11,946,053)	(9,253,208)	(31,983,804)	(15,577,885)	(49,170)	-	(68,810,121)
Total gap on-balance sheet	(16,818,680)	(4,829,479)	(1,400,053)	17,607,068	46,063,108	40,621,962	
Off-Balance sheet (Cash flow in)	(409,939)	-	-	-	-	-	(409,939)
Off- Balance sheet (Cash flow out)	(409,939)	-	-	-	-	-	(409,939)
Total gap off-balance sheet	(17,228,620)	(4,829,479)	(1,400,053)	17,607,068	46,063,108	40,212,023	
Total gap 31 December 2025	(17,228,620)	(22,058,099)	(23,458,152)	(5,851,085)	40,212,023	-	
Cumulated gap 31 December 2025							

The Bank manages liquidity positions in accordance with Central Bank rules and regulations and it is compliant with all liquidity ratios. Contractual maturities of liabilities, particularly those up to one month are high due to significant current accounts of customers. However, the rate of renewal of the current accounts is significantly high and settlement is not expected in the short term.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(b) Liquidity Risk (continued)**

	31 December 2024					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	
Assets (Cash Flow IN)	103,763,878	7,153,641	34,580,722	43,554,423	21,228,355	210,281,019
Cash on hand	1,766,709	-	-	-	-	1,766,709
Minimum reserve requirements	-	-	-	16,281,494	-	16,281,494
Advances to banks	4,449,596	-	-	-	-	4,449,596
HQLA Securities	77,841,977	-	-	-	-	77,841,977
Non-HQLA Securities	1,768,283	971,982	321,467	-	-	3,061,732
Loans to banks	5,855,570	4,575,681	26,887,187	1,012,895	-	38,331,333
Loans and advances to customers (gross performing loans)	12,081,743	1,605,978	7,372,068	26,260,034	21,228,355	68,548,178
Liabilities (Cash flow OUT)	(116,163,001)	(8,924,036)	(26,887,882)	(25,257,267)	(16,591)	(177,248,777)
Deposits from banks and customers- Current accounts	(110,535,640)	-	-	-	-	(110,535,640)
Current accounts with banks	(267,212)	-	-	-	-	(267,212)
Current accounts with customers	(110,268,428)	-	-	-	-	(110,268,428)
Deposits from banks	(2,013,138)	-	-	-	-	(2,013,138)
Deposits from customers- Time deposits	(3,614,223)	(8,924,036)	(26,887,882)	(25,257,267)	(16,591)	(64,699,999)
Total gap on-balance sheet	(12,399,123)	(1,770,395)	7,692,840	18,297,156	21,211,764	33,032,242
Off-Balance sheet (Cash flow in)	(422,647)	-	-	-	-	(422,647)
Off- Balance sheet (Cash flow out)	(422,647)	-	-	-	-	(422,647)
Total gap off-balance sheet	(12,821,770)	(1,770,395)	7,692,840	18,297,156	21,211,764	32,609,595
Total gap 31 December 2024	(12,821,770)	(14,592,165)	(6,899,325)	11,397,831	32,609,595	-
Cumulated gap 31 December 2024						

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(b) Liquidity Risk (continued)**

The information provided relates to cash flows deriving from financial off-balance-sheet liabilities, therefore it considerably differs from the face of the statement of financial position. The analysis does not include non-financial liabilities and equity and comprises of cash flows of contractual interest.

The table below shows the Bank's financial contingent liabilities and financial commitments.

	1	1-3	3-12	1-5	>5	Total
	Month	Months	Months	Years	Years	
31 December 2025						
Commitments given	7,857,295	-	-	-	-	7,857,295
Guarantees given	8,992,532	-	-	-	-	8,992,532
31 December 2024						
Commitments given	8,946,551	-	-	-	-	8,946,551
Guarantees given	7,797,959	-	-	-	-	7,797,959

The table below shows the Bank's financial contingent assets and financial commitments.

	1	1-3	3-12	1-5	>5	Total
	Month	Months	Months	Years	Years	
31 December 2025						
Commitments received	7,122,401	-	-	-	-	7,122,401
Guarantees received	2,431,116	-	-	-	-	2,431,116
31 December 2024						
Commitments received	6,186,487	-	-	-	-	6,186,487
Guarantees received	1,385,215	-	-	-	-	1,385,215

The Bank expects only a small part of the commitments to be demanded within one month and guarantees to be closed at maturity date. (Refer also to note 37 Commitment and contingencies)

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

The Bank holds its securities portfolio in accordance with IFRS 9 as either Held to Collect (HTC) or Held to collect and sell (HTCS). ISBA Security Portfolio is managed by "ISBA Financial Portfolio Policy" which defines the below specific limits:

- According to the ISBA Financial Portfolio Policy, approved in ISBA Board of Directors on April 2020, the Bank is not allowed to invest in new Hold to Collect Portfolio.
- According to the provision of the Capital Adequacy Ratio as of 01/01/2021, the assigned risk for the securities issued by the Albanian Government in foreign currency is 100%, with exceptions for securities issued in foreign currency by Albanian Government in years 2020 and 2021, risk weight to be applied 0%, decision taken from the Supervisory council of Bank of Albania
- The security portfolio should obey the specific limits related to type of issuer limits presented on the table below. The overall portfolio must comply with some pre-defined type of issuer limits, which are categorized based on the issuer type, rating and currency. These limits are internally imposed by the Group

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(b) Liquidity Risk (continued)****Management of market risks (continued)**

Intesa Sanpaolo Bank Albania - Issuer Limits (Nominal amounts, Euro mln Equivalent)					
	TYPE OF ISSUER	Tot. Max Limit on the Overall Financial Portfolio (Nominal Value)	Total Maximum Limit by Business Model (Nominal Value)		Single Issuer Maximum Limit on the Overall Financial Portfolio (Nominal Value)
			HTC	HTCS	
i)	Government T-Bills and T-Bonds issued by Albania Government and denominated in local currency.	None	No new purchases	None	None
ii)	Government securities issued by Albania Government denominated in foreign currency.	The lower between Regulatory Limit ¹ and EUR 42 mln	No new purchases	The lower between Regulatory Limit ¹ and EUR 42 mln	The lower between Regulatory Limit ¹ and EUR 42 mln
iii)	-Foreign Government securities issued by G7 countries (exempt-Japan), -Securities issued by Government Agencies or Government Development Banks, with rating Aaa/AAA, -Securities issued by Supranationals with rating Aaa/AAA, denominated in currencies of the G7 members (exempt-JPY) - where the credit approval procedure is fulfilled for non-Government securities.	None	No new purchases	None	100
iv)	Foreign Government securities - issued by EU countries not included in point iii) and rated at least A3/A-, denominated in currencies of G7 members (exempt-JPY).	50	0	50	15
v)	Covered Bonds: - issued by Financial Institutions provided that the covered bond is rated at least Aa3/AA-, - issued by Financial Institutions of the parent company's country with issuer's rating not below the country's rating, denominated in currencies of the G7 members (exempt-JPY), where the credit approval procedure is fulfilled.	60	0	60	10 ²

1.Regulatory limit: sum of each Albania security in FC x respective Risk Weight, as defined in the regulation < 20% of the Regulatory Capital.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(b) Market Risk (continued)****Management of market risks**

- With reference to item iii) of the Table, investments in Italian government securities are subject to credit sensitivity limits (CR01) approved by GFRC.
- For all the investments in debt securities, classified as HTCS or HTC, issued by countries considered “at risk” according to ISP Country Risk Guidelines (i.e. countries not belonging to euro area with an internal rating lower than AA-), the approval process and authorization procedure required by the guidelines in force must be followed.
- The HTCS security portfolio should be within a VaR Limit, which was a requirement of the ISP Risk management department. The limit has been defined from ISP Risk management using the historical data of securities portfolio of ISBA. The methodology used for the calculus of the VaR is based on the simulation method applied in full-revaluation and supported by the architecture of HO IBM's “Mark-to-Future”. This limit has been introduced and is monitored by ISP Financial and Market Risks Head Office Department/Risk Monitoring & Governance Office on daily basis. In the case of limit violation, they will inform accordingly ISBA structures, ISP Treasury and ISBA Local Risk in order to take all necessary steps to get back to limits.
- The limit assigned to Intesa Sanpaolo Bank Albania are:

HTCS Securities Portfolio Limits	Limit	Currency
HTCS Early Warning VaR	2,800,000	EUR
HTCS Early Warning Stressed VaR	3,400,000	EUR

All the above limits assigned are measured from ISP Chief Risk Officer governance are/Market and financial risk management department and periodically submitted to ISBA local risk/ ISBA Bank' Enterprise, Market and Financial Risk office, which monitors with reference to Group internal limits and guidelines.

- During the year 2025, the bank has been within these internal limits.

(i) Exposure to Foreign Exchange rate risk

Foreign exchange rate risk is defined as the possibility that foreign exchange rate fluctuations will produce significant changes, both positive and negative, in the Bank's statement of financial position. The key sources of exchange rate risk consist of:

- Foreign currency loans and deposits held by corporate and retail customers;
- Investment securities in foreign currencies;
- Trading of foreign banknotes;
- Collection and/or payment of interest, commissions, administrative costs, etc. in foreign currencies.

The Bank's exposure to exchange rate risk is monitored on a daily basis by Enterprise, Market and Financial Office/ Risk Management Department ensuring compliance with the internal and regulatory limits. Internal regulations set limits for each open currency position, global open position, maximum loss and Value at Risk (VaR).

- The limit assigned to Intesa Sanpaolo Bank Albania, approved in ISBA BOD date 27 March 2025 and ISP GFRC 11 February 2025 are as below.
- The introduction of the **Global Transaction FX risk VAR** monitoring within the Trading Book, ensuring the consistency with the current overall ISBD limits according to the RAF 2024 defined by the BoD at the beginning of the year. For ISBA, since no trading activity is in place, the limit refers to the FX position on Banking book.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(b) Market Risk (continued)****Management of market risks (continued)**

- EW Trading Book (Fx global transactional risk) VaR: 200.000 EUR
- EW Trading Book SVaR (Fx global transactional risk): 150.000 EUR

The Global Transaction FX position VaR is computed and monitored by HO Financial and Market Risks Head Office Department, according to ISP Group methodology, with the same metrics adopted for all the legal entities of the Group. The VaR limit is set by the Group Financial Risk Committee

With reference to the FX global transactional risk VaR calculation methodology, it is basically the same already used for the HTCS VaR calculation: 99° VaR calculated using the Historical Approach with exponential weights assigned to the latest 250 scenarios (1 year lookback period).

For the FX global transactional risk SVaR, the steps for its calculation are basically the same described for the VaR, its calculation to each scenario is assigned the same probability of realization; as such the 99° percentile of the SVaR PL distribution (the SVaR Scenario) is always going to be the third worst observation.

Both calculations will be performed from HO Financial and Market Risks Head Office Department for all foreign currencies, based on the Open Currency Positions provided on daily basis by the Local Risk Management structure (Enterprise, Market and Financial risk office), using ISP Risk Watch calculation engine, and will be sent on daily basis to Local risk (EMFR office/Risk management department). After the above limits, the measuring and monitoring processes, will enter in force, the FX VaR at local level will not be calculated anymore.

- **The Global VaR and SVaR limits (HTCS portfolio + Trading FX global transactional risk):**
 - EW Global VaR: 3.000.000 EUR
 - Soft Limit Global VaR: 3.150.000 EUR
 - EW Global SVaR: 3.400.000 EUR
 - Soft Limit Global SVaR: 3.600.000 EUR

The calculation and monitoring of the Global VaR/SVaR EW and Soft limits (which include the FX Global transactional risk + HTCS portfolio risk of ISP Albania - banking book since no trading activity is allowed) are performed by HO Financial and Market Risks Head Office Department, and will be sent on weekly basis to Local risk (EMFR office/Risk management department).

During the year 2025, the Bank has been within these internal limits.

Foreign exchange risk is monitored on a daily basis by the Treasury and ALM Department, with independent oversight performed by the Risk Management function. The Bank applies a system of approved limits and control parameters to manage exposures arising from foreign currency positions. Breaches of approved limits are promptly escalated to the relevant management bodies and Head Office functions, investigated, and addressed through corrective actions in accordance with the Bank's internal policies and Group risk governance framework.

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(c) Market Risk (continued)

(i) Exposure to Foreign Exchange rate risk (continued)

	LEK	USD	EUR	OTHER	TOTAL
Assets					
Cash and cash equivalents	1,519,728	1,745,892	3,216,538	1,847,390	8,329,548
Loans and advances to banks	4,215,411	4,434,136	42,875,071	-	51,524,618
Investment securities at FVOCI	64,532,169	2,052,875	15,364,029	-	81,949,073
Investment securities at amortized cost	759,684	282,443	-	-	1,042,127
Loans and advances to customers	29,459,285	496,544	34,004,732	261	63,960,822
Property and equipment's	1,633,980	-	-	-	1,633,980
Right of use	564,518	-	-	-	564,518
Intangible assets	562,271	-	-	-	562,271
Investment Property	495,300	-	-	-	495,300
Current tax assets	135,314	-	-	-	135,314
Other assets	184,099	21,350	217,165	113	422,727
Total Assets (1)	104,061,759	9,033,240	95,677,535	1,847,764	210,620,298
Liabilities					
Due to Banks	429,439	-	1,468,641	1,528	1,899,608
Due to customers	76,452,831	10,010,283	91,448,520	1,829,181	179,740,815
Provisions	150,037	24,453	140,107	-	314,597
Lease liabilities	18,680	-	522,425	-	541,105
Other liabilities	988,721	20,979	551,753	7,929	1,569,382
Deferred tax assets	45,985	-	-	-	45,985
Net Equity	26,556,802	9,177	47,587	-	26,613,566
Total Liabilities (2)	104,642,495	10,064,892	94,179,033	1,838,638	210,725,058
Net FX Position at 31 December 2025 (1)-(2)	(580,736)	(1,031,652)	1,498,502	9,126	(104,760)
Off balance sheet Assets	40,547,558	5,862,795	153,142,450	-	199,552,803
Off balance sheet Liabilities	39,629,756	4,831,588	155,091,459	-	199,552,803
Net Off BSH FX Position at 31 December 2025	917,802	1,031,207	(1,949,009)	-	-
Total Net FX Position at 31 December 2025	337,066	(445)	(450,507)	9,126	(104,760)
Balance sheet Assets as at 31 December 2024	99,102,284	10,347,003	90,754,328	1,923,385	202,127,000
Balance sheet Liabilities as at 31 December 2024	99,820,247	10,485,831	89,904,118	1,916,804	202,127,000
Net Off BSH FX Position at 31 December 2024	1,079,621	139,349	(1,218,970)	-	-
Total Net FX Position at 31 December 2024	361,658	521	(368,770)	6,581	-

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(c) Market Risk (continued)**

Below is a stipulation of the effect of changes in exchange rates in the net profit, assuming that all the other variables are held constant:

	2025	2024
LEK depreciates against USD by 5%	(22)	26
LEK appreciates against USD by 5%	22	(26)
LEK depreciates against EUR by 5%	(22,525)	(18,439)
LEK appreciates against EUR by 5%	22,525	18,439
LEK depreciates against other ccys by 5%	456	329
LEK appreciates against other ccys by 5%	(456)	(329)

(ii) Exposure to Interest Rate risk

The principal Interest Rate risk to which the Bank's portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. This risk arises primarily from securities portfolio, retail and corporate banking. Interest rate risk is managed principally through periodic monitoring of interest rate spreads between the Bank's assets and liabilities and also preparing related scenario analysis on interest rates for decision making purposes.

The method used to measure Interest Rate risk of the Bank's assets and liabilities is based on the sensitivity analysis. The measurement system adopted by the Bank must ensure that the risk profile can be examined from two distinctive but complementary points of view:

- the economic value perspective (EVE - Economic Value of Equity), that evaluates the impact of interest rates shocks (and their volatilities) on the present value of future cash flows;
- the net interest income perspective (NII - Net Interest Income), that evaluates the impact of interest rates shocks (and their volatilities) on net interest income.

The Bank's financial assets and liabilities have mainly fix interest rate the majority of the asset side is made of Albanian Securities and for certain non-Albanian securities investment, which have fixed coupon rates between 0.75% - 5.38% for USD denominated securities (2024: 0.75% - 5.38%) and between 0% - 3.50% for EUR denominated securities (2024: 0% - 3.50%).

The Bank's Regulation on Interest Rate Risk Management, "ISBA Guidelines on the governance of IRRBB and CSRBB" and "Rules on the measurement and control of IRRBB and CSRBB in ISBA" have been approved by the ISBA ALCO meeting on 24 December 2024 and by the BOD meeting of 6 February 2025, based on the latest versions of IRRBB Guidelines issued by Parent Company in 2024.

Interest rate risk is monitored by the Treasury and ALM Department, under the oversight of the Risk Management function and relevant Head Office structures, in accordance with the Bank's internal policies and Group guidelines. The Bank assesses compliance with approved interest rate risk limits on an ongoing basis. Any breaches are promptly reported, analyzed, and subject to corrective actions, with escalation to the appropriate management and governance bodies in line with the established risk governance framework.

These documents implement the latest regulatory provisions, recently defined in the Guidelines issued by the Parent Company on May 2024, based on the EBA regulation (EBA/GL/2018/02), and keeping the provisions of the Bank of Albania guideline "On managing interest rate risk in the banking book", approved as per decision No. 33, dated 30 April 2013. Interest rate risk generated by the Bank's assets and liabilities, as measured through shift sensitivity of Fair Value analysis of ± 100 basis points, registered at the end of December 2025 a value of ALL -512.95 million (for +100 basis points) compared to the end of year December 2024 ALL -275.63 million.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(c) Market Risk (continued)****(ii) Exposure to Interest Rate risk (continued)**

The table below shows the currency breakdown of the shift sensitivity for the year end 2025 and 2024.

Shift sensitivity				
31 December 2025	Increase in basis points	Total	Sensitivity of Profit & Loss	Sensitivity of Equity
EUR	+100 b.p. / -100 b.p.	(58,475)/82,253	130,577/(116,664)	(189,053)/198,917
USD	+100 b.p. / -100 b.p.	(25,548)/26,807	(7,713)/8,614	(17,836)/18,193
ALL	+100 b.p. / -100 b.p.	(430,745)/459,246	201,041/(193,090)	(631,785)/652,337
Other (GBP & CHF)	+100 b.p. / -100 b.p.	1,822/(1,864)	1,822/(1,864)	0/0

Sensitivity of				
31 December 2024	Increase in basis points	Total	Profit & Loss	Sensitivity of Equity
EUR	+100 b.p. / -100 b.p.	2,350/1,122	179,691/(183,089)	(177,341)/184,211
USD	+100 b.p. / -100 b.p.	(52,061)/55,476	(20,819)/22,402	(32,242)/33,075
ALL	+100 b.p. / -100 b.p.	(222,868)/235,380	353,465/(358,782)	(576,334)/594,162
Other (GBP & CHF)	+100 b.p. / -100 b.p.	(2,512)/2,547	(2,512)/2,547	0/0

The limits on shift sensitivity of Fair Value (EVE) for shock +100bp and the NII Sensitivity for shocks +/-50bp are part of the RAF limits for ISBA 2025.

The NII sensitivity records the NII effects generated by the market rates movement on the renewal/re-pricing of the banking book. It quantifies the short-term impact on the net interest income of a parallel, instantaneous, permanent shock of ± 50 basis points to the interest rate curve. This measure highlights the effect of variations in market rates on the interest margin generated by the portfolio that is being measured, excluding potential effects deriving from the new operations and future changes in the mix of assets and liabilities. The reference time horizon is typically limited to 1 year and according to the hypothesis that the institution is able to continue its activities ("going concern" approach).

The Interest rate risk generated by the Bank's assets and liabilities, as measured through shift sensitivity of Net Interest Income analysis of ± 50 basis points, registered at 31 December 2025 a value of Lek 283.29 million (for +50 basis points) and a value of Lek -265.10 million (for -50 basis points), compared to December 2024 Lek 260.55 million (for +50 basis points) and a value of Lek -245.80 million (for -50 basis points).

The sight positions with customers in ALL and EUR are treated based on behavioral model for the NII sensitivity defining the customer interest rate in the long-term and including the behavioral features and delayed reaction to market interest rates (in the short-term) resulting from the model. The behavioral model is developed by ISP Financial and Market Risks Head Office Department, based on the ISBA historical data provided from the Local Risk structure. The model results have been update based on the latest historical data of ISBA sight position (sight loans and sight deposits up to July 2019) by the HO above structure for what concern Net Interest Income (NII) while, for what concern the potential changes to economic value of equity (EVE), is developed for the first-time in order to take into consideration: the positive trend in stocks, the periodic adjustments to the parameters used and various methodological refinements. The updated parameters result for NII and the new ones for EVE representation are approved in GFRC November 2019 and ISBA BOD August 2020. Both are fully implemented in August 2022 in the ALMPro risk system.

A different method used to measure Interest Rate risk is required by the Bank of Albania, which consists of quarterly monitoring of the interest rate risk exposure towards a parallel shock of ± 200 basis points of the interest rate curve. For all the financial categories of assets and liabilities divided into either fixed or floating rate, their present value is calculated and is distributed in 14-time buckets. The total present value is then multiplied accordingly with the estimated modified duration of each time bucket. The limit for this exposure is 20% of the Bank's regulatory capital. The Bank has been within the limit with the interest rate risk exposures at 31 December 2025 being 3.3% of the Bank's regulatory capital (31 December 2024: 5.1%).

The Bank has been within the limits in accordance with Bank of Albania regulation and the internal regulation during the year 2025.

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Notes to the financial statements for the year ended 31 December 2025

(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(c) Market Risk (continued)

(ii) Exposure to Interest Rate risk (continued)

The tables below summarize the Bank's interest-bearing financial assets and liabilities with both fixed and floating interest rates, as reported to Parent company and management of the Bank.

Based on the management of Interest Rate risk regulation, the carrying amount of each financial instrument is mapped to the repricing gap based on contractual undiscounted cash-flows or behavioral re-pricing date. The contractual includes instruments where the Bank knows exactly when the maturity or next re-pricing takes place.

31 December 2025	O/N	0-3 months	3-18 months	18m - 3 years	3 - 5 years	>5 years	Total
Assets							
Loans and advances to banks	2,468,210	32,250,069	23,445,002	-	-	-	58,163,281
Loans and advances to customers	3,970,036	8,146,699	10,175,587	6,513,622	3,368,189	2,894,389	35,068,522
	1,218,531	6,971,681	22,774,055	(56,837)	(121,436)	(359,167)	30,426,827
Financial investments	-	20,361,308	40,523,803	12,883,545	7,968,828	1,777,520	83,515,004
Other financial assets	61,157	46,075	219,797	49,427	56,321	22,737	455,514
	1,869,214	-	-	-	-	-	1,869,214
Total assets	6,499,403	60,804,151	74,364,189	19,446,594	11,393,338	4,694,646	177,202,321
	3,087,745	6,971,681	22,774,055	(56,837)	(121,436)	(359,167)	32,296,041
Total financial assets (interest-bearing)	9,587,148	67,775,832	97,138,244	19,389,757	11,271,902	4,335,479	209,498,362
Liabilities							
Deposits to banks	(277,738)	(420,307)	-	(97,272)	(1,037,924)	-	(1,833,241)
Due to customers	(77,322,543)	(24,460,042)	(50,889,323)	(17,851,462)	(8,826,305)	(98,187)	(179,447,862)
Other liabilities	(167,837)	(34,494)	(215,342)	(140,946)	(104,756)	(39,811)	(703,186)
Total financial liabilities (interest-bearing)	(77,768,118)	(24,914,843)	(51,104,665)	(18,089,680)	(9,968,985)	(137,998)	(181,984,289)
Interest sensitivity gap	(68,180,970)	42,860,989	46,033,579	1,300,077	1,302,917	4,197,481	27,514,073

The behavioral includes instruments whose residual life and/or interest rate have high levels of uncertainty that may depend on specific behaviors by customers, as the sight loans (advances to banks and advances to customers) and sight deposits (current accounts to customers) which are positioned in time buckets as per behavioral coefficients values, results of the model developed from Parent company based ISBA historical data. The model results, after the approval, are implemented in August 2022. The repricing gap is calculated according to the internal rules on Interest rate risk as the difference between interest-bearing assets and interest-bearing liabilities in a given time bucket. Other financial assets/liabilities, capital and reserves, are items not included in the repricing gap, not considered interest-bearing.

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

9. Financial Risk Management (continued)

(c) Market Risk (continued)

(ii) Exposure to Interest Rate risk (continued)

31 December 2024	O/N	0-3 months	3-18 months	18m - 3 years	3 - 5 years	>5 years	Total
Assets							
Loans and advances to banks	4,495,611	26,719,861	27,900,082	-	-	-	59,115,554
	-	-	-	-	-	-	-
Loans and advances to customers	3,561,337	7,521,943	8,496,852	5,671,147	2,482,639	1,999,886	29,733,804
	1,726,123	6,247,244	20,389,928	(86,613)	(147,808)	(495,754)	27,633,120
Financial investments	1,133,449	15,199,498	46,653,611	11,681,123	6,188,484	1,082,298	81,938,463
	-	-	-	-	-	-	-
Other financial assets	44,889	44,454	442,778	50,020	46,940	40,860	669,941
	1,766,709	-	-	-	-	-	1,766,709
Total financial assets (interest-bearing)	12,728,118	55,733,000	103,883,251	17,315,677	8,570,255	2,627,290	200,857,591
Liabilities							
Deposits to banks	(727,412)	(687,148)	-	-	(1,225,741)	-	(2,640,301)
	-	-	-	-	-	-	-
Due to customers	(73,889,292)	(22,966,131)	(42,298,638)	(21,100,905)	(12,153,681)	(16,047)	(172,424,694)
	-	-	-	-	-	-	-
Other liabilities	(268,213)	(46,496)	(354,238)	(173,079)	(126,245)	(44,728)	(1,012,999)
	-	-	-	-	-	-	-
Total financial liabilities (interest-bearing)	(74,884,917)	(23,699,775)	(42,652,876)	(21,273,984)	(13,505,667)	(60,775)	(176,077,994)
Interest sensitivity gap	(62,156,799)	32,033,225	61,230,375	(3,958,307)	(4,935,412)	2,566,515	24,779,597

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*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(c) Operational Risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. This definition includes: legal risk, or the risk of losses resulting from violations of law or regulations, from contractual or constructive liability or from other disputes; model risk, defined as the potential loss which can be suffered by an entity, resulting from decisions mainly based on the results of internal models, caused by errors occurred during their development, implementation or use; Compliance risk, defined as the risk to incur judicial or administrative penalties, relevant financial losses resulting from the violation of mandatory rules or self-regulation; ICT risk (Information and Communication Technology, or simply computer risk), defined as the risk to incur economic losses related to the use of information and communication technology. Strategic and reputational risks are excluded.

The Bank's Board of Directors has approved the guidelines on the overall operational risk management framework adopting a policy and an organizational process for measuring, managing and controlling operational risk. Bank has acknowledged the last version of ISP guideline for operational risk management July 2023 and has implemented it, updating the local "ISBA Guideline for the Governance of Operational Risk" approved by ISBA BOD on 27 October 2024.

The Bank's Operational Risk Management Committee (hereinafter as ORCO) is responsible for the management of the operational risk of the Bank in terms of reviewing operational risk governance documentation and approving changes, preparing policies, standards and methodologies regarding operational risk management. One of the tools introduced for the management of operational risk is the definition of Operational Risk Key Indicators (KRIs). The final list of KRIs and thresholds was approved in ISBA Operational Risk Committee on October 2015. Since their approval, the Internal KRIs have been monitored and reported on quarterly bases in the ORCO and BoD meetings. The Internal KRIs are subject of an annual review process in order to ensure that they are aligned with the dynamic of the operational context and the significant risks that the Bank faces. Any amendment on KRIs policy will be submitted in ORCO and BoD for approval.

Thresholds for Bank of Albania KRI-s are defined and integrated within "ISBA KRIs Policy", approved in ISBA BOD 18 December 2024. The KRI-s are monitored on quarterly basis as per regulation BoA "On Operational Risk Management" in place, and reported in ORCO and BoD meetings.

The Bank's Risk Management Division is responsible for the identification, assessment, management and mitigation of operational risks, the verification of mitigation effectiveness and reporting to the Bank Senior Management and Group Risk Management with the aim of assessing the potential economic impact of particularly serious operational events.

The Bank carries out an annual assessment campaign set up by Intesa Sanpaolo Group, Self-Diagnosis process, which consists on the operational risk identification and assessment linked to the activity of each single unit within a structure.

The objectives of the Self Diagnosis process are to identify, measure, monitor, and mitigate operational risks. The Self Diagnosis process contributes to the spread of risk - control culture within the Bank. This process is composed of phases relative to:

- the **Risk & Control Self-Assessment (RCSA)**, **NEW process**, which is an integral part of the Operational Risk and ICT and Security Risk management framework and allows for the prospective **identification and self-assessment of exposures** to such risks inherent in business processes, as well as the related controls, replacing the previous Business Environment Evaluation (VCO) process. One of the main innovations compared to the VCO is the introduction of the concept of «**Spine**». Within the "**Operational, IT & Cyber Risk Management**" structure of the Intesa Sanpaolo Group, and in line with regulatory frameworks and international best practices, it was decided to undertake a path aimed at **evolving the Operational Risk (ROP) and ICT and Security Risk (RIS) management framework** through the definition of the **RCSA process**
- the Scenario Analysis, which determine the size of each structure's risk profile by collecting estimated quantitative data from Business and Operational Units Responsible. **Scenario Analysis (SA)**, prospective evaluation of the **probability** of occurrence and the **impact** estimate (average/worst case) in the event of occurrence, of predefined risk scenarios in order to predict their consequences and contribute to the calculation of the economic capital for operational risk.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(c) Operational Risk (continued)**

The Bank has the same responsibilities towards the Bank of Albania. The new regulation introduced from Bank of Albania, "On management of operational risk from Banks, payments institutions, and cash electronic institutions" which is approved on the Supervisory council of Bank of Albanian on 6 November 2024, has entered in force on 01 March 2025. The new regulation comes in the light of continues approximation of the regulatory framework of the Central Bank of Albania with the requirements of the Basel committee and EU. In the conditions when the operational risk is becoming even more important for the banks, it was decided from BOA to review the supervisory requirements for a more effective management of the risk, also the review of the reporting templates on the operational risk events. Changes in the set of reports are done, new KRI-s and new RSCA (Risk & Control Self-Assessment) process are introduced.

(d) Climate-related risks

The Bank and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change.

These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

In Albania there is no legislation in force for climate related risk, however the bank has ongoing project supported from the Parent Bank to mitigate all risk.

The Bank in collaboration with ISP Group has made significant progress in embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and the creation of a ESG Committee, which is responsible for developing policies, processes and controls to incorporate climate risks in the management of principal risk categories.

In addition, the Bank will implement in 2026 the HO models for valuation of climate-related risks and their impact on borrower's credit risk. In the current year, the Bank has also enhanced its data collection systems to help it achieve its climate related aims. For instance, the Bank will introduce mechanisms to collect information relating to clients' exposure to transition and physical risk, and to rate such exposure, in order to understand the impact of climate-related risk on corporate clients in affected sectors. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

(e) Capital Management

The Bank's lead regulator, the Central Bank of Albania, sets and monitors capital requirements for the Bank. The Bank's policy is to maintain the capital base within limits, capitalizing all activity earnings so as to sustain future development of the business recognizing the impact of the level of capital on shareholders' return. The Bank recognizes 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.

Implementing the current capital requirements, the Central Bank of Albania requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets and off-balance sheet items, at a minimum level of 12%. During financial year 2025 the Bank achieved an adequacy ratio well above the minimum required which as at 31 December 2025 is calculated 26.30% (2024: 24.55%)

The modified capital adequacy ratio, which represents the ratio of base capital to risk-weighted assets and off-balance sheet items, is another limit set by the Central Bank of Albania at a level of 6%. Throughout the period, there were no material changes in the Bank's management of capital and all externally imposed capital requirements were complied with.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***9. Financial Risk Management (continued)****(e) Capital Management (continued)**

Regulation on Capital Adequacy Ratio entered into force in March 2015 and is based on Basel II criteria and in line with the European Directives for Financial Institutions.

	Note	2025	2024
Tier 1 capital - CET1			
Share capital	20	5,562,518	5,562,518
Share premium	20	1,383,880	1,383,880
Legal and regulatory reserves	21	1,825,623	1,825,623
Regulatory retained earnings		16,374,413	13,568,241
		25,146,434	22,340,262
Deductions:			
Regulatory intangible assets		(653,651)	(718,244)
Total qualifying Tier 1 capital		24,492,783	21,622,018
Risk-weighted assets:			
On and off-balance sheet		77,554,397	74,913,914
Risk assets for operational risk		15,567,331	13,176,775
Total risk-weighted assets		93,121,728	88,090,689
Tier I capital to risk-weighted asset ratio (Capital adequacy ratio)		26.30%	24.55%

As at 31 December 2017, the Bank of Albania the guideline “On the internal capital adequacy assessment process” entered in force which set out the requirements for banks on drafting and implementing the Internal Capital Adequacy Assessment Process (ICAAP), as well as the expectations of the supervisor on the structure and content of the regulatory report of this process. ICAAP, which is independently realized by the bank and approved from its governing bodies by acknowledging also regulatory requirements, shall ensure the assessment of the current and future levels of capital adequacy, based on its risk profile and strategies ICAAP has been prepared by the Bank starting from year 2013 following also the ISP Group requirement and also have been timely submitted to the regulator within every year on March-April.

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10. Fair value measurement

The following table provides the fair value measurement hierarchy of the bank's assets and liabilities.

Assets measured at fair value:	Date of valuation	Fair value measurement using							
		2025			2024				
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment securities at FVOCI	12/31/2025	81,949,073	17,413,925	64,519,262	15,886	76,359,711	15,068,382	61,283,936	7,392
Property and equipment (Buildings)	12/31/2025	1,256,674	-	-	1,256,674	1,256,674	-	-	1,256,674
Investment property	12/31/2025	495,300	-	-	495,300	501,410	-	-	501,410
		83,701,047	17,413,925	64,519,262	1,767,860	78,117,795	15,068,382	61,283,936	1,765,477

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

11. Financial Assets and Financial Liabilities**(a) Fair values of financial assets and financial liabilities**

2025	Note	Investment securities at amortized cost	Carrying Amount			Fair Value			Total	
			Investment securities at FVOCI	Loans and advances to banks	Other financial liabilities	Total carrying amount	Level 1	Level 2		Level 3
	16	-	-	40,221,735	-	-	40,221,735	-	40,221,735	
	17	1,041,866	-	-	-	1,041,866	770,396	-	1,067,932	
	17	-	81,949,334	-	-	81,949,334	17,414,185	64,519,262	15,887	
	Total	1,041,866	81,949,073	40,221,735	-	123,212,674	17,711,721	105,511,393	15,887	123,239,001
	26	-	-	-	179,740,815	-	179,740,815	-	179,403,438	
	Total	-	-	-	179,740,815	179,740,815	-	-	179,403,438	

2024	Note	Investment securities at amortized cost	Carrying Amount			Fair Value			Total	
			Investment securities at FVOCI	Loans and advances to banks	Other financial liabilities	Total carrying amount	Level 1	Level 2		Level 3
	16	-	-	42,163,099	-	-	42,163,099	-	42,163,099	
	17	4,371,611	-	-	-	4,371,611	1,595,267	2,843,964	-	
	17	-	76,359,711	-	-	76,359,711	15,068,382	61,283,936	7,393	
	Total	4,371,611	76,359,711	42,163,099	-	122,894,421	16,663,649	106,290,999	7,393	122,962,041
	26	-	-	-	172,405,715	-	172,405,715	-	172,214,840	
	Total	-	-	-	172,405,715	172,405,715	-	-	172,214,840	

HTC Albanian Government securities are fixed and floating rate bonds. The floating rate bond is given as the average yield of the last three Treasury bill auctions with the maturity of one year plus the spread. The measurement of the fair value for these securities is performed using the mark-to-market model valuation technique, by discounting all future cash flows deriving from such instruments. The rest of the HTC foreign securities denominated in foreign currencies represent Banks and Financial Institutions' securities whose fair value is measured according to the "ISBA fair value internal rules".

Loans and advances to customers have carrying amount, which is considered also their fair value, as the major part of portfolio is based on floating interest rates.

The fair value of Time Deposits from customers is re-priced using the net present value. The interest rates applied are the market interest rates published from Bank of Albania. These rates are an estimate of the market rates. The fair value of current accounts, savings accounts is considered to approximate their carrying amount, given they have short-term maturity.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***11. Financial Assets and Financial Liabilities (continued)****(b) Classification of financial assets and financial liabilities**

See accounting policies in Notes 9 (f)(ii).

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Note	Amortized cost	FVOCI	Total carrying amount
2025				
Financial Assets				
Cash and cash equivalents	13	8,329,548	-	8,329,548
Loans and advances to banks	14	51,524,618	-	51,524,618
Investment securities	15	1,041,866	81,949,334	82,991,200
Loans and advances to customers	16	63,960,822	-	63,960,822
Total		124,856,854	81,949,334	206,806,188
Financial Liabilities				
Due to banks	23	1,899,608	-	1,899,608
Due to customers	24	179,740,815	-	179,740,815
Total		181,640,423	-	181,640,423
2024				
Financial Assets				
Cash and cash equivalents	13	11,046,340	-	11,046,340
Loans and advances to banks	14	49,446,943	-	49,446,943
Investments securities	15	4,371,611	76,359,711	80,731,322
Loans and advances to customers	16	56,421,796	-	56,421,796
Total		121,286,690	76,359,711	197,646,401
Financial Liabilities				
Due to banks	23	2,685,057	-	2,685,057
Due to customers	24	172,405,715	-	172,405,715
Total		175,090,772	-	175,090,772

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***12. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities presented according to their contractual maturity. Due to customers portfolio within 12 months are renewable and is expected to be recovered or settled after one year.

		2025		
Assets	Note	Within 12 months	After 12 months	Total
Cash and cash equivalents	13	8,329,548	-	8,329,548
Loans and advances to banks	14	45,960,798	5,563,820	51,524,618
Investment securities	15	79,345,010	3,646,190	82,991,200
Loans and advances to customers	16	44,574,275	19,386,547	63,960,822
Tax assets		135,314	-	135,314
Inventory and other assets	18	225,878	301,609	527,487
Property and equipment	19	-	1,633,980	1,633,980
Right- of use	20	-	564,518	564,518
Intangible assets	21	-	562,271	562,271
Investment property	22	-	495,300	495,300
Total Assets		178,570,823	32,154,235	210,725,058
Liabilities				
Due to banks	23	1,899,608	-	1,899,608
Due to customers	24	165,622,731	14,118,084	179,740,815
Lease liability	19	-	541,105	541,105
Other liabilities	27	-	1,569,382	1,569,382
Provisions	26	-	314,597	314,597
Deferred tax liabilities		-	45,985	45,985
Total Liabilities		167,522,339	16,589,153	184,111,492
		2024		
Assets	Note	Within 12 months	After 12 months	Total
Cash and cash equivalents	13	11,046,340	-	11,046,340
Loans and advances to banks	14	26,777,174	22,669,768	49,446,943
Investment securities	15	29,697,390	51,033,932	80,731,322
Loans and advances to customers	16	11,421,766	45,000,030	56,421,796
Tax assets		154,091	-	154,091
Inventory and other assets	18	-	886,258	886,258
Property and equipment	19	-	1,813,257	1,813,257
Right- of use	20	-	541,748	541,748
Intangible assets	21	-	583,835	583,835
Investment property	22	-	501,410	501,410
Total Assets		79,096,762	123,030,238	202,127,000
Liabilities				
Due to banks	23	2,685,057	-	2,685,057
Due to customers	24	144,221,116	28,184,599	172,405,715
Current tax liability		39,128	-	39,128
Lease liability	19	-	507,729	507,729
Other liabilities	27	-	2,033,134	2,033,134
Provisions	26	-	481,379	481,379
Deferred tax liabilities		-	4,588	4,588
Total Liabilities		146,945,301	31,211,429	178,156,730

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***13. Cash and cash equivalents**

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

	2025	2024
Cash on hand	1,811,043	1,764,608
Current accounts with banks	1,580,802	4,442,736
Unrestricted balances with Bank of Albania	715,090	293,966
Money market placements	4,222,796	4,545,355
Less impairment loss allowance	(183)	(325)
Total	8,329,548	11,046,340

14. Loans and advances to banks

Loans and advances to banks as at 31 December 2025 and 31 December 2024 are composed as follows:

	2025	2024
Compulsory reserve with Bank of Albania	17,108,365	16,273,263
Deposits with correspondent banks	25,621,385	33,175,008
Reverse repurchase agreement	8,796,752	-
Less impairment loss allowance	(1,884)	(1,328)
Total	51,524,618	49,446,943

In accordance with the Bank of Albania requirements, the Bank at the reporting date should maintain a minimum of compulsory reserve as per percentages determined by the regulator (See note 9.(b).(ii)).

Such reserves are maintained in original currency for due to customer balances denominated in local currency. For due to customer balances denominated in foreign currency the Bank is obliged to maintain in original currency. The amount required to be deposited is calculated monthly in arrears. According to the Bank of Albania regulation 70% of this reserve in Lek is available for daily use by the Bank.

The remuneration interest rate of obligatory reserve denominated in Lek is 100% of repurchase agreements rate equal to 2.5% for 31 December 2025 (31 December 2024: 2.75 %). The remuneration interest rate of the obligatory reserve in EUR is equal to 0% for EUR for 31 December 2025 (31 December 2024: 0 %). Deposits with banks comprise money market placements with an original maturity of over three months, which are not part of cash and equivalents.

As at 31 December 2025 the Parent Bank has pledged a securities amounting ALL 10,064,080 thousand as collateral for reverse repurchase agreements.

15. Investment securities

	2025	2024
Investment securities measured at FVOCI-debt instruments	81,949,073	76,359,711
Investment securities measured at amortized cost- debt instruments	1,039,408	4,371,611
Equity shares - VISA at FVOCI	2,719	-
Total	82,991,200	80,731,322

Investment securities measured at FVOCI as at 31 December 2025 and 31 December 2024 can be detailed as follows:

	2025	2024
Sovereign issuers		
Republic of Albania	67,904,475	62,757,330
Unlisted	64,535,149	61,291,328
Listed	3,369,326	1,466,002
EU member states	8,404,550	7,724,928
Listed	8,404,550	7,724,928
Other Financial Institutions	4,799,074	4,923,337
Listed	4,799,074	4,923,337
USA	840,974	954,116
Listed	840,974	954,116
Total	81,949,073	76,359,711

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***15. Investment securities (continued)**

Investment securities measured at amortized cost as at 31 December 2025 and 31 December 2024 can be detailed as follows:

	2025	2024
Sovereign issuers		
Republic of Albania	756,965	4,048,733
Unlisted	756,965	2,769,851
Listed	-	1,278,882
US and EU member states	282,443	322,878
Listed	282,443	322,878
Total	1,039,408	4,371,611

As at 31 December 2025 Albanian Government securities amounting All 176,500 thousand have been pledged as collateral for repurchase agreements (2024: no securities).

16. Loans and advances to customers

Loans and advances to customers measured at amortized cost are composed as follows:

	2025	2024
Loans	54,076,437	46,890,063
Overdrafts	11,100,198	10,981,734
Financial lease	537,365	617,424
Deferred disbursement fees	(202,394)	(183,277)
Gross amount	65,511,606	58,305,944
Less impairment loss allowance (see Note 9.(a).(v))	(1,550,784)	(1,884,148)
Total net amount	63,960,822	56,421,796

The Bank leases out certain equipment under finance leases in its capacity as a lessor.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2025	2024
Less than one year	210,506	205,181
Between one and five years	318,587	398,911
Over 5 years	4,602	8,567
Gross finance lease	533,695	612,659
Less impairment allowance	(2,422)	(4,291)
Total	531,273	608,368

The following table sets out presentation of loans and advances to customers as per loan category.

	2025			2024		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Retail customers	25,696,271	715,159	24,981,112	21,959,772	735,534	21,224,238
Mortgage lending	18,749,530	163,550	18,585,980	16,239,532	244,258	15,995,274
Personal loans	6,736,075	528,795	6,207,280	5,548,751	463,978	5,084,773
Credit cards	186,020	22,276	163,744	151,350	26,685	124,665
Leasing	24,646	538	24,108	20,139	613	19,526
Corporate customers	39,815,335	835,625	38,979,710	36,327,189	1,129,631	35,197,558
Investment loans	27,063,351	401,786	26,661,565	23,280,899	551,783	22,729,116
Working capital	12,242,935	431,955	11,810,980	12,453,770	574,170	11,879,600
Leasing	509,049	1,884	507,165	592,520	3,678	588,842
Total	65,511,606	1,550,784	63,960,822	58,286,961	1,865,165	56,421,796

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

17. Property and Equipment

Property and Equipment as at 31 December 2025 and 31 December 2024 is as follows:

	Land and Building*	IT and Electrical Equipment	Furniture and Fine Art Works	Other non-Electrical Assets	Assets acquired not put into use	Total
Cost or fair value*						
Balance as at 1 January 2024	1,210,306	1,383,000	181,479	283,898	177,280	3,235,963
Additions	45,966	33,893	5,974	5,542	87,820	179,195
Disposals	-	(20,763)	(12,199)	(3,644)	-	(36,606)
Transfer	402	112,049	7,065	22,978	(142,494)	-
Adjustment of Revaluation	-	-	-	-	-	-
Balance as at 31 December 2024	1,256,674	1,508,179	182,319	308,774	122,606	3,378,552
Additions	-	12,159	289	4,108	19,082	35,638
Disposals	-	-	(339)	(1,433)	0	(1,772)
Transfer	-	30,581	5,167	10,269	-47336	(1,319)
Adjustment of Revaluation	-	-	-	-	-	-
Balance as at 31 December 2025	1,256,674	1,550,919	187,436	321,718	94,352	3,411,099
Accumulated Depreciation						
Balance as at 1 January 2024	-	1,093,358	138,652	153,807	-	1,385,817
Depreciation for the year	42,683	125,273	12,291	34,445	-	214,692
Transfer for integration cost	-	(10,538)	(2,120)	(1,917)	-	(14,575)
Disposals	-	(18,697)	(11,975)	(4,542)	-	(35,214)
Used on the Impairment loss	-	-	-	-	-	-
Balance as at 31 December 2024	42,683	1,199,934	138,968	183,710	-	1,565,295
Depreciation for the year	44,616	123,117	12,349	32,936	-	213,018
Transfer for integration cost (note 26)	-	(2,325)	(730)	(24)	-	(3,079)
Disposals	-	-	-	(1,194)	-	(1,194)
Used on the Impairment loss	-	-	-	-	-	-
Balance as at 31 December 2025	87,299	1,323,051	151,317	215,452	-	1,777,119
Carrying amount						
At 31 December 2024	1,213,991	308,245	43,351	125,064	122,606	1,813,257
At 31 December 2025	1,169,375	227,868	36,119	106,266	94,352	1,633,980

Fully depreciated assets still in use for the year ended 2025 have an historical cost of ALL 1,251,188 thousand (2024: ALL 1,026,096 thousand).

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***17. Property and Equipment (continued)**

*The fair value of land and building was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank's own-used property portfolio every three years and its fair value measurement is categorized as a Level 3 fair value based on the inputs to comparable approach used. The latest valuation was performed at the end of the year 2023. During 2025 the independent appraisal has done a valuation for the buildings confirming that there are no significant changes from the latest valuation.

Description of valuation techniques used and key inputs to valuation of buildings is as following:

Valuation technique	Significant unobservable inputs	2023
		Range (weighted average)
Discounted cash flow method (DCF)	Estimated rental value per sqm per month Discounted rate	1,200 - 3,300 EUR 5,3%

18. Right of use of assets and lease liability**A. Leases as lessee**

The Bank leases a number of branch and office premises. This leases typically run for a period of 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some lease provides for additional rent payments that are based on changes in local price indices. The Bank also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. The information about leases for which the Bank is a lessee is presented below:

	Right-of-use assets		
	Buildings	Other tangible assets	Total
Cost			
At 1 January 2024	733,967	67,251	801,218
Additions	203,036	90,677	293,713
Modifications	(25,044)	-	(25,044)
Disposal/Transfer	(175,683)	(39,943)	(215,626)
At 31 December 2024	736,276	117,985	854,261
Additions	176,296	13,494	189,790
Modifications	4,444	-	4,444
Disposal/Transfer	(121,130)	(6,784)	(127,914)
At 31 December 2025	795,886	124,695	920,581
Accumulated Depreciation			
At 1 January 2024	(304,565)	(60,016)	(364,581)
Depreciation charge	(141,254)	(22,304)	(163,558)
Depreciation charge for disposal	175,683	39,943	215,626
At 31 December 2024	(270,136)	(42,377)	(312,513)
Depreciation charge	(145,157)	(26,307)	(171,464)
Depreciation charge for disposal	121,130	6,784	127,914
At 31 December 2025	(294,163)	(61,900)	(356,063)
Net book amount			
At 31 December 2024	466,140	75,608	541,748
At 31 December 2025	501,723	62,795	564,518
Average Discount rate	4.08%	4%	

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***18. Right of use of assets and lease liability (continued)**

The Bank has rental agreements with renewal options for its offices in Albania. During 2025, the amount of Lek 26,379 thousand was recognized as operating lease expense under IAS 17 in respect of lease rentals (2024: Lek 20,914 thousand).

i. Extension options

Some leases of office premises contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where applicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Lease Liability

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2025	2024
At 1 January	507,729	402,651
Additions	189,634	293,511
Modifications	4,418	(23,257)
Accrual of interest	23,801	19,268
Lease payment	(175,725)	(160,217)
Revaluation effect	(8,752)	(24,227)
At 31 December	541,105	507,729

The maturity analysis of lease liabilities is disclosed in Note 12.

19. Intangible Assets

Intangible assets as at 31 December 2025 and 31 December 2024 are as follows:

	Software and Licenses	Advances for Software	Total
Cost			
Balance as at 1 January 2024	2,768,419	125,239	2,893,658
Additions during period	91,963	87,535	179,498
Transfers	73,668	(73,668)	-
Disposals	(51,864)	-	(51,864)
Balance as at 31 December 2025	2,882,186	139,106	3,021,292
Additions during period	8,614	122,461	131,075
Transfer	74,957	(74,957)	-
Disposal	-	-	-
Balance as at 31 December 2025	2,965,757	186,610	3,152,367
Accumulated amortization			
Balance as at 1 January 2024	2,282,932	-	2,282,932
Amortization charge for the year	171,558	-	171,558
Disposals	(17,033)	-	(17,033)
Balance as at 31 December 2024	2,437,457	-	2,437,457
Amortization charge for the year	152,639	-	152,639
Disposals	-	-	-
Balance as at 31 December 2025	2,590,096	-	2,590,096
Carrying amount			
At 31 December 2024	444,729	139,106	583,835
At 31 December 2025	375,661	186,610	562,271

Fully depreciated assets still in use for the year ended 2025 have an historical cost of ALL 2,150 mio (2024: ALL 2,017 mio).

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***20. Investment property**

The Bank holds investment property as consequence of acquisitions through enforcement of security over loans and advances. As at 31 December 2024, the investment property represents a foreclosed collateral repossessed during 2017. During 2025, investment property rentals of Lek 11,386 thousand (2024: Lek 12,360 thousand) have been recognized in other income.

Based on the agreement between parties the annual rent for the first year is calculated 2.8% of the historical cost. The annual rent change over the period based on the payment of instalment for purchase of the property.

The following table shows a reconciliation from the beginning balances to the closing balances for the fair value measurements of the Bank's investment property.

	2025	2024
Balance at 1 January	501,410	485,256
Acquired during the year	-	-
Assets sold during the year	-	-
Net changes in fair value	(6,110)	16,154
Balance at 31 December	495,300	501,410

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank's investment property portfolio every year and its fair value measurement is categorized as a Level 3 fair value based on the inputs to comparable approach used.

Description of valuation techniques used and key inputs to valuation of investment property is as following:

Valuation technique	Significant unobservable inputs	2025	2024
		Range (weighted average)	
Discounted cash flow method (DCF)	Estimated rental value per sqm per month	1,700 - 1,950 EUR	1,788 - 1,948 EUR
	Discounted rate	10.5%	7.2%

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

21. Other assets

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

	2025	2024
Sundry debtors	35,884	17,617
Suspense transactions, ATM & POS and transfers	80,275	43,918
Leasehold improvements	86,293	115,974
Prepayments	96,846	99,595
Cheques for collection	5,672	10,073
VAT Receivable	110,556	380,668
Others	7,201	56,409
Total	422,727	724,254

The movement of leasehold improvements during the reporting period is presented as follows:

	2025	2024
At beginning of the period	115,973	144,299
Additions during period	7	11,788
Transfer to property and equipment	(2,957)	(10,001)
Amortization of the period	(25,100)	(27,196)
Transfer for Integration Costs (note 26)	(1,630)	(2,916)
At end of the period	86,293	115,974

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***22. Repossessed assets**

Inventory represents repossessed assets acquired in the process of collection of defaulted loans. The movement of “repossessed assets” item during the reporting period is presented as follows. The foreign exchange effect arises due to the fact that such assets are typically priced in Euro in the market.

	2025	2024
At beginning of the period	162,004	184,578
Additions during period	2,437	41,651
Disposals of the period	(16,436)	(34,279)
Write down to net realizable value	(42,934)	(35,448)
Effect of movements in foreign exchange	(311)	5,502
At end of the period	104,760	162,004

23. Due to banks and financial institutions

Due to banks and financial institutions as at 31 December 2025 and 31 December 2024 are as follows:

	2025	2024
Correspondent banks		
Current accounts	281,685	232,847
Resident	1,186	1,305
Non-resident	280,499	231,542
Borrowings	1,197,881	1,230,777
Non-resident	1,197,881	1,230,777
Deposits	256,464	686,050
Resident	256,464	686,050
Non-resident	-	-
Current Accounts with Central Bank	-	535,383
Repurchase agreement with Central Bank	163,578	-
Total	1,899,608	2,685,057

Borrowings with non-resident financial institution represent loans received by the Bank from EBRD as per Youth in Business (‘YiB’) and Green Economy Financing Facility (GEFF) and from Cassa Depositi e Prestiti S.P.A as per Green Finance for Inclusion (GF4I).

For the agreement of Youth in Business the total commitment of 1 million EUR is scheduled to be disbursed within a year in tranches not less than 500 thousand EUR each. Commitment fee is 0.5% p.a. and is calculated and paid over the undrawn part of each tranche. The borrowing has an interest rate of 5.174% p.a. and is payable in 7 semiannual installments. Loan disbursed under this agreement has an outstanding balance of ALL 82,945 thousand as at 31 December 2025 (2024: ALL 99,363 thousand).

For the agreement of Green Economy Financing Facility (GEFF) the total commitment of 3 million EUR is divided in two tranches not less than 1.5million EUR each. Commitment fee for the first tranche is 0.5% p.a. and is calculated and paid over the undrawn part of each tranche. Total amount disbursed during 2024 was 1.5 million EUR with an interest rate of 3.889% p.a. and payable in 7 semiannual installments. Loan disbursed under this agreement had an outstanding balance of LEK 145,155 thousand as at 31st December 2025 (2024: ALL 147,527 thousand).

For the agreement of Green Finance for Inclusion the total commitment of 10 million EUR, no commitment fee. Total borrowing was disbursed during 2024 with an interest rate of 0.962% p.a. and payable in 5 semiannual installments. It has an outstanding balance of ALL 967,700 thousand as at 31st December 2025 (2024: 983,886 thousand).

In order to achieve this overall objective, the Bank’s capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing borrowing in the current period.

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Notes to the financial statements for the year ended 31 December 2025
(in thousands of Lek, unless otherwise stated)

23. Due to banks and financial institutions (continued)

Changes in borrowings arising from financing activities are as following:

	2025	2024
As at 1 January	1,230,777	141,268
Cash flow		
Issuance	(28,233)	1,112,621
Repayments	-	1,125,111
Non-cash items		
Interest expenses	(28,233)	(12,490)
Forex	(4,663)	(23,112)
	12,636	19,074
	(17,299)	(42,186)
As at 31 December	1,197,881	1,230,777

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***24. Due to customers**

Due to customers as at 31 December 2025 and 31 December 2024 are composed as follows:

	2025			2024		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
Current accounts						
Retail	19,053,973	25,814,432	44,868,405	17,080,706	25,304,468	42,385,174
Corporate	17,987,672	30,548,919	48,536,591	17,010,019	29,069,714	46,079,733
	37,041,645	56,363,351	93,404,996	34,090,725	54,374,182	88,464,907
Deposits						
Retail	37,507,547	40,605,683	78,113,230	37,012,418	38,958,661	75,971,079
Corporate	1,903,631	6,318,958	8,222,589	1,584,482	6,385,247	7,969,729
	39,411,178	46,924,641	86,335,819	38,596,900	45,343,908	83,940,808
Total	76,452,823	103,287,992	179,740,815	72,687,625	99,718,090	172,405,715

Balances due to customers by maturity and currency type are as follows:

	2025			2024		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
Current Accounts						
On demand	5,370,358	14,393,196	19,763,554	5,306,426	16,528,991	21,835,417
One month	282,327	261,962	544,289	291,289	221,900	513,189
Three months	556,216	4,326,018	4,882,234	591,077	3,712,991	4,304,068
Six months	830,477	1,351,146	2,181,623	809,662	1,125,081	1,934,743
Ten months	42,482	13,541	56,023	25,520	13,756	39,276
Twelve months	11,780,851	18,256,374	30,037,225	10,505,869	16,623,648	27,129,517
Twenty-four months	3,236,850	3,016,233	6,253,083	3,396,996	2,686,962	6,083,958
More than twenty-four months	17,311,617	5,306,171	22,617,788	17,670,060	4,430,580	22,100,640
	39,411,178	46,924,641	86,335,819	38,596,899	45,343,909	83,940,808
Total	76,452,823	103,287,992	179,740,815	72,687,625	99,718,090	172,405,715

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***24. Due to customers (continued)**

For current accounts (for which is paid interest) and time deposits, the annual published interest rates applicable for the various fixed terms were:

2025	ALL (%)	USD (%)	EUR (%)
Demand deposits	0.20 - 0.20	0.10 - 0.10	0.00 - 0.00
Time deposits - 1 month	0.20 - 0.20	0.05 - 0.10	0.00 - 0.00
Time deposits - 3 months	0.20 - 1.25	0.10 - 0.95	0.00 - 0.55
Time deposits - 6 months	0.20 - 1.55	0.10 - 1.25	0.00 - 0.75
Time deposits - 9 months	1.10-1.60	-	0.70 - 1.05
Time deposits - 10 months	1.30 - 1.80	1.10 - 1.50	-
Time deposits - 12 months	0.20 - 2.60	0.10 - 2.00	0.00 - 1.60
Time deposits - 13 months	0.80 - 0.80	-	-
Time deposits - 15 months	1.75-2.45	1.30 - 1.70	-
Time deposits - 18 months	0.90 - 2.45	0.20 - 0.20	0.00 - 0.00
Time deposits - 21 months	1.80 - 2.45	-	-
Time deposits - 24 months	1.10 - 2.70	0.25 - 2.40	0.00 - 1.70
Time deposits - 30 months	1.78- 2.50	-	-
Time deposits - 36 months	1.40 -3.30	0.25 - 2.50	0.00 - 1.75
Time deposits - 60 months	2.22 - 3.40	0.25 - 2.50	0.00 - 2.00
Time deposits - 84 months	2.49 - 3.51	-	-

2024	ALL (%)	USD (%)	EUR (%)
Demand deposits	0.20 - 0.20	0.10 - 0.10	0.00 - 0.00
Time deposits - 1 month	0.20 - 0.20	0.05 - 0.10	0.00 - 0.00
Time deposits - 3 months	0.20 - 1.20	0.10 - 0.90	0.00 - 0.50
Time deposits - 6 months	0.20 - 1.60	0.10 - 1.20	0.00 - 0.70
Time deposits - 9 months	0.40 - 2.40	-	0.00 - 1.05
Time deposits - 10 months	1.50 - 2.50	1.00 - 1.50	-
Time deposits - 12 months	0.20 - 3.00	0.10 - 1.90	0.00 - 1.60
Time deposits - 13 months	0.80 - 0.80	-	-
Time deposits - 15 months	2.45 - 2.80	1.40 - 1.70	-
Time deposits - 18 months	0.90 - 2.90	0.20 - 0.20	0.00 - 0.00
Time deposits - 21 months	2.45 - 2.90	-	-
Time deposits - 24 months	1.10 - 3.10	0.25 - 2.30	0.00 - 2.10
Time deposits - 30 months	2.50 - 2.92	-	-
Time deposits - 36 months	1.40 - 4.17	0.25 - 2.77	0.00 - 2.30
Time deposits - 60 months	2.26 - 3.80	0.25 - 2.50	0.00 - 2.50

All individual and cooperate customer deposits, in accordance with the Law No. 52, dated 25.05.2014 "On the Insurance of Deposits" amended, are protected without any cost for customers, up to the amount of Lek 2,500,000 (or in Lek equivalent if in foreign currency) with the Deposit Insurance Agency (DIA).

25. Deferred Tax

Recognized deferred tax assets and liabilities are attributable to the following:

	2025			2024		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Investment securities measured at FVOCI	-	151,301	(151,301)	-	154,364	(154,364)
Allowance for expected credit losses	19,737	-	19,737	23,899	-	23,899
Investment Property	-	-	-	-	-	-
Reposessed assets	77,646	-	77,646	113,328	-	113,328
Properties	-	94,307	(94,307)	-	94,306	(94,306)
Right-of-use assets	81,109	84,678	(3,569)	76,300	81,264	(4,964)
Equipment and intangible assets	105,809	-	105,809	111,819	-	111,819
Net deferred tax assets	284,301	330,286	(45,985)	325,346	329,934	(4,588)

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***25. Deferred Tax (continued)**

Movements in temporary differences during the year are as follows:

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing Balance
31 December 2025				
Investment securities measured at FVOCI	(154,364)	-	3,064	(151,301)
Allowance for expected credit losses	23,899	(4,162)	-	19,736
Investment Property	-	-	-	-
Repossessed assets	113,328	(35,682)	-	77,646
Properties	(94,306)	-	-	(94,307)
Right-of-use assets	(4,962)	1,394	-	(3,568)
Equipment and intangible assets	111,819	(6,010)	-	105,809
Total	(4,588)	(44,461)	3,064	(45,985)

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing Balance
31 December 2024				
Investment securities measured at FVOCI	(24,282)	-	(130,082)	(154,364)
Allowance for expected credit losses	26,908	(3,009)	-	23,899
Investment Property	(1,599)	1,599	-	-
Repossessed assets	115,432	(2,104)	-	113,328
Properties	(94,306)	-	-	(94,306)
Right-of-use assets	(6,199)	1,235	-	(4,964)
Equipment and intangible assets	109,128	2,691	-	111,819
Total	125,082	412	(130,082)	(4,588)

26. Provisions

Movements in provisions during the year are as follows:

	Tax Litigation	Other Litigations	Off-Balance Sheet ECL	Integration costs	Total
Balance at 1 January 2025	184,626	197,949	46,534	52,270	481,379
Provisions made/(reversed) during the year	(150,180)	3,364	(7,716)	(6,708)	(161,240)
Provisions used during the year	-	-	-	-	-
Effect of movements in foreign exchange	-	(5,183)	(359)	-	(5,542)
Balance at 31 December 2025	34,446	196,130	38,459	45,562	314,597

27. Other liabilities

Other liabilities as at 31 December 2025 and 31 December 2024 are composed as follows:

	2025	2024
Suspense accounts, ATM & POS and transfers	518,902	496,984
Accrued expenses	482,858	735,828
Bonus and other employee accrued expenses	454,936	373,952
Other tax liabilities	57,739	321,382
Due to third parties	34,475	36,217
Sundry creditors	17,810	68,771
Other	2,662	-
Total	1,569,382	2,033,134

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***28. Share capital and share premium**

The issued share capital comprises one class of shares as follows:

	Number of Shares (In number)	Nominal Value (In Lek)	Total Shares Value (In Lek)
Share Capital at 31 December 2024 and 2025	15,581,282	357	5,562,517,674

Share premium represents the amount paid from the shareholder in excess of the registered share capital. Intesa Sanpaolo S.p.A is the sole shareholder and also ultimate parent and there are no changes in the number of shares for year ended 31 December 2025 and 2024.

29. Reserves

As at 31 December 2025 and 31 December 2024, the reserves were:

	2025	2024
Regulatory reserve (a)	1,125,444	1,125,443
Legal reserve (b)	700,180	700,180
Fair value reserve (c)	1,086,621	1,253,488
Revaluation reserve (d)	534,404	534,404
Other capital reserve (e)	714,554	714,554
Merger reserve (f)	2,813,396	2,813,396
Total	6,974,599	7,141,465

Nature and purpose of the reserves

a. The regulatory reserve was established according to the Central Bank of Albania regulation “On the Bank’s Regulatory Capital”, no.69, dated 18 December 2014. Banks and branches of foreign banks are required to create reserves of 1.25% to 2% of total risk-weighted assets, by appropriating one fifth of the profit after taxes and before payment of dividends, until the balance on this measure reaches at least 1.25% of total risk-weighted assets. At 31 December 2025, the regulatory reserve represented 1.209% of total risk-weighted assets (2024: 1.34%).

b. The legal reserve was established according to the provisions of the Commercial Law requiring the creation of reserves of 5% of the Bank’s net income after deduction of accumulated losses from previous years, until the balance of this reserve reaches 10% of the Bank’s share capital. At 31 December 2025, the balance represented 10% of the Bank’s share capital (2024: 10%). This threshold is not mandatory, when the existing reserves are not less than one tenth of the Bank’s share capital.

c. The Fair value reserve represent the cumulative net change in fair value of the securities at FVOCI until the assets are derecognized or reclassified.

Below is disclosed the gross value of the fair value reserve and the deferred tax as at 31 December 2025 and 2024:

	2025	2024
Gross reserve	1,237,922	1,407,852
Deferred tax	(151,301)	(154,364)
Total	1,086,621	1,253,488

d. The revaluation reserve relates to the revaluation of owned used property. The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value to other comprehensive income until the assets are derecognized or impaired.

e. Other capital reserve represents the differences arising from the conversion of the Bank’s share capital from USD to Lek. Out of this balance, the amount of Lek 297,666 thousand was received as at 1 January 2008 from the merger with former BIA, as raised by the same denomination currency change of the share capital.

f. The merger reserve represents the contribution by owner equal to the net assets transferred considering that the Bank did not pay a consideration to acquire net assets of VBA (refer also to note 1).

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***30. Net Interest income**

Interest income calculated using the effective interest method are as following:

Interest income	2025	2024
Loans and advances to customers	3,260,923	3,265,553
Investment securities at amortized cost	113,224	214,835
Loans and advances to banks	1,378,874	1,719,849
Investment securities at FVOCI	2,674,303	2,667,674
Total interest income	7,427,324	7,867,911
Interest expenses		
Demand and time deposits	1,476,049	1,366,134
Deposits from banks	21,233	22,323
Current accounts of customers	85,946	87,040
Lease liability (note 18)	23,764	19,268
Total interest expenses	1,606,992	1,494,765
Net interest income	5,820,332	6,373,146

31. Net fee and commission income

	2025			2024		
	Retail Banking	Corporate Banking	Total	Retail Banking	Corporate Banking	Total
<i>Fee income earned from services that are provided over time:</i>						
Unused/advanced liquidated credit lines	17,995	18,363	36,358	17,054	24,801	41,855
Active current accounts	261,697	25,167	286,864	202,497	32,439	234,936
Arrangement fees and others	4,038	36,442	40,480	4,379	50,640	55,019
Guarantees given	961	55,322	56,283	1,627	54,307	55,934
<i>Fee income from providing financial services at a point in time:</i>						
ATMs and POSs	689,167	229,415	918,582	592,553	204,542	797,095
Collection and payment services	291,849	256,491	548,340	313,047	284,158	597,205
Fee and commission income	1,265,707	621,200	1,886,907	1,131,157	650,887	1,782,044
<i>Fee expenses from financial services</i>						
ATMs and POSs	544,748	270,233	814,981	476,277	225,007	701,284
Banking services	538	10,267	10,805	638	12,530	13,168
Collection and payment services	6,177	17,444	23,621	14,723	19,568	34,291
Guarantees received	-	10,447	10,447	-	9,094	9,094
Fee and commission expenses	551,463	308,391	859,854	491,638	266,199	757,837
Net fee and commission income	714,244	312,809	1,027,053	639,519	384,688	1,024,207

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 are measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a service to only a customer. The Bank provides banking services only to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***32. Other income**

	2025	2024
Foreign exchange gains	961,803	834,358
Recoveries on written off loans	16,055	81,422
Rent income	11,386	12,361
Gain on sale of repossessed assets	29,764	2,627
Gain/(loss) from sale of investment securities	3,212	6,997
Total	1,022,220	937,765

33. Net other operating expenses

	2025	2024
Premium on deposits insurance	381,459	370,924
Premium on recovery & resolution plan	101,375	99,284
Loss on sundry net operational	5,344	4,339
Total	488,178	474,547

34. Personnel expenses

	2025	2024
Salaries and bonuses	1,439,092	1,408,937
Social and pension Insurance	211,971	207,431
Total salaries and social insurance	1,651,063	1,616,368
Personnel on secondment	155,938	114,793
Training & similar	132	51,113
Termination indemnities and others	79,745	89,042
Total	1,886,878	1,871,316

Salaries and social insurance for the year ended 31 December 2025 and 2024 are further breakdowns as follows:

	2025	2024
Board of Directors	8,524	10,659
Executive Management	381,650	330,541
Other personnel	1,343,320	1,556,612
Total	1,733,494	1,897,812

For the year ended 31 December 2025 the Bank had an average number of 709 employees (2024: 769).

35. Other administrative expenses

	2025	2024
Software maintenance	758,394	711,499
Maintenance and repair	93,136	99,871
Security	86,799	72,063
Indirect Taxes	218,973	139,991
Telephone and electricity	70,450	72,362
Consulting, legal and professional fees	54,115	47,267
Stationery	38,911	56,840
Transport and security services	37,663	49,836
Advertising and publications	52,359	52,691
Integration Fees	286,890	227,253
Insurance	8,879	8,583
Short term and low-value leases	20,914	26,379
Travel and business trips	9,685	12,693
Other	11,739	22,271
Total	1,748,907	1,599,599

Consulting, legal and professional fees for the year ended 31 December 2025 include the estimated statutory audit fees amounting to Lek 17,922 thousand (2024: Lek 15,600 thousand). No non-audit fees are incurred during the year from the statutory auditor.

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***36. Income tax expenses**

The components of income tax expense for the year ended 31 December 2025 and 2024 are:

	2025	2024
Current tax for the year	505,085	679,121
Current tax expense	505,085	679,121
Origination and reversal of temporary differences	44,461	(412)
Deferred tax income	44,461	(412)
	549,546	678,709
Tax expenses from prior years audit	1,456	-
Income tax expense/(benefit)	551,002	678,709

Tax expenses from prior year's audit amounting ALL 1,456 thousand is related to additional tax expenses resulting from the tax audit of tax authorities covering the period for the periods 2023 - 2024.

Reconciliation of the income tax expense with the accounting profit for the year ended 31 December 2025 and 2024 is presented as follows:

	2025		2024	
Accounting Profit before tax		3,361,164		3,804,425
Income tax at domestic corporate tax rate	15.00%	504,175	15.00%	570,664
Non-deductible expenses	3.47%	116,597	3.58%	136,037
Income exempted from income tax	-3.44%	(115,687)	-0.72%	(27,579)
Income tax Expense	15.03%	505,085	17.85%	679,121

Non-deductible expenses are detailed as follows:

	2025	2024
Other provisions expenses	674,344	719,727
Losses on unrecoverable loans and overdrafts	40,897	53,156
Office expenses	24,258	27,372
IFRS 16 impact	19,836	22,062
Personnel expenses	9,181	9,862
Sundry operational losses	4,012	4,920
Litigation expenses	3,329	16,463
Tax effect of prior year taxes recognition	1,456	-
Depreciation and amortization expenses	-	49,765
Impairment assets through legal process	-	3,584
Total	777,313	906,911
At 15%	116,597	136,037

Income exempted from income tax are generally reversals of accruals and provisions that were treated as non-deductible in prior years and are detailed as follows:

	2025	2024
Reversal of accruals related to prior years	(490,868)	(163,801)
Impairment assets through legal process	(225,386)	-
Allowance reversals for expected credit losses	(27,749)	(20,060)
Depreciation and amortization expenses	(27,243)	-
Total	(771,246)	(183,861)
At 15%	(115,687)	(27,579)

The Bank paid income tax in the amount of Lek 679,526 during 2025 (2024: Lek 610,058 thousand). Below if the reconciliation of the income tax outstanding at the end of the year 2025 and 2024.

	2025	2024
Balance at January	(39,128)	29,936
Income tax expenses of the year	(505,085)	(679,121)
Payments during the year	679,527	610,057
Balance at 31 December	135,314	(39,128)

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Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***37. Commitments and contingencies**

Commitments and contingencies as at 31 December 2025 and 31 December 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Contingent Assets	9,553,517	7,571,702
Guarantees received from Government and Financial Institutions	7,122,401	6,186,487
Money market future dated deals	-	118,160
Forward foreign exchange contracts	2,429,863	1,241,883
Other	1,253	25,172
Contingent Liabilities	16,849,827	16,744,510
Guarantees in favor of customers	8,130,631	6,802,101
Un-drawn credit facilities	7,857,295	8,946,551
Letters of credit	861,901	995,858

Guarantees are mainly represented by bid and performance bonds. Guarantees and letters of credit are collateralized by cash and deposits. The Bank issues guarantees to its customers. These instruments bear a credit risk similar to that of loans granted.

Contingent assets, like letters of credit and un-drawn credit facilities, are off-balance sheet items representing future commitments where the Bank acts as the beneficiary. Forward foreign exchange contracts are off-balance sheet items used to offset currency fluctuations and the effect on the income statement is reflected on the maturity date when the contract is executed.

Guarantees received from credit customers represent collaterals to secure loans and advances to customers

	<u>2025</u>	<u>2024</u>
	154,431,817	162,799,038
Guarantees received from credit customers	154,431,817	162,799,038

Litigation

The Bank is defending an action related to a partial payment of a bank guarantee amounting EUR 4,830 thousand. The guarantee was issued in favor of an Albanian entity upon the request of its Parent Company Intesa Sanpaolo S.P.A. The Bank has successfully defended itself in a legal process, in which both the First Instance Court and Court of Appeal judged in favor of the Bank. The plaintiff has appealed to the Supreme Court which has not yet issued its decision. Management does not consider that there are any legal grounds for the existing judgments in its favor to be overturned.

Nevertheless, given the complexity of the case, involving also the Italian Jurisdiction, and taking into consideration no other cases of that kind have been ever judged in the Albanian courts, some operational risks may occur.

In the ordinary course of business, the Bank may be involved in other various claims and legal actions which in the opinion of management, the ultimate settlement of these matters will not have a material adverse effect on the Bank's financial position or changes in net assets, other than those for which a provision has already been included in these financial statements in the note 26.

38. Related parties

The Bank's immediate parent is Intesa Sanpaolo S.p.A, which ultimately holds a 100% interest. The Bank, therefore, considers that it has a related-party relationship, in accordance with International Accounting Standard 24 Related Party Disclosures ("IAS 24") with the following:

Shareholders and parties related to shareholders:

- Intesa Sanpaolo S.p.A and its subsidiaries and associates

Key management personnel and parties related to key management personnel:

- Supervisory Board members, Management Board members and other key management personnel defined as persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank, collectively "key management personnel", close family members of key management personnel, and companies and un-incorporated businesses controlled, or jointly controlled by key management personnel and/or their close family members.

Intesa Sanpaolo Bank Albania sh.a.

Notes to the financial statements for the year ended 31 December 2025

*(in thousands of Lek, unless otherwise stated)***38. Related parties (continued)**

The following transactions have taken place during the year ended 31 December 2025 and 31 December 2024:

	ISP Group companies		Key management personnel and Other related parties	
	2025	2024	2025	2024
Assets at end of year	20,009,956	11,683,057	66,223	46,741
Loans and advances to credit institutions	20,005,034	11,678,674	-	-
Impairment losses	(870)	(716)	-	-
Loans and advances to customers	-	-	66,472	47,104
Impairment losses	-	-	(249)	(363)
Other assets	5,792	5,099	-	-
Liabilities at end of year	251,928	336,984	65,175	216,171
Loans and advances from credit institutions	-	-	-	-
Customer deposits	-	-	65,175	216,171
Invoices to be received	251,928	336,984	-	-
Off balance sheet	4,576,338	1,065,365	-	-
Letter of credit/Letter of Guarantees given	644,313	26,231	-	-
Letter of credit/Letter of Guarantees received	2,807,889	761,976	-	-
Foreign currency contracts and money market deals	1,124,136	277,158	-	-
Commitments given	-	-	-	-
Collaterals	-	-	-	-
Income for year ending	582,730	567,710	2,835	2,335
Interest income	553,107	507,635	2,834	2,300
Commission Income	29,623	60,074	2	35
Expenses for the year ending	1,046,563	797,198	312	873
Interest expense	111	-	312	873
Commission expense and others	10,293	13,127	-	-
Other Administrative Costs	1,036,159	784,071	-	-
Compensation of Key Managers	-	-	179,554	152,993
<i>Net Salary</i>	-	-	97,100	92,699
<i>Net Bonus paid</i>	-	-	26,637	22,073
<i>Social & Health Insurance</i>	-	-	7,590	6,640
<i>Other expenses (Lecoip)</i>	-	-	8,009	7,589
<i>Other expenses</i>	-	-	40,218	28,050

39. Subsequent events

After the reporting date, the conflict involving Iran has increased volatility in global energy and financial markets, including a significant rise in oil prices and broader macroeconomic uncertainty.

The Bank, operating in Albania, has no direct exposures to Iran or to counterparties in the directly affected countries. However, management has considered the potential for indirect impacts through higher energy prices, inflationary pressures, interest rate movements and the possible deterioration in the credit profile of customers affected by such developments.

Based on the assessment performed up to the date of authorization of these financial statements, no adjusting impact has been identified. Accordingly, these matters are disclosed as a non-adjusting subsequent event.

There are no other events after the reporting date that require disclosure in these financial statements.

Organizational Structure of the Bank



Organisational Structure

The Organizational Code Document of Intesa Sanpaolo Bank Albania describes its organizational structure by means of:

- The mission of each Division and Department
- The duties and key responsibilities of all other Intesa Sanpaolo Bank Albania organizational structures

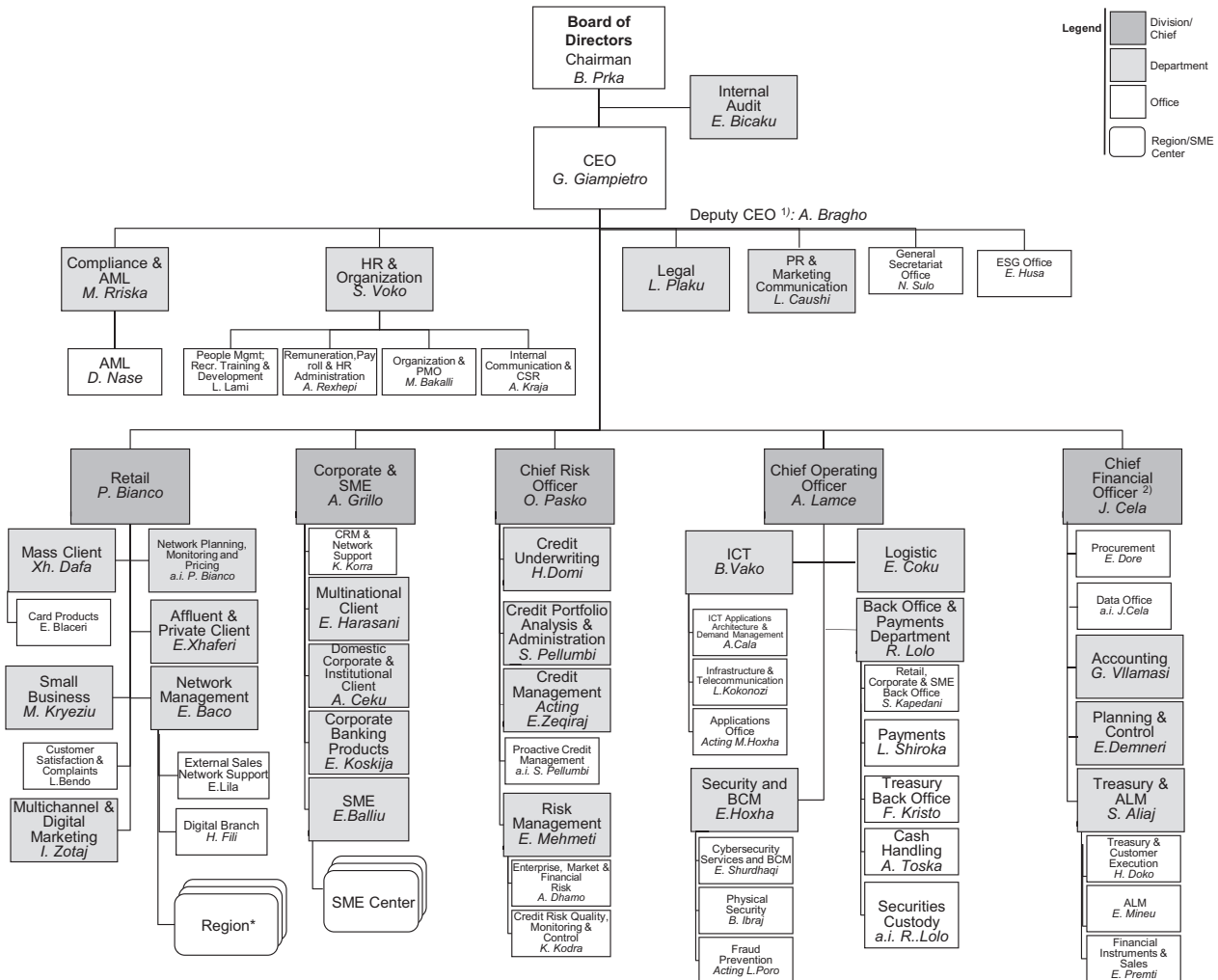
This document also includes provisions for the functional relations in place among Intesa Sanpaolo Bank Albania and the Intesa Sanpaolo Group (Parent Company).

The order adopted to list the organizational structures within this document is the same applied to the Bank's organizational charts:

Structures that report to the Board of Directors

- Department and its related organizational structures (Offices) Structures that report to CEO
- Department and its related organizational structures (Offices)
- Office
- Division which may include
 - Departments and its related organizational structures (Offices)
 - Offices

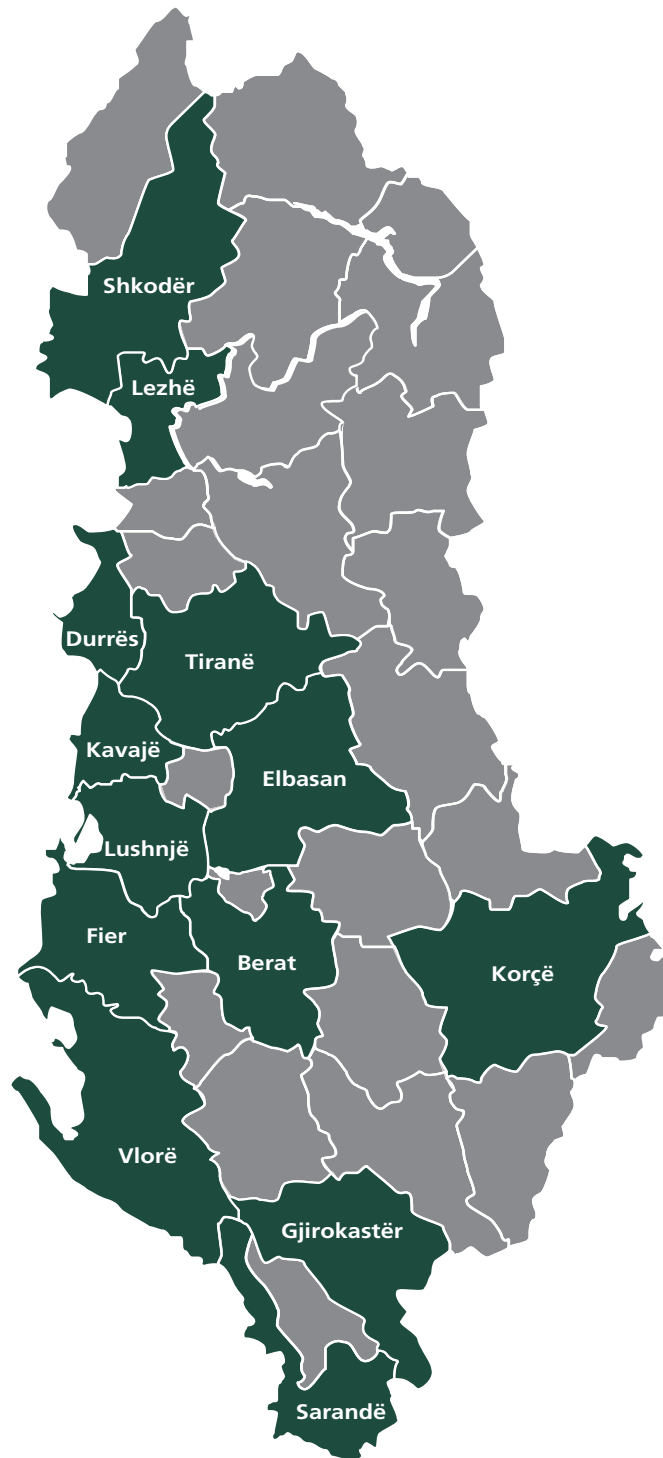
Organisational Structure



Footnotes:
 1) Managerial oversight over Compliance & AML, Legal, General Secretariat and ESG and supervision and coordination over COO, CFO and Chief Risk Officer;
 2) Julian Cela is Reporting Officer.
 * Regions manage the respective Branches assigned.

Bank Business
Network





Intesa Sanpaolo Bank Albania

Business Network

Nr.	Branch	Branch code	Address
1.	Ismail Qemali Branch	000	Str. "I.Qemali", Nr. 27 P.O. Box 8319 1001 Tirana, Albania
2.	Durrës Main Branch	001	Nbhd. No 1, Str. "Taulantia", Suqare "M.Ulqinaku" near the port, 2001 Durrës
3.	Vlorë Branch	002	Nbhd. "24 Maji" Str. Transballkanike Vlora, Albania
4.	Elbasan Branch	003	Bldv. "Qemal Stafa" Box 3001 Elbasan, Albania
5.	Fier Branch	004	Nbhd. "15 Tetori" Box 9301 Fier, Albania
6.	Gjirokastër Branch	005	Nbhd. "18 Shtatori" Box 6001 Gjirokastër, Albania
7.	Korçë Branch	006	Bldv. "Republika" Korçë, Albania
8.	Lushnjë Branch	007	Nbhd. "Kongresi" near Art Business Center, Box 9001 Lushnjë, Albania
9.	Lezhë Branch	008	Nbhd. "Besëlidhja", Box 4501 Lezhë, Albania
10.	Str. Barrikadave Branch	010	Str. "Barrikadave" 1016 Tirana, Albania
11.	Train Station Durrës Branch	011	Str. "9 Maji" (near the train station) 2002 Durrës, Albania
12.	Str. Sadik Zotaj Vlora Branch	012	Str. "Sadik Zotaj" Box 9401 Vlora, Albania
13.	Shkodër Branch	018	Str. "13 Dhjetori" Box 4001 Shkodër, Albania
14.	Laparakë Branch	020	Str. "Dritan Hoxha" Nd 203, H. 1, 1023 Tirana, Albania
15.	Branch at the Beach Durrës	021	Nbhd. 13, (near beach railway) 2007 Durrës, Albania
16.	A.Goga Durrës Branch	022	Str. "Aleksander Goga" Durrës, Albania
17.	U.S.A Embassy Branch	024	(Only for the Embassy) 1010 Tirana, Albania
18.	Italian Embassy Branch		(Only for the Embassy) Str. "Lek Dukagjini" 1010 Tirana, Albania
19.	Rr. e Kavajës Branch	025	(Volkswagen building, at the entrance to Ambasada street) 1001 Tirana, Albania
20.	Rr. e Durrësit Branch	026	"Rilindja" square (intersection "Zogu i Zi") 1001 Tirana, Albania
21.	Bldv. "Zogu I" Branch	027	Shopping Center Tirana, near the train station, 1001 Tirana, Albania
22.	Str. Elbasan Branch	028	Str. Elbasanit Kryqëzimi me Rr. Jul Variboba, 1010 Tirana, Albania
23.	Unaza e re Branch	029	Unaza e Re Teodor Keko 1, 1052 Yzberisht Tirana, Albania
24.	BRUNES Branch	030	(BRUNES) Autostrada Tiranë - Durrës, km7 1029 Tirana, Albania
25.	Rr. e Kavajës Branch 2	031	Str. Kavajes 1012 Tirana, Albania
26.	Komuna e Parisit Branch	032	Str. Medar Shtylla, Nd. 27 H. 4 (Tiranë e Re) 1019 Tirana, Albania
27.	Kombinat Branch	033	"Rruga e kavajes" (in front of the municipal unit nr 6) - Kombinat Tirana, Albania
28.	Str. Bardhyl Branch	034	Str. Bardhyl, Pallati Progin, in front of UKT
29.	TEG Branch	036	Str. Elbasanit, Sauk TEG Shopping Center Tirana, Albania
30.	Kavaja Branch	037	Bldv. "Indrit Cara", Kavajë, Albania
31.	Berat Branch	038	Nbhd. "22 Tetori", Bldv. "Republika" Berat, Albania
32.	Piramida Branch	041	Bldv. Dëshmorët E Kombit, Piramida Center, Tirana, Albania
33.	A. Demi Branch	042	Str. Ali Demi, Kompleksi Vind, Tirana
34.	Saranda Branch	043	Str Skenderbeu, Nbhd. Nr 1, Saranda

