NOA SH.A.

SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(WITH INDEPENDENT AUDITOR'S OPINION THEREON)

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Grant Thornton

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Independent Auditor's Report

To the Shareholders of NOA Sh.a.

Opinion

We have audited the financial statements of NOA Sh.a. ("the Company"), which include the statement of financial position as at 31 December 2023, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year than ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompaying financial statements present fairly, in all material respects, the financial position af the Company as at 31 December 2023, its financial performance and its cash flows for the year than ended in accordance with International Financial Reporting Standards (IFRSs).

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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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 IFRSs, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 separate 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.

Grant Thornton sh.p.k.

Tirana, Albania
11 April 2024

Aledian Kodra, FCCA

This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

NOA SH.A.

Separate Statement of Financial Position

Amounts in thousands of LEK.

	Notes	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	16	763,531	608,745
Loans to financial institutions	17	223,425	105,563
Loans and advances to customers, net	18	8,596,995	6,913,435
Inventory and other assets	21	140,998	90,488
Income tax receivable		2,069	-
Property, equipment, and right-of-use assets	19	245,435	184,017
Intangible assets	20	13,044	18,329
Investment in subsidiary	22	35,031	35,031
Deferred tax assets	15	27,812	24,644
Total assets		**10,048,340**	**7,980,252**
Liabilities and equity			
Liabilities			
Grants	25	12,762	-
Income tax payable	15	-	16,915
Other liabilities	26	286,372	239,010
Borrowings	23	6,915,604	5,605,951
Bond	24	493,201	-
Total liabilities		**7,707,939**	**5,861,876**
Equity			
Paid-up capital	27	731,838	731,838
Legal reserve	28	73,184	73,184
Retained earnings		1,535,379	1,313,354
Total equity		**2,340,401**	**2,118,376**
Total liabilities and equity		**10,048,340**	**7,980,252**

The separate statement of financial position is to be read in conjunction with the notes set out on pages 5 to 52 and forming part of the separate financial statements.

NOA SH.A.

Separate Statement of Profit or Loss and Other Comprehensive Income

Amounts in thousands of LEK

	Notes	For the year ended 31 December 2023	2022
Interest income	8	1,846,687	1,479,629
Interest expense	9	(522,173)	(336,396)
Net interest income		**1,324,514**	**1,143,233**
Fee and commission income	10	123,646	103,047
Fee and commission expense	10	(2,706)	(2,276)
Fees and commissions, net		**120,940**	**100,771**
Recoveries from previously written off loans	11	94,511	94,185
Proceeds from sale of written of portfolio		25,972	-
Other income	12	18,026	13,288
Net operating income		**1,583,963**	**1,351,477**
Personnel expenses	13	(490,150)	(423,588)
Other operating expenses	14	(224,797)	(187,652)
Impairment losses from loans and advances to customers	11	(267,934)	(196,047)
Depreciation of equipment	19	(91,573)	(70,911)
Amortization of intangible assets	20	(8,892)	(9,348)
Foreign exchange gain / (loss), net		(535)	8,161
Total operating expense		**(1,083,881)**	**(879,385)**
Profit before tax		**500,082**	**472,092**
Income tax expense	15	(78,487)	(72,821)
Profit for the year		**421,595**	**399,271**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**421,595**	**399,271**

The separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes set out on pages 5 to 52 and forming part of the separate financial statements.

NOA SH.A.

Separate Statement of Cash Flows

Amounts in thousands of LEK

	Note	2023	2022
Cash flow from operating activities			
Profit before tax		**500,082**	**472,092**
Adjustments for			
Depreciation	19	91,573	70,911
Amortization	20	8,892	9,348
Finance expense on lease liabilities	26	9,560	6,103
Loss from the disposal of equipment		-	9
Impairment losses on loans to customers	11.1	267,934	196,047
Income/(Expense) form foreign exchange loss		43,044	(8,161)
Interest income	8	(1,846,687)	(1,479,629)
Interest expense	9	512,613	330,293
Changes in:			
Loans and advances to customers		(1,951,493)	(1,227,336)
Loans to financial institutions		(117,862)	61,612
Other assets		(50,510)	(23,958)
Other liabilities		82,394	(4,063)
		(2,450,462)	**(1,596,732)**
Interest received		1,802,239	1,324,896
Interest paid		(512,613)	(320,527)
Income tax paid		(100,640)	(66,416)
Net cash used in operating activities		**(1,261,476)**	**(658,779)**
Cash flows from investing activities			
Acquisition of equipment	19	(53,135)	(38,106)
Acquisition of intangibles	20	(3,606)	(1,536)
Investment in subsidiary		(35,031)	-
Net cash used in investing activities		**(91,772)**	**(39,642)**
Cash flows from financing activities			
Proceeds from borrowings	6f	3,458,921	3,456,135
Repayment of borrowings	6f	(2,149,268)	(2,411,655)
Repayment of lease liabilities		(64,735)	(50,760)
Proceeds from bonds		493,201	-
Proceeds from grants		12,762	-
Dividends paid	27	(199,570)	(156,538)
Net cash generated from financing activities		**1,551,311**	**837,182**
Net increase in cash and cash equivalents		198,063	138,761
Cash and equivalents at the beginning of the year	16	**608,745**	**451,896**
Foreign exchange difference on cash and equivalents		(43,277)	18,088
Cash and equivalents at the end of the year	16	**763,531**	**608,745**

The separate statement of cash flows is to be read in conjunction with the notes set out on pages 5 to 52 and forming part of the separate financial statements.

NOA SH.A.

Separate Statement of Changes in Equity

Amounts in thousands of LEK

	Share Capital	Legal Reserve	Retained Earnings	Total
Balance on 01 January 2022	**731,838**	**64,027**	**1,079,778**	**1,875,643**
Profit for the year	-	-	399,271	**399,271**
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**399,271**	**399,271**
Transactions with owners of the Company				
Transfer retained earnings to legal reserve		9,157	(9,157)	-
Dividends	-		(156,538)	**(156,538)**
Total transactions with owners of the Company	**-**	**9,157**	**(165,695)**	**(156,538)**
Balance on 31 December 2022	**731,838**	**73,184**	**1,313,354**	**2,118,376**
Profit for the year			421,595	**421,595**
Other comprehensive income				
Total comprehensive income			**421,595**	**421,595**
Transactions with owners of the Company				
Transfer retained earnings to legal reserve				
Dividends			(199,570)	**(199,570)**
Total transactions with owners of the Company	**-**	**-**	**(199,570)**	**(199,570)**
Balance on 31 December 2023	**731,838**	**73,184**	**1,535,379**	**2,340,401**

The Separate Financial Statements have been approved by the Management of the company on 08 April 2024 and duly sign on their behalf by:

Herjola Spahiu
Chief Executive Officer

Ariola Çela
Finance Director

The separate statement of changes in equity is to be read in conjunction with the notes set out on pages 5 to 52 and forming part of the separate financial statements.

1. Reporting entity

NOA SH.A. (Referred as "NOA" or the "Company") is an Albanian joint stock company based in Tirana, operating in the field of micro-finance to Individuals and Small and Medium Enterprises. Starting its operations in 1999 as PSHM (Albanian Partner in Microcredit) and later as Opportunity Albania, in 2010 the shares of the Company were purchased by NOA Holdings N.V, a foreign entity incorporated in the Netherlands. In 2011 the company name changed from Opportunity Albania to NOA SH.A.

As of 31 December 2023, the shareholders structure of NOA SH. is the following:

- NOA Holding N.V. 99.99%
- NOA Cooperatief U.A. 0.01%

NOA Holding N.V with registration number 33268765 headquartered in Strawinskylaan 569, 1077 XX, Amsterdam, The Netherlands is 100% owned from NOA Cooperatief U.A registration number 34379979 headquartered in Strawinskylaan 569, 1077 XX, Amsterdam, the Netherlands. NOA Cooperatief U.A is owned 51.67% by BFSE Holding B.V and 48.33% by Creation Investments Social Venture Fund I.

On March 2018, the ultimate controlling party of BFSE Holding B.V was Amryta Capital LLP based in London. On July 2022 Amryta sold BFSE Holding B.V shares to "ALAR CONSULTING" sh.p.k, NUIS L71312045T Tirana Albania 41% of shares, Mr. Dritan Pashako 25% of shares, "SHAGA" sh.p.k, NUIS J96822229J Tirana Albania 21.5% of shares and Mr. Edmond Jaupi 12.5% of shares.

NOA SH.A. is governed by the Steering Council and the Executive Management of the Company. The Steering Council is composed by five members, out of which four are independent and not related to the Company's interests and activities.

Steering Council members as of reporting date are as follows:

1. Andrew Walsh, Chairman of the Council
2. Herjola Spahiu, V/Chairman
3. Tomas Hlavac, Member
4. Elona Gjika, Member
5. Petr Sastinsky, Member

The Executive Management is the Chief Executive Officer and the Senior Management Team.
As of 31 December 2023, the Company operates with 29 sales points (2022: 26) located overall the country providing its services through 333 employees (2022: 306 employees). NOA is headquartered in Tirana, Albania, registered in the following address "Rr. Tish Daia, Komuna e Parisit, Kompleksi "Haxhiu" (Kika 2), Pallati nr. 2, Kati 1, Tirane".

2. Basis of accounting and preparation of the separate financial statements

2.1 Basis of accounting

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). Details of the Company's accounting policies are included in Note 5.

2.2 Basis of preparation

The separate financial statements have been prepared on a historical cost basis.

2. Basis of accounting and preparation of the separate financial statements (continued)

2.3 Separate financial statements

The Company has registered investment in subsidiary at cost, note 22. Dividend income from subsidiary is recognized as income on the separate financial statements. The Company has complied with all the IFRS standards applicable for separate financial statements.

These financial statements are prepared on an individual basis (not consolidated), in accordance with the accounting law and the fiscal requirements applicable in the Republic of Albania. NOA also prepares consolidated financial statements which include its subsidiary which are be published on its official website https://noafin.al/. Detailed financial information on the subsidiary is presented at note 22.

Users of this separate financial statements should read these financial statements in combination with the Consolidated financial statements of NOA as of and for the year ended 31 December 2023, to obtain a full financial information for the financial position and operational results and changes in the financial position of the Group.

3. Functional and presentation currency

These separate financial statements are presented in Albanian Lek (LEK), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. New or revised standards or interpretations

New standards and interpretations effective:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- International Tax Reform – Second Pillar Model Rules (Amendments to IAS 12)

New standards and interpretations not yet effective:

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

- Classification of liabilities as current or non-current, Amendment to IAS 1
- Lease Liability in Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of exchangeability – Amendments to IAS 21

These amendments are not expected to have a significant impact on the separate financial statements in the period of initial application and therefore no disclosures have been made.

5. Significant accounting policies

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

(a) Basis of measurement

These separate financial statements have been prepared on a historical cost basis.

(b) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency, if any, are translated into the functional currency at the exchange rate when the fair value has been determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are recognized in profit or loss.

(c) Subsidiaries and consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Based on the local legal requirements and supervisory requirements the Company is required to present consolidated financial statements and separate financial statements. These separate financial statements do not consolidate the subsidiary activity.

(d) Interest income/expense

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 the estimated future cash payments and receipts through the expected life of the financial instrument:

- 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 company estimates future cash flows considering the 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.

The effective interest rate is calculated on initial recognition of the 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 because of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in Note 5(h), (vii) and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures (as outlined in Note 5 (h), (vii)) and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

5. Significant accounting policies (continued)

(d) Interest income/expense (continued)

Interest income calculated using the effective interest method includes interest on financial assets measured at amortized cost, and interest expense includes interest on financial liabilities measured at amortized cost.

(e) Fees and commission

The Company earns fee and commission income from services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Company 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. When the Company provides a service to its customers, consideration is given 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.

Fee income can be divided into the following category:

- *Fee income from providing financial services where performance obligations are satisfied at a point in time:*
  - *Brokerage fees*: the Company acts as an intermediary for selling insurance contracts on behalf of the insurance company and receives a fixed commission for each transaction. The Company's performance obligation is to execute the trade on behalf of the insurance company and revenue is recognized once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.
  - *Other fees:* refers to loan verification upon customers' request. The fees earned in exchange for these services are recognized at the point in time the transaction is completed because the customer only receives the benefits of the companies' performance upon successful completion of the underlying transaction. The Company is only entitled to the fee on the completion of the transaction.

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

Other fees and commission expense relate mainly to transaction and service fees not related to the issuance of loans to customers, which are expensed as the services are received.

(f) Leases

Company as a lessee

Leases that do not transfer to the Company all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they it is incurred. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of use assets are measured in cost, less depreciation or impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of–use assets includes the amount of the lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right–of-use assets are depreciated on a straight-line basis over the lease term. Lease term per classes of assets are as follows: Building – from 2 to 5 years and Vehicle – 4 years.

The right–of–use assets are presented within Note 19 Property, equipment and right-of–use assets.

5. Significant accounting policies (continued)

(f) Leases (continued)

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any incentive receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalty for terminating the lease, if the lease reflects exercising the option to terminate. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. e. Lease incentives received, if any, are recognized as an integral part of the total lease expense, over the term of the lease. Lease liabilities are presented under other liabilities.

(g) Income tax expense

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.

(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, unused tax credits 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 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 way the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

5. Significant accounting policies (continued)

(h) Financial assets and liabilities

(i) Recognition and initial measurement

The Company initially recognizes loans and advances to customers and borrowings, on the date on which they are originated.

All other financial assets and liabilities are initially recognized on the trade date at which the Company 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 FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, a financial asset is classified 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; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument 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;
- and 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 Company 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.

Business model assessment

In assessing the objective of the business model, the Company considered the following information:

- The stated policies and objectives for the portfolio and the operations of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue.
- How the performance of the portfolio is evaluated and reported to the Company's management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Company classifies its financial assets based on the business model held to collect.

5. Significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

(i) Assessment whether contractual cash flows are solely payments of principal and interest.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considered 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.

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 (e.g., liquidity risk and administrative costs), as well as profit margin. All the financial assets meet the SPPI test and the financial assets are measured at amortized cost.

(ii) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. There were no reclassifications during 2023 and 2022.

(iii) De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Company is recognized as an asset or liability.

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 OCI is recognized in profit or loss.

The Company derecognizes financial liability when its contractual obligations are discharged or cancelled or expire.

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

In certain transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company 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.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off 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 a group of similar transactions such as in the Company's activity.

(v) Amortized cost measurement

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

5. Significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account 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 Company 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 wholly supported by observable market data, or the transaction is closed out.

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

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

(vii) Impairment

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

- financial assets that are debt instruments.

The Company 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.

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 a12-month ECL is recognized are referred to as "Stage 1 financial instruments". Lifetime 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".

5. Significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

(vii) Impairment (continued)

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 Group 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. The key inputs into the measurement of ECL are the term structure of the PD, LGD and EAD variables. Detailed information on how they are calculated is detailed in financial risk notes 6 b) ii).

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.

Write offs

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 Company 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 presented separately in 'Recoveries from loans and advances to customers previously written off' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities to comply with the Company's procedures for recovery of amounts due.

Default definition

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

Objective evidence of impairment

As part of the quantitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. At each reporting date, the Company assesses whether financial assets carried at amortized cost, are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of 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 Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; 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.

It is the Company's policy to consider forborne financial instrument as 'cured' and therefore re-classified out of Stage 3/Stage 2 when none of the default criteria have been present for at least 9 consecutive months.

5. Significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

(vii) Impairment (continued)

Forborne and modified loans

The Company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

The Company derecognizes a financial asset, such as a loans and advances to customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognize a loan to a customer, amongst the qualitative factors, the Company considers the following factors:

- Change in currency of the loan.
- Change in maturity of more than 50%.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

When the loan has been renegotiated or modified but not derecognized, the Company also reassess whether there has been a significant increase in credit risk. The Company also considers whether the assets should be classified as Stage 3.

Once an asset has been classified as forborne, it will remain forborne for a minimum 9-month probation period. For the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing.
- The probation period of 9 months has passed from the date the forborne contract was considered performing.
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period.
- The customer does not have any contracts that are more than 30 days past due.

5. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with 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 Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(j) Loans and advances

The Company only measures “Loans to financial institutions”, “Loans and advances to customers” and other financial investments at amortized cost if both of the following conditions are met:

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

Loans and advances to customers are 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.

(k) Property, equipment, and right-of-use assets

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Right-of-use assets are presented together with property and equipment in the statement of financial position – refer to the accounting policy in Note 5 (e).

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Right of use assets are depreciated over the shorter of the lease term and their useful lives.

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

Data processing equipment	4 years
Vehicles	4 years
Furniture and supplies	5 years
Leasehold improvements	4 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

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

5. Significant accounting policies (continued)

(l) Intangible assets

Software and licenses acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses.

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

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is the license lifetime ranging from 1 to 2 years.

(m) Inventory

Inventory comprise repossessed assets acquired through enforcement of security over non-performing loans and advances to customers that do not earn rental and are not used by the Company 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.

(n) Impairment of non-financial assets

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(o) Borrowings

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. Borrowings contain covenants, which if exceeded will make the borrowings repayable on demand and classified as short term liabilities, unless these are waived by the borrower.

(p) Bonds

Bonds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. The consideration received is most relevant estimate of the fair value of bonds.

(q) Grants

A grant is recognized in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. Grants that compensate the Company for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognized in profit or loss as income on a systematic basis over the useful life of the asset or upon completion of contractual terms attached to it.

5. Significant accounting policies (continued)

(r) Provisions

A provision is recognized if, because of a past event, the Company 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.

(s) Employee benefits

Social and health contributions

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

Pension plan with defined contributions

Liabilities for defined contribution pension plans are recognized as expenses for staff in the income statement when incurred. The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services are received.

6. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

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

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

(a) Risk management framework

The Steering Council of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Senior Management Team is responsible for developing and monitoring the Company's risk management policies in these areas.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, maintains a disciplined and constructive control environment.

6. Financial Risk Management (continued)

(b) Credit Risk

In the normal course of its business, the Company is exposed to credit risk from its loans to customers and from funds placed with other financial institutions and items not recorded in the statement of financial position (i.e. commitments to loans and advances to customers).Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial contract fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and on funds with other financial institutions and items not recorded in the statement of financial position. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk). The company performs pre lending credit risk assessment including debtor financial positions and ability to pay, assessment is performed by a loan officer and reviewed by the credit risk unit.

The Company 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 Steering Council, being responsible for the oversight and management of the Company's credit risk, has delegated the responsibility for decision-making on the credit risk area to the Credit Committee, Credit Risk Committee and Risk Management Department, including:

- *Formulation of credit policies* in cooperation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishment of the delegation/authorization structure* for the approval and renewal of credit facilities to different authorities within the Company (i.e., Credit Committee).
- *Review and assess credit risk to customers.* The Credit Risk Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limit concentrations of exposure* to counterparties, geographical areas and industry sectors (for loans and advances), issuing entity, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Company's risk classifications* in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the expected risks. The risk classification is used in determining where impairment provisions may be required against specific credit exposures. The current risk classification framework, adopted in accordance with Bank of Albania regulations, consists of five grades, reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries and product types. Quarterly reports are provided to the Credit Risk Committee on the credit quality of loan portfolios and trends, based on which appropriate corrective actions are proposed.
- *Providing advice, guidance and specialized skills* to business units to promote best practice throughout the Company in the management of credit risk.

Each business unit is required to implement credit policies and procedures in compliance with the delegated approval authorities. Concentrations of credit risk that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by type of customer in relation to the Company's loans to customers.

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(b) Credit Risk (continued)

(ii) Exposure to Credit Risk

Maximum exposure to Credit Risk

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

	31 December 2023	31 December 2022
Cash at banks (Note 16)	755,279	604,733
Loans to financial institutions (Note 17)	223,425	105,563
Loans and advances to customers, net (Note 18)	8,596,995	6,913,435
Receivables from third parties (Note 21)	46,806	11,804
	9,622,505	**7,635,535**

As of 31 December 2023, and 2022, cash and cash equivalents and loans to financial institutions are neither past due nor impaired.

The Company presents loans and advances to customers on a net balance, because their carrying amount best represents the gross maximum exposure to credit risk.

The company monitors closely the loan portfolio development and quality in 5 buckets based on the days past due.

Gross carrying amount of Cash equivalents and Loans and advances to financial institutions 31 December 2023 and 31 December 2022:

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and Cash equivalents								
1. 0-30 dpd	763,531	-	-	**763,531**	608,745	-	-	**608,745**
Loans and advances to financial institutions								
1. 0-30 dpd	223,425	-	-	**223,425**	105,563	-	-	**105,563**

The table below shows the EAD on loans and advances to customers:

				31 December 2023
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
1. 0-30 dpd	8,448,617	251,534	324	**8,700,475**
2. 31-90 dpd	845	115,587	21	**116,453**
3. 91-180 dpd	-	-	79,503	**79,503**
4. 181- 365 dpd	-	-	166,073	**166,073**
5. >365 dpd	-	-	274,009	**274,009**
Total	**8,449,462**	**367,120**	**519,930**	**9,336,513**

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(b) Credit Risk (continued)

(ii) Exposure to Credit Risk (continued)

The tables below show the balances of ECL charges on loans and advances to customers, loans to financial institutions, cash, and cash equivalents for the year 2023 and 2022:

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
1. 0-30 dpd	48,707	56,602	325	**105,634**
2. 31-90 dpd	4	11,833	22	**11,859**
3. 91-180 dpd	-	-	72,483	**72,483**
4. 181- 365 dpd	0	-	166,955	**166,955**
5. >365 dpd	-	-	274,046	**274,046**
Total	**48,711**	**68,435**	**513,831**	**630,977**
Cash and Cash equivalents				
1. 0-30 dpd	-	-	-	-
Loans and advances to financial institutions				
1. 0-30 dpd	-	-	-	-

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
1. 0-30 dpd	69,623	7,628	5,395	82,646
2. 31-90 dpd	1	18,113	935	19,049
3. 91-180 dpd	-	-	102,893	102,893
4. 181- 365 dpd	-	10	35,208	35,218
5. >365 dpd	-	-	309,897	309,897
Total	**69,624**	**25,751**	**454,328**	**549,703**
Cash and Cash equivalents				
1. 0-30 dpd	-	-	-	-
Loans and advances to financial institutions				
1. 0-30 dpd	-	-	-	-

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(c) Credit Risk (continued)

(ii) Exposure to Credit Risk (continued)

The table below shows the gross carrying amount of Loans and advances to customers at amortized cost as of 31 December 2023 and 31 December 2022:

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as 1 January	**6,876,658**	**189,813**	**460,248**	**7,526,719**	**5,702,163**	**230,885**	**362,218**	**6,295,266**
New financial assets originated	6,876,647	-	-	**6,876,647**	5,497,411	-	-	**5,497,411**
Asset repaid or derecognized	(4,653,019)	(51,332)	(158,865)	**(4,863,216)**	(3,956,630)	(93,044)	(55,426)	**(4,105,100)**
Transfer to Stage 1	(88,713)	33,195	55,518	-	11,787	(11,787)	-	-
Transfer to Stage 2	(469,279)	(495,882)	(26,603)	-	(334,066)	334,474	(408)	-
Transfer to Stage 3	-	(297,600)	297,600	-	-	(269,509)	269,509	-
Written off			(107,403)	**(107,403)**	-	-	(114,687)	**(114,687)**
Foreign exchange adjustments	(92,831)	(2,838)	(565)	**(96,234)**	(44,007)	(1,206)	(958)	**(46,171)**
31 December	**8,449,463**	**367,120**	**519,930**	**9,336,513**	**6,876,658**	**189,813**	**460,248**	**7,526,719**

In stage 3 loans with zero ECL were loans fully covered with collateral and their EAD as of 31 December 2023 was LEK 8,122 thousand and discounted collateral value amount LEK 57,340 thousand (2022: Stage 3 EAD of LEK 1,338 thousand and discounted collateral value amount LEK 6,010 thousand).

A reconciliation of changes in allowance for ECL by stage for Loans to Customer is as follows:

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January	**69,624**	**25,751**	**454,327**	**549,702**	**62,578**	**44,439**	**361,946**	**468,963**
New financial assets originated	97,368	-	-	**97,368**	102,868	-	-	**102,868**
Financial assets that have been derecognized	(21,704)	(3,432)	(123,583)	**(148,719)**	(21,669)	(9,980)	(41,468)	**(73,117)**
Transfer to Stage 1	64	(64)	-	-	97	(97)	0	-
Transfer to Stage 2	(218,737)	223,702	(4,965)	-	(58,930)	58,984	(54)	-
Transfer to Stage 3	-	(191,866)	191,866	-	-	(65,275)	65,275	-
Net remeasurement of loss allowance	122,252	14,635	104,151	**241,038**	(15,137)	(2,254)	183,688	**166,298**
Amounts written off	-	-	(107,403)	**(107,403)**	-	-	(114,687)	**(114,687)**
Foreign exchange adjustments	(155)	(291)	(564)	**(1,010)**	(180)	(67)	(375)	**(622)**
31 December	**48,712**	**68,435**	**513,829**	**630,977**	**69,627**	**25,750**	**454,325**	**549,702**

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(b) Credit Risk (continued)

(ii) Exposure to Credit Risk (continued)

Payment deferrals based on the Central Bank of Albania measures of COVID19.

The following table presents the number of customer accounts and associated loan values of customer under Bank of Albania specific scheme as at 31 December 2023 and 2022:

2023	**Units**	**Business**	**Retail**	**Total**
Number of approved accounts	Number	61	9	70
Loan value of customers under the scheme	000 Lek	39,341	1,387	40,728
% of portfolio	**%**	**0.6%**	**0.1%**	**0.4%**

2022	**Units**	**Business**	**Retail**	**Total**
Number of approved accounts	Number	181	61	242
Loan value of customers under the scheme	000 Lek	145,262	9,247	154,509
% of portfolio	**%**	**2.5%**	**0.6%**	**2%**

The table below sets out the gross carrying amount and corresponding ECL by stage of loans and advances to customers:

31-Dec-23	**Units**	**Stage I**	**Stage II**	**Stage III**	**Total**
Gross Carrying Amount	000 Lek	28,812	7,163	4,752	40,728
% of portfolio	%	0.3%	0.1%	0.1%	0.4%
ECL	000 Lek	60	345	4,752	5,157
% of total ECL	%	**0.0%**	**0.1%**	**0.8%**	**0.8%**

31-Dec-22	**Units**	**Stage I**	**Stage II**	**Stage III**	**Total**
Gross Carrying Amount	000 Lek	118,907	20,142	15,460	154,509
% of portfolio	%	1.6%	0.3%	0.2%	2%
ECL	000 Lek	592	1,495	8,282	10,369
% of total ECL	**%**	**0.1%**	**0.2%**	**1.5%**	**1.9%**

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(b) Credit Risk (continued)

(ii) Exposure to Credit Risk (continued)

Overview of Modified and forborne loans

31 December 2023	Gross carrying amount	Stage II Permanent Modification to T&Cs	Stage III Permanent Modification to T&Cs	Forborne Loans	Forborne Ratio
Due from Banks	223,425	-	-	-	-
Loans and advances to customers					
Business	7,022,385	230,889	9,622	240,511	3.4%
Retail	2314128	8,067	480	8,548	0.4%
Total Loans and advances to customers	**9,336,513**	**238,956**	**10,102**	**249,059**	**2.7%**

31 December 2022	Gross carrying amount	Stage II Permanent Modification to T&Cs	Stage III Permanent Modification to T&Cs	Forborne Loans	Forborne Ratio
Due from Banks	105,563	-	-	-	-
Business	5,845,010	57,584	3,212	60,796	1.04%
Retail	1,681,709	3,051	2,816	5,867	0.35%
Total Loans and advances to customers	**7,526,719**	**60,635**	**6,028**	**66,663**	**0.9%**

31 December 2023	Gross amount of forborne loans			ECL allowance		
	Stage II	Stage III	Total	Stage II	Stage III	Total
Due from Banks	-	-	-	-	-	-
Loans and advances to customers						
Business	230,889	9,622	240,511	55,838	8,529	64,367
Retail	8,067	481	8,548	2,050	480	2,530
Total Loans and advances to customers	**238,956**	**10,103**	**249,059**	**57,889**	**9,010**	**66,897**

31 December 2022	Gross amount of forborne loans			ECL allowance		
	Stage II	Stage III	Total	Stage II	Stage III	Total
Due from Banks	-	-	-	-	-	-
Loans and advances to customers						
Business	57,584	3,212	60,796	5,716	3,268	8,984
Retail	3,051	2,816	5,867	572	2,816	3,388
Total Loans and advances to customers	**60,635**	**6,028**	**66,663**	**6,288**	**6,084**	**12,372**

Impact on regulatory capital

The company capital to total assets ratio is at the level of 17.3% (2022: 20.5%), the minimum regulatory capital ratio is at the level of 10%.

6. Financial Risk Management (continued)

(b) Credit Risk (continued)

(ii) Exposure to Credit Risk (continued)

Stage I- Increase of credit risk.

- Performing exposures up to 30 days past due, and that are not flagged as forborne.

Stage II- Significant increase in credit risk

Performing financial assets are classified as either Stage 1 or Stage 2.

Assets classified Stage 2 have experienced a significant increase in credit risk since initial recognition. The assessment of whether Lifetime expected credit losses should be recognized is based on a significant increase in the likelihood or risk of a default occurring since initial recognition. Generally, there is a significant increase in credit risk before a financial asset becomes credit-impaired or an actual default occurs: this simple fact is crucial to the purpose of IFRS 9, which aims at recognizing expected losses in a timely manner.

The indicators of significant increase of credit risk that classify a loan into Stage 2 are the following:

- Exposures with more than 30 days past due and less than 90 days past due at the reporting date
- exposures which have been up to 90 days past due at least once in their lifetime and or less at the reporting date;
- exposures which are forborne/restructured (where concessions have been provided). If restructured exposures perform for nine consequents months, it is transferred at Stage1.

Stage III- Credit Impaired loans

- Exposures with more than 90 days past due
- Fraud cases
- Debtor is unlikely to pay, significant financial difficulties of the debtor/guarantor in relation to the probability of bankruptcy or other financial re-organizations; Legal actions started for the borrower from the state authorities; debtor health issues.

Expected Credit Losses

Measurement of ECL

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.
ECL for exposures in Stage 2 is calculated by multiplying the lifetime PD by LGD and EAD.
ECL for exposures in Stage 3 is 100% of the exposure.

Write off policy

The company writes off a loan (and any related allowances for impairment losses) when the Company has exhausted all legal means for collection, which is 365 days after the earliest of:

a) the submission of the request for collateral execution at the bailiff office when the loan is collateralized with immovable or movable property; or
b) the issuance of the court execution order in case the loan is not collateralized with immovable or movable property.

The Company holds collateral against a group loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Mortgage collateral includes land, apartments, agriculture land and business premises. Other registered collaterals are movable properties which include only vehicles.

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(b) Credit Risk (continued)

(ii) Exposure to Credit Risk (continued)

Expected Credit Losses (continued)

Estimates of fair value are based on the value of collateral assessed at the time of borrowing. For loan exposures above 2,000 thousand LEK the collateral revaluation is performed on a yearly basis. As of 31 December 2023, fair value of collateral held was 3,441,919 thousand LEK (2022: 3,032,957 thousand LEK), collateral held of loans at Stage 3 was equal to 165,000 thousand LEK (2022: 57,343 thousand LEK).

Sector Concentration Risk

The Company monitors concentrations of credit risk by sector for its loans and advances to customers. An analysis of sector concentration risk at the reporting date is shown below:

Industry sector	**31-Dec-23**	**%**	**31-Dec-22**	**%**
Services	1,806,937	20%	2,054,023	28%
Trade	1,913,816	21%	1,698,629	23%
Agricultural	1,630,516	18%	1,371,091	18%
Housing	505,885	6%	618,859	8%
Manufacture	559,455	6%	506,739	7%
Bar and restaurants	759,945	8%	349,780	5%
Transportation	330,612	4%	295,006	4%
Other	1,277,936	14%	276,017	4%
Hotels	411,030	4%	249,605	3%
Interest accrued	140,381		106,970	
Total	**9,336,513**	**100%**	**7,526,719**	**100%**

The company concentration of risk to the financial sector is as follows:

	31 December 2023		**31 December 2022**	
	Domestic	**Foreign**	**Domestic**	**Foreign**
Cash at Banks	755,279	-	604,733	-
Deposits to financial institutions	(3,263)	226,688	105,563	-

Settlement risk

The Company'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 customer to honor its obligations to deliver cash, securities or other assets as contractually agreed. The Credit Risk Department prepares a risk analysis of counterparties and recommends counterparty limits to the Risk Management Committee. The Risk Management Committee approves counterparty risk limits that include direct risk and settlement risk.

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Treasury Unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business.

The Treasury Unit maintains a portfolio of short-term liquid assets, largely made up of short-term deposits, to ensure that sufficient liquidity is maintained within the Company as a whole.

The liquidity requirements are met through overdrafts and short-term loans obtained to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

All liquidity policies and procedures are subject to review and approval by Assets and Liability Committee ("ALCO"), ALCO also manages the overall company gaps and sets limits as appropriate. Daily liquidity reports are monitored by the Treasury Unit. The Company monitors liquidity daily to manage its obligations when they fall due.

The Company's internal policy stipulates that the Company shall keep a positive cumulative liquidity gap under all-time bands . The Company can invest a maximum of 100% of free funds in any short-term deposit or investment with local banks that have approved counterparty limits.

(ii) Exposure to liquidity risk

As of 31 December 2023, and 31 December 2022, the financial assets and liabilities have remaining contractual maturities as follows:

31 December 2023	Up to 1 month	1-3 months	3-12 months	>1 Year	Total
Financial assets					
Cash and cash equivalents	763,531	-	-	-	763,531
Loans to financial institutions	4,850	3,272	44,879	245,644	298,644
Loans and advances to customers, net	415,830	815,670	4,069,533	6,064,968	11,366,000
Other assets	8,264	-	2,069	-	10,333
Total financial assets	**1,192,475**	**818,942**	**4,116,481**	**6,310,611**	**12,438,508**
Financial liabilities					
Grants	-	-	-	12,762	12,762
Lease liabilities	4,736	9,471	42,622	97,356	154,185
Borrowings	77,183	483,803	2,603,647	4,435,563	7,600,196
Bond	-	-	80,000	592,313	672,313
Total financial liabilities	**81,919**	**493,274**	**2,726,269**	**5,137,994**	**8,439,456**
Net position	**1,110,556**	**325,668**	**1,390,212**	**1,172,618**	**3,999,054**
Cumulative net position	**1,110,556**	**1,436,226**	**2,826,436**	**3,999,053**	

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(c) Liquidity risk (continued)

(ii) Exposure to liquidity risk (continued)

31 December 2022	Up to 1 month	1-3 months	3-12 months	>1 Year	Total
Financial assets					
Cash and cash equivalents	608,745	-	-	-	608,745
Loans to financial institutions	58,288	-	54,665	-	112,953
Loans and advances to customers, net	372,853	681,978	3,316,473	4,463,636	8,834,940
Other assets	8,734	-	2,358	-	11,092
Total financial assets	**1,048,620**	**681,978**	**3,373,496**	**4,463,636**	**9,567,730**
Financial liabilities					
Lease liabilities	4,079	8,157	36,709	72,644	121,589
Borrowings	61,680	293,553	1,706,396	4,078,109	6,139,738
Total financial liabilities	**65,759**	**301,710**	**1,743,105**	**4,150,753**	**6,261,327**
Net position	**982,861**	**380,268**	**1,630,391**	**312,883**	**3,306,403**
Cumulative net position	**982,861**	**1,363,129**	**2,993,520**	**3,306,403**	**-**

(e) 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 related to changes in the obligor's / issuer's credit standing) will affect the Company'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.

(i) Exposure to foreign exchange rate risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's transactions give rise to foreign currency gains and losses that are recognized in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Company that are not denominated in the measurement currency of the Company. The Company manages this risk by controlling the size of difference in value between its foreign assets and foreign liabilities.

The applicable exchange rates (LEK to foreign currency unit) for the principal currencies as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
1 EUR	103.88	114.23
1 USD	93.94	107.05

The Company's exposure to exchange rate risk is monitored on a continual basis by ensuring compliance with internal regulations and regulatory limits. These limits refer to a maximum of 20% of open positions in each currency and 30% of overall open currency position.

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(d) Market risk (continued)

(i) Exposure to foreign exchange rate risk (continued)

The analysis of assets and liabilities as of 31 December 2023 and 31 December 2022 by the foreign currencies in which they were denominated was as follows (amounts translated into LEK):

31 December 2023	**LEK**	**EUR**	**USD**	**Total**
Financial assets				
Cash and cash equivalents	312,937	434,345	16,249	763,531
Loans to financial institutions	0	3,609,373	-	3,609,373
Loans and advances to customers, net	7,363,745	1,233,250	-	8,596,995
Receivables from third parties	46,283	523	-	46,806
Total financial assets	**7,722,965**	**5,277,491**	**16,249**	**13,016,705**
Financial liabilities				
Grants	-	-	12,762	12,762
Lease liabilities	32,211	121,974	-	154,185
Borrowings	1,787,191	5,128,413	-	6,915,604
Bonds	493,201	-	-	493,201
Total financial liabilities	**2,312,603**	**5,250,387**	**12,762**	**7,575,752**
Net position	**5,410,362**	**27,104**	**3,487**	**5,440,953**

31 December 2022	**LEK**	**EUR**	**USD**	**Total**
Financial assets				
Cash and cash equivalents	63,871	544,860	14	608,745
Loans to financial institutions	-	2,678,201	-	2,678,201
Loans and advances to customers, net	5,940,238	973,197	-	6,913,435
Receivables from third parties	11,404	400	-	11,804
Total financial assets	**6,015,513**	**4,196,658**	**14**	**10,212,185**
Financial liabilities				
Lease liabilities	38,279	83,310	-	121,589
Borrowings	1,392,322	4,213,629	-	5,605,951
Total financial liabilities	**1,430,601**	**4,296,939**	**-**	**5,727,540**
Net position	**4,584,912**	**(100,281)**	**14**	**4,484,645**

The information provided differs from the face of the financial position where Loans to financial institutions in Euro amounting to Lek 3,385,948 thousand (2022: Lek 2,572,638 thousand) are offset against the Lek overdraft balances received by the Company from banks using such loans as cash collateral according to the respective loan agreements enforceable right and based on the settlement intention to set off the respective amounts.

The following sensitivity analysis of the effects of changes in the exchange rate on the net profit and equity below has been determined based on the exposure to foreign currency at the reporting date held constant throughout the reporting period. The analysis below calculates the effect of a reasonably possible movement of the currency rate against the Albanian Lek (all other variables being constant) on the income statement (due to the fair value of currency sensitive monetary assets and liabilities) and equity (no special equity or hedging instruments that affect the sensitivity of equity, so effect is the same as the sensitivity of profit and loss).

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(d) Market risk (continued)

(i) Exposure to foreign exchange rate risk(continued)

A negative amount in the table reflects a potential net reduction in profit or loss in the income statement or equity in the statement of financial position while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Albanian Lek would result in an equivalent but opposite impact:

	100 bp Parallel increase	**100 bp Parallel decrease**	**50 bp Parallel increase**	**50 bp Parallel decrease**
31 December 2023	301	(301)	150	(150)
31 December 2022	(1,003)	1,003	(501)	501

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company manages interest rate risk through monitoring market conditions and applying necessary pricing based on cost analysis of each product. Loans issued by NOA are at fixed rates and the majority are for terms of less than 5 years. Borrowings received from foreign and local lenders are with fixed and variable rate as disclosed below. The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various rate scenarios.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

2023	**up to 1 Year scenarios**		**over 1 Year scenarios**	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	62,841	(62,841)	(6,619)	6,619

2022	**up to 1 Year scenarios**		**over 1 Year scenarios**	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	48,813	(48,813)	(2,393)	2,393

Effective yield information

The weighted average effective yields of significant categories of financial assets and liabilities of the Company as of 31 December 2023 and 31 December 2022 were as follows:

	31 December 2023		**31 December 2022**	
	EUR	**LEK**	**EUR**	**LEK**
Assets				
Loans to financial institutions	1.3%	n/a	0.3%	n/a
Loans to financial institutions IFJB NOA Sh.A	6.3%	n/a	n/a	n/a
Loans and advances to customers, net	18.7%	24.5%	17.2%	23.2%
Liabilities				
Borrowings	6.21%	6.65%	5.3%	7.3%
Bonds	n/a	8.81%	n/a	n/a

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(d) Market risk (continued)

(ii) Exposure to interest rate risk (continued)

Interest rate re-pricing analysis

The following table presents the interest rate re-pricing dates for the Company's monetary assets and liabilities. Variable rate assets and liabilities have been reported according to their next rate change date. Fixed rate assets and liabilities have been reported according to their scheduled principal repayment date.

			31 December 2023					
Assets:	**EIR**	**Total**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Non-interest bearing or not subject to interest re-pricing**
Cash and cash equivalents (Note 16)	-	763,531	763,531					-
Loans to financial institutions (Note 17)	1.6%	3,609,373	2,425,368	957,317	-	226,688		-
Loans and advances to customers (Note 18)	23.7%	8,596,995	1,843,672	2,090,962	2,315,211	2,232,755	114,395	-
Total assets		**12,969,899**	**5,032,571**	**3,048,279**	**2,315,211**	**2,459,443**	**114,395**	**-**
Borrowings								
Fixed rate Borrowings (Note 22)	6.4%	5,388,763	754,190	706,466	2,174,552	1,753,555	-	-
Variable rate Borrowings (Note 22)	6.1%	1,458,951	43,966	292,112	344,358	778,515	-	-
Bond	8.8%	500,000	-	-	-	500,000	-	-
Total borrowings		**7,347,714**	**798,156**	**998,578**	**2,518,910**	**3,032,070**	**-**	**-**
Net position		**5,622,185**	**4,234,415**	**2,049,701**	**(203,699)**	**(572,627)**	**114,395**	

Loans to financial institutions net balance is Lek -3,263 thousand (2022: Lek 105,563 thousand). Borrowings net balance is Lek 6,915,604 thousand (2022: Lek 5,605,951 thousand). On the 2023 and 2022 separate financial statements the loans to financial institutions and overdrafts were offset and presented on a net basis.

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(d) Market risk (continued)

(ii) Exposure to interest rate risk (continued)

Interest rate re-pricing analysis (continued)

			31 December 2022					
Assets:	**EIR**	**Total**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Non-interest bearing or not subject to interest re-pricing**
Cash and cash equivalents (Note 16)	-	608,745	608,745	-	-	-	-	-
Loans to financial institutions (Note 17)	0.29%	2,678,201	2,105,098	573,103	-	-	-	-
Loans and advances to customers (Note 18)	20.02%	6,913,435	1,588,400	1,769,509	1,866,159	1,689,367	-	-
Total assets		**10,200,381**	**4,302,243**	**2,342,612**	**1,866,159**	**1,689,367**	**-**	**-**
Borrowings								
Fixed rate Borrowings (Note 22)	4.77%	4,446,747	162,511	489,399	960,403	2,491,745	342,690	
Variable rate Borrowings (Note 22)	6.95%	1,111,636	200,897	910,739	-	-	-	
Total borrowings		**5,558,383**	**363,408**	**1,400,138**	**960,403**	**2,491,745**	**342,690**	**-**
Net position		**4,641,998**	**3,938,835**	**942,474**	**905,756**	**(802,378)**	**(342,690)**	**-**

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(d) Market risk (continued)

(ii) Exposure to interest rate risk (continued)

The management of interest rate risk within interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered monthly include a 100-basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates for the borrowed funds is as follows:

	100 bp Parallel increase	100 bp Parallel decrease	50 bp Parallel increase	50 bp Parallel Decrease
31 December 2023	61,222	(61,222)	30,611	(30,611)
31 December 2022	46,420	(46,420)	23,210	(23,210)

The sensitivity analyses show the impact on profit or loss of the Company. There is no impact on any equity balances, apart from the direct impact from profit or loss.

Overall interest rate risk positions are managed through use of advances to banks, deposits from banks and derivative instruments.

(f) Operational risks

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

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

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

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

(Amounts in thousands of LEK, unless otherwise stated)

6. Financial Risk Management (continued)

(g) Capital management.

Minimum Capital requirement

According to decision no 1 dated 17 January 2013 of the Supervisory Council of Central Bank of Albania, minimum capital for the non-bank financial institutions providing loans is 100 million LEK.

Regulatory capital

According to article 11 of decision no 2 dated 17 January 2013 of the Supervisory Council of the Central Bank of Albania the Microfinance institutions should full fill at any time the following ratios:

- The ratio of regulatory capital to total assets shall not be below 10%.
- The ratio of regulatory capital to net fixed tangible and intangible assets shall be no lower than 100%.
- The ratio of regulatory capital to total net non-performing loans shall be no lower than 100%.

Maximum allowed exposure

According to article 7 paragraph 3 of decision no 2 dated 17 January 2013 of the Supervisory Council of the Central Bank of Albania exposure to a single person or group of related counterparties should not exceed 15% of the capital. As of 31 December 2023 exposure to I.F.J.B. NOA sh.a Kosovo is 11.2% of capital.

As at 31 December 2023 and 31 December 2022 all requirements have been met including the ratio of capital to total assets being 17.3% and 20.5% respectively. The Company's policy is to maintain the capital base within limits, capitalizing all activity earnings to sustain future development. The Company 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. There have been no material changes in the Company's management of capital during the period.

Additional cash flow information

Changes in liabilities arising from financing activities:

	2023	2022
Opening balance 01 January	**5,605,951**	**4,561,471**
Cash flow items		
Issuances	3,458,921	3,456,135
Repayments	(1,704,920)	(2,180,686)
Non-cash items:		
Accrued interest	20,321	9,766
Foreign exchange impact	(464,669)	(240,735)
Ending balance 31 December	**6,915,604**	**5,605,951**

7. Use of estimates and judgments

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

(i) Income tax

Management believes that the tax on profit provision calculation is appropriate despite the uncertainty of the Albanian tax environment and existing legislation in force and believe that any future tax audit will not have a significant effect on the Company's financial position, results of operations, or cash flows.

(ii) Offsetting of assets and liabilities

As described in Note 17, the Company offsets overdrafts obtained from local banks, against deposits placed with those same banks as cash collateral, in accordance with the accounting policy 5 (h) (iv). In making this offsetting, management has determined that the requirements of IAS 32 are met, namely:

• The Company has the legal right to offset its cash collateral to the outstanding balance of the overdraft at any time, during business, and on default or the liquidation of the counterparty.

• The Company has the intention to settle the assets and the liability on a net basis.

On the legal right, management has performed a thorough analysis, obtaining appropriate legal counsel to confirm that the right to offset exists, by contract as well as in accordance with local legislation. Given the regulated nature of the industry of the Counterparty, legal judgement is required to analyze the right to offset in situation of liquidation of Banks.

The Company's intention with respect to settlement of overdrafts guaranteed with cash collateral deposits is to settle on a net basis in the normal course of business. The Company has a limited history of settlement of these arrangements as over the recent years, the volume of overdrafts and corresponding cash collateral deposits has increased, and the contracts have been rolled over with limited number of cases settled. In Management's assessment, the Company will settle these arrangements on a net basis and will have the ability to do so.

(iii) Impairment losses on loans and advances

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

7. Use of estimates and judgments (continued)

(iii) Impairment losses on loans and advances (continued)

As of 31 December 2023, and 31 December 2022 from the analysis and observations of the Macroeconomic factor the model exhibits negative autocorrelation. In this regard, the macroeconomic factor was not considered in the calculations; only the baseline scenario was taken into consideration.

The scenarios are determined in the impairment policy, but it has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Critical accounting estimates in applying the Company's accounting policies.

Critical accounting estimates made in applying the Company's accounting policies include:

Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed under note 5(h), (vi).

Fair value of financial assets and financial liabilities is required only for disclosure purposes in the separate financial statements. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under the current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The Company does not prepare fair value calculations for financial assets (loans and advances to customers) and financial liabilities (borrowings) due to lack of observable and unobservable data from the market.

Fair value of cash and cash equivalent and loans to financial institutions due to their short maturity is the amount receivable at the reporting date. The substantial part of portfolio of loans and advances to customers is based on fixed interest rates. Management considers it impracticable to perform a calculation of the fair value of loans and advances to customers as there are no observable market transactions for homogenous loans and it believes that the fair values approximate the carrying amount.

Furthermore, based on analysis the average maturity of the loan is 27 months while the portion of the loan with maturity of 5 years is small, hence it is expected that fair value approximates the carrying amount. Thus, for fixed rate loans of short-term maturity may not implicate material difference between the carrying amount of the loan and the fair value for disclosure purposes. Expected future losses are not considered. All the company's financial assets are categorized as level 3 for fair value measurement purposes.

7. Use of estimates and judgments (continued)

(iii) Impairment losses on loans and advances (continued)

Critical accounting estimates in applying the Company's accounting policies (continued)

Valuation of financial instruments (continued)

Determination of the lease term for lease contracts with renewal and termination options (Company as a Lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Estimating the incremental borrowing rate: The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of the interest that the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of–use asset in a similar economic environment. The rate used by the company for the new contract agreements during 2023 are 7.28% (2022: 5.95%) and 5.8% (2022: 4.44%) in LEK and EUR respectively, which represent interest rate on 3 years borrowing rate from lenders and banks. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make entity-specific adjustments to reflect the terms and conditions of the lease (such as to reflect the terms and conditions of the lease).

(iv) Leases

Determination of the appropriate discount rate to measure lease liabilities As noted above, the Company enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Company uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over similar terms, which requires estimations when no observable rates are available.

The Company consults with its main bankers to determine what interest rate they would expect to charge the Company to borrow money to purchase a similar asset to that which is being leased. These rates are, where necessary, then adjusted to reflect the credit worthiness of the entity entering into the lease and the specific condition of the underlying leased asset.

(v) Effect of estimation uncertainty:

The effect of a change in the incremental borrowing rate for leases entered into during the reporting period is shown in the table below:

Estimate	Change in estimate	Effect on right of use asset	Effect on lease liability
Incremental borrowing rate	1% increase in the rate	Decrease by 1,841 thousand LEK	Decrease by 1,296 thousand LEK

(Amounts in thousands of LEK, unless otherwise stated)

7. Use of estimates and judgments (continued)

(vi) Going Concern management assessment

During 2023 the company projected a portfolio growth of 28% and achieved a growth of 24%. The company has been compliant with all the regulatory ratios during the year 2023 (Note 6 (f)), the Company does not expect any breach of regulatory ratios.

As of 31 December 2023, the Company's equity amounts to Lek 2,340,401 thousand, and the net profit for the year 2023 amounts to Lek 421,595 thousand. Profit before tax increased by 6% compared to 2022, the financial result was impacted from net interest income which increased by 16%, net fee and commission income increased by 20%. For the year 2024 the company expects to increase Gross Loan Portfolio by 25% and increase PBT by 7%.

The Company's management has assessed the Company's ability to continue as a going concern considering all the factors stated above and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Separate financial statements continue to be prepared on the going concern basis.

8. Interest income

Interest income for the year ended 2023 and 2022 are composed as follows:

	2023	2022
Loans and advances to customers	1,809,398	1,475,178
Loans to financial institutions	37,289	4,451
Total	**1,846,687**	**1,479,629**

9. Interest expense

Interest expense for the year ended 2023 and 2022 are composed as follows:

	2023	2022
Interest from borrowings	(512,613)	(330,293)
Interest expenses on lease liabilities	(9,560)	(6,103)
Total	**(522,173)**	**(336,396)**

10. Fees and commissions, net

Fee and commission, are composed of the following:

	2023	2022
Fee and commission income from providing services at a point in time:		
Brokerage insurance income	113,140	92,135
Other fees received	10,506	10,912
Total revenue received from customers	**123,646**	**103,047**
Fee and commission expenses:		
Bank charges	(2,706)	(2,276)
Total fee and commission from banks	**(2,706)**	**(2,276)**
Fees and commissions, net	**120,940**	**100,771**

All revenue received from customers is earned in Albania.

(Amounts in thousands of LEK, unless otherwise stated)

11. Impairment loss on loans and advances to customers

11.1 Impairment loss on loans and advances to customers for the year ended 2023 and 2022:

	2023	2022
1 January	**(549,702)**	**(468,963)**
Charge for the year	(267,934)	(196,047)
Derecognized assets	78,278	-
Written off	107,403	114,686
Foreign exchange effect	978	622
At year end	**(630,977)**	**(549,702)**

11.2 Net gain on derecognition of loans and advances to customers:

Net gain on derecognition of loans and advances to customers represents recoveries from written off loans net of direct cost of collection. Recoveries cash collection are performed from both internal dedicated team and external service providers. Recoveries include non-cash items which represent the execution of collaterals, the amount executed is presented at note 21 Inventory and other assets.

	2023	2022
Net gain on derecognition of loans and advances to customers	94,511	94,185
Total	**94,511**	**94,185**

12. Other income

Other income for the year ended 2023 and 2023 is composed as follows:

	2023	2022
Grant income	1,101	-
Other	16,925	13,288
Total	**18,026**	**13,288**

Other includes commission fees for cash payments, RBS, and other reimbursements of defaulted loans from EU Programme for Employment and Social Innovation (EaSI) guarantee scheme amount Lek 2,217 thousand (2022: Lek 1,340 thousand).

13. Personnel expenses

Personnel expenses for the year 2023 and 2022 are composed as follows:

	2023	2022
Gross salaries	371,869	326,914
Social and health security contributions	58,426	49,375
Bonuses	57,510	45,748
Defined pension plans contribution	2,345	1,551
Total	**490,150**	**423,588**

During 2021 Management Board Decided to implement a new incentive scheme to employees by presenting a defined pension scheme contribution plan. The employees eligible for being part of the Professional Pension Fund Scheme are those with an unlimited contract more than 1 year in the company.

(Amounts in thousands of LEK, unless otherwise stated)

14. Other expenses

Other expenses for the year 2023 and year 2022 are composed as follows:

	2023	2022
Marketing	50,796	29,971
Consulting, legal fees and other services	27,517	23,434
HR and training expense	27,124	19,513
Software maintenance fee	22,556	19,742
Utilities	18,908	16,472
Transportation	17,552	15,648
Communication	14,873	12,459
Management fee	14,839	15,956
Insurance	6,780	6,413
Office supplies	4,942	5,069
Other	18,911	22,975
Total	**224,798**	**187,652**

Other expenses include mostly municipality expenses Lek 3,916 thousand (2022: Lek 3,918 thousand), per diems Lek 4,702 thousand (2022: Lek 3,410 thousand), security service Lek 3,349 thousand (2022: Lek 2,719 thousand), business meetings Lek 3,662 thousand (2022: Lek 2,017 thousand).

15. Income tax expense

	2023	2022
Current tax expense	81,655	76,760
Deferred tax income	(3,168)	(3,939)
Total	**78,487**	**72,821**

Income tax in Albania is assessed at the rate of 15% of taxable income; the following are the current and deferred tax recognized in profit or loss. The following is a reconciliation of effective tax rate:

	Effective Tax rate	2023	Effective Tax rate	2022
Profit before tax		**500,082**		**472,092**
Income tax at 15%	15.00%	75,012	15.00%	70,814
Non-deductible expenses	0.69%	3,460	0.44%	2,094
Adjustments on income for differences between accounting and tax treatment (temporary)	0.64%	3,183	0.82%	3,852
Net income tax expense	**16.33%**	**81,655**	**16.26%**	**76,760**

Income tax prepaid for the year ended 2023 amounts to Lek 83,724 thousand (2022: Lek 59,844 thousand).

(Amounts in thousands of LEK, unless otherwise stated)

15. Income tax expense (continued)

The following represents a reconciliation of the accounting profit to the income tax:

	2023	2022
Profit before tax	**500,082**	**472,092**
Non-deductible expenses	**23,069**	*13,961*
IFRS 16 - Right of assets (expense recognized under profit-before tax)	69,811	47,549
IFRS 16 - Right of assets (rent expense)	(64,735)	(50,760)
Other non-deductible expense		
Increase of other reserves, provisions	(6,760)	160
Depreciation expense	8,496	4,475
Other non-deductible	16,256	12,537
Non-taxable income	**21,219**	25,677
Temporary differences between accounting and tax policy on application fees	21,219	25,677
Taxable Income	**544,369**	**511,730**
Income tax rate	15%	15%
Income tax expense	**81,655**	**76,760**

Recognized deferred tax assets as of 31 December 2023 and 31 December 2022 are attributable to the following:

	31 December 2023	31 December 2022
Deferred tax assets:		
Equipment	6,755	5,716
Intangible assets	1,640	1,404
Loan loss reserve (IFRS 9 first time adoption)	132	132
Loans and advances to customers, net	20,161	17,216
Deferred tax assets IFRS 16	23,128	18,239
Deferred tax liability:		
Deferred tax liability IFRS 16	(24,004)	(18,063)
Deferred tax asset, net	**27,812**	**24,644**

Deferred tax (expense) / income for the years ending on 31 December 2023 and 31 December 2022 is presented in the table below:

	Year ending on 31 December 2023	Year ending on 31 December 2022
Change on deferred tax assets:		
Equipment	1,040	782
Intangible assets	235	(120)
Loan loss reserve (IFRS 9 first time adoption)	-	-
Loans and advances to customers, net	2,945	3,758
IFRS 16	4,889	3,088
Change on deferred tax liabilities:		
IFRS 16	(5,941)	(3,569)
Deferred tax asset, net	**3,168**	**3,939**

(Amounts in thousands of LEK, unless otherwise stated)

16. Cash and cash equivalents

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

	31 December 2023	31 December 2022
Cash on hand	8,252	4,012
Cash at banks	755,279	604,733
Total	**763,531**	**608,745**

There exists no external rating for Banks in Albania. Based on the individual assessment performed, no expected credit losses for cash at banks is assessed.

Cash at banks according to banks is detailed as follows:

	31 December 2023	31 December 2022
Credins Bank	121,191	260,763
Banka Kombëtare Tregetare	533,816	180,922
Union Bank	10,188	83,038
Raiffeisen Bank	45,765	50,872
Tirana Bank	11,912	16,219
First Investment Bank	25,385	11,343
OTP Bank	7,022	1,576
Total	**755,279**	**604,733**

17. Loans to financial institutions

	31 December 2023	31 December 2022
Loans to financial institutions	(3,263)	105,563
Loans to I.F.J.B. NOA sh.a Kosovo	226,688	-
Impairment of loans to financial institutions	-	-
Total	**223,425**	**105,563**

Loans to I.F.J.B. NOA sh.a Kosovo represents finances to subsidiary amount Lek 226,688 thousand. Maturity of the financing agreements varies from 36 months to 60 months.

As explained in note 5, Loans to financial institutions as of 31 December 2023 and 2022 are net of overdraft balances amount 3,385,948 thousand LEK (2022: 2,572,638 thousand LEK). The average maturity and average interest rate of loans in EUR and Lek is 12 months and yearly interest rate 1.3% (2022:0.29%). There exists no external rating for Banks in Albania. Based on the individual assessment performed, no expected credit losses for Loans to financial institutions is assessed.

Loans to financial institutions according to banks is detailed as follows:

	31 December 2023	31 December 2022
Banka Kombëtare Tregtare	20,702	73,632
First Investment Bank	17,298	24,761
Union Bank	15,094	20,821
Credins Bank	(13,289)	-
OTP Bank	(21,741)	(6,437)
Tirana Bank	(21,327)	(7,214)
Total	**(3,263)**	**105,563**

(Amounts in thousands of LEK, unless otherwise stated)

17. Loans to financial institutions (continued)

31 December 2023	Overdrafts outstanding secured with cash collateral	Term deposit in LEK pledged as collateral	Net term deposit
Tirana Bank	931,062	909,736	(21,327)
Banka Kombëtare Tregtare	699,033	719,735	20,702
Credins Bank	611,021	597,732	(13,290)
OTP Bank	598,515	576,775	(21,741)
First Investment Bank	353,627	370,924	17,298
Union Bank	192,690	207,783	15,093
	3,385,948	**3,382,685**	**(3,263)**

Net of overdraft due balance with Tirana Bank, Credins Bank and OPT Bank is negative on 31 December 2023 due to the depreciation of EUR currency, on which currency the Loans to financial institutions are denominated.

31 December 2022	Overdrafts outstanding secured with cash collateral	Term deposit in Lek pledged as collateral	Net term deposit
Tirana Bank	888,463	881,248	(7,214)
Banka Kombëtare Tregtare	464,180	537,812	73,632
OTP Bank	628,991	622,554	(6,437)
First Investment Bank	383,340	408,101	24,761
Union Bank	207,664	228,485	20,821
	2,572,638	**2,678,200**	**105,563**

Net of overdraft due balance with OTP bank and Tirana Bank is negative on 31 December 2022 due to the depreciation of EUR currency, on which currency the Loans to financial institutions are denominated.

18. Loans and advances to customers, net

Loans and advances to customers as of 31 December 2023 and 2022 are presented as follows:

	31 December 2023	31 December 2022
Loans and advances to customers, gross	9,196,132	7,419,749
Accrued interest and other similar	140,381	106,970
Other charges	6,010	2,642
Early re-payments	(114,551)	(66,224)
Allowance for impairment	(630,977)	(549,702)
Total	**8,596,995**	**6,913,435**

	31 December 23			31 December 22		
	Gross Carrying Amount	ECL	Net Carrying Amount	Gross Carrying Amount	ECL	Net Carrying Amount
Retail	2,314,128	337,893	1,976,235	1,682,679	292,221	1,390,458
Business	7,022,385	293,084	6,729,302	5,844,040	257,481	5,586,559
Total	**9,336,513**	**630,977**	**8,705,537**	**7,526,719**	**549,702**	**6,977,017**

(Amounts in thousands of LEK, unless otherwise stated)

18. Loans and advances to customers, net (continued)

Retail lending

				2023				2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as of 1 January	**1,376,630**	**45,836**	**260,213**	**1,682,679**	**1,033,563**	**43,033**	**194,432**	**1,271,028**
New assets originated or purchased	2,033,301	0	0	2,033,301	1,465,351	-	-	1,465,351
Assets de-recognized or repaid	(1,248,538)	(17,800)	(113,824)	(1,380,162)	(992,979)	(20,776)	(11,012)	(1,024,767)
Transfers to Stage 1	(69,832)	25,857	43,975	-	1,718	(1,718)	-	-
Transfers to Stage 2	(152,171)	152,171	-	-	(131,024)	131,255	(231)	-
Transfers to Stage 3	-	(141,753)	141,753	-	-	(105,957)	105,957	-
Amounts written off	-	-	(20,634)	(20,634)	-	-	(28,933)	(28,933)
Foreign exchange adjustments	(1,056)	-	-	(1,056)	-	-	-	-
Gross carrying amount as of 31 December	**1,938,334**	**64,311**	**311,483**	**2,314,128**	**1,376,629**	**45,837**	**260,213**	**1,682,679**

				2023				2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as of 1 January	23,063	8,946	260,213	292,222	**24,838**	**12,499**	**195,079**	**232,416**
New assets originated or purchased	60,742	-	-	60,742	67,257	0	0	67,258
Assets de-recognized or repaid	(12,390)	(1,023)	(95,421)	(108,834)	(13,286)	(3,063)	(20,522)	(36,871)
Transfers to Stage 1	14	(14)	-	-	44	(44)	0	-
Transfers to Stage 2	(107,706)	107,706	-	-	(48,857)	48,864	-8	-
Transfers to Stage 3	-	(114,718)	114,718	-	-	(48,856)	48,856	-
Net re-measurement of ECL	53,494	6,582	54,322	114,398	(6,934)	(454)	65,741	58,352
Amounts written off			(20,634)	(20,634)	-	-	(28,933)	(28,933)
Foreign exchange adjustments	(1)	-	-	(1)	-	-	-	-
ECL allowance as of 31 December	**17,216**	**7,480**	**313,197**	**337,893**	**23,062**	**8,946**	**260,213**	**292,221**

(Amounts in thousands of LEK, unless otherwise stated)

18. Loans and advances to customers, net (continued)

Business Lending

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January	**5,500,028**	**143,978**	**200,034**	**5,844,040**	**4,668,599**	**187,853**	**167,786**	**5,024,238**
New assets originated or purchased	4,843,346	-	-	4,843,346	4,032,060	-	-	4,032,060
Assets de-recognized or repaid	(3,404,481)	(33,532)	(45,041)	(3,483,053)	(2,963,650)	(72,268)	(44,415)	(3,080,333)
Transfers to Stage 1	(18,881)	7,337	11,544	-	10,069	(10,069)	-	-
Transfers to Stage 2	(317,108)	343,711	(26,603)	-	(203,042)	203,219	(177)	-
Transfers to Stage 3	-	(155,848)	155,848	-	-	(163,552)	163,552	-
Amounts written off	-	-	(86,769)	(86,769)	-	-	(85,754)	(85,754)
Foreign exchange adjustments	(91,775)	(2,838)	(565)	(95,178)	(44,007)	(1,206)	(958)	(46,171)
Gross carrying amount as of 31 December	**6,511,129**	**302,808**	**208,448**	**7,022,385**	**5,500,029**	**143,977**	**200,034**	**5,844,040**

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January	**46,561**	**16,805**	**194,114**	**257,481**	**37,740**	**31,940**	**166,867**	**236,547**
New assets originated or purchased	36,626	-	-	36,626	35,611	-	-	35,611
Assets de-recognized or repaid	(9,314)	(2,410)	(28,161)	-39,885	(8,384)	(6,916)	(20,946)	(36,246)
Transfers to Stage 1	50	(50)	-	-	53	(53)	-	-
Transfers to Stage 2	(111,031)	115,996	(4,965)	-	(10,074)	10,120	(46)	-
Transfers to Stage 3	-	(77,148)	77,148	-	-	(16,419)	16,419	-
Net re-measurement of ECL	68,757	8,053	49,831	126,641	(8,203)	(1,800)	117,948	107,945
Amounts written off			(86,769)	(86,769)	-	-	(85,754)	(85,754)
Foreign exchange adjustments	(153)	(290)	(566)	(1,009)	(180)	(67)	(375)	(622)
ECL allowance as of 31 December	**31,496**	**60,956**	**200,632**	**293,084**	**46,563**	**16,805**	**194,113**	**257,481**

(Amounts in thousands of LEK, unless otherwise stated)

19. Property, equipment, and right-of-use assets

Property and Equipment as of 31 December 2023 and 2022 are comprised as follows:

					Right-of-use assets		
	Data processing equipment	**Vehicles**	**Furniture and supplies**	**Leasehold improvements**	**Buildings**	**Vehicles**	**Total**
Cost							
As of 1 January 2022	**168,622**	**40,667**	**47,087**	**29,375**	**244,620**	**25,353**	**555,724**
Additions	19,142	7,504	7,937	3,523	18,767	6,638	63,511
Disposal	(745)	(1,663)	(952)	-	-	-	(3,360)
As of 31 December 2022	**187,019**	**46,508**	**54,072**	**32,898**	**263,387**	**31,991**	**615,875**
Additions	10,016	14,048	11,778	17,293	90,469	9,388	152,992
Disposal	(3)	(3,325)	(5,110)	-	-	-	(8,438)
As of 31 December 2023	**197,032**	**57,231**	**60,740**	**50,190**	**353,856**	**41,379**	**760,428**
Accumulated depreciation							
As of 1 January 2022	**(141,690)**	**(31,929)**	**(36,711)**	**(24,997)**	**(115,610)**	**(13,361)**	**(364,298)**
Depreciation charge for the year	(13,485)	(3,839)	(5,015)	(2,583)	(40,335)	(5,654)	(70,911)
Disposal	745	1,663	943	-	-	-	3,351
As of 31 December 2022	**(154,430)**	**(34,105)**	**(40,783)**	**(27,580)**	**(155,945)**	**(19,015)**	**(431,858)**
Depreciation charge for the year	(14,822)	(6,162)	(6,565)	(3,774)	(52,918)	(7,334)	(91,573)
Disposal	3	3,325	5,110	-	-	-	8,438
As of 31 December 2023	**(169,249)**	**(36,942)**	**(42,237)**	**(31,354)**	**(208,862)**	**(26,349)**	**(514,993)**
Carrying amounts							
As of 1 January 2022	**26,932**	**8,738**	**10,376**	**4,378**	**129,010**	**11,992**	**191,426**
As of 31 December 2022	**32,589**	**12,403**	**13,289**	**5,318**	**107,442**	**12,976**	**184,017**
As of 31 December 2023	**27,783**	**20,289**	**18,502**	**18,836**	**144,994**	**15,030**	**245,435**

There are no property and equipment placed as collateral as of 31 December 2023 and 31 December 2022.

(Amounts in thousands of LEK, unless otherwise stated)

20. Intangible assets

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

	Computer software and license	Total
Cost		
As of 1 January 2022	**215,813**	**215,813**
Additions	1,536	**1,536**
Disposal	-	-
As of 31 December 2022	**217,349**	**217,349**
Additions	3,606	**3,606**
Disposal	-	
As of 31 December 2023	**220,956**	**220,956**
Accumulated amortisation		
As of 1 January 2022	**(189,673)**	**(189,673)**
Depreciation charge for the year	**(9,348)**	**(9,348)**
Disposal	-	-
As of 31 December 2022	**(199,020)**	**(199,020)**
Depreciation charge for the year	(8,892)	(8,892)
Disposal	-	-
As of 31 December 2022	**(207,912)**	**(207,912)**
Carrying amounts		
As of 1 January 2022	**26,140**	**26,140**
As of 31 December 2022	**18,329**	**18,329**
As of 31 December 2023	**13,044**	**13,043**

21. Inventory and Other asset

As of 31 December 2023, and 2022 other assets are comprised as follows:

	31 December 2023	31 December 2022
Inventory of repossessed collaterals	64,313	56,976
Receivable from third parties	46,806	11,804
Prepayment for IT services	18,162	8,730
Staff Insurance	4,216	4,012
Performance guarantee -Sigal Life Uniqa Group Austria	3,500	3,500
Others	4,001	5,466
Total	**140,998**	**90,488**

Prepayment for IT services includes the prepayment amount LEK 8,311 thousand (2022: amount LEK 1,572 thousand) to Greenberg Consulting s.r.o for the upgrade of the front-end system. The upgrade is still in process and expected to be finalized during 2024.

Performance guarantee -Sigal Life Uniqa Group Austria is a bank guarantee created in 2021, based on article 10.3 of the Albanian Financial Supervisory Authority regulation no 79, Approved on the board decision number 79 amended on 31.10.2018 “Approval / licensing of persons to exercise the activity of insurance agent as well as cases of non-acceptance of his registration and refusal of the license”.

(Amounts in thousands of LEK, unless otherwise stated)

21. Inventory and Other assets (continued)

As of 31 December 2023, the inventory of repossessed collaterals is Lek 64,313 thousand (31 December 2022: Lek 56,976 thousand) represent repossessed assets from the execution of non-performing loans collaterals.

	31 December 2023	31 December 2022
Gross Value Opening Balance	**61,799**	**49,209**
Additions	7,601	14,270
Disposals	(264)	(1,680)
Gross Value Total	**69,136**	**61,799**
Impairment Fund Opening Balance	(4,823)	(4,823)
Additions	-	-
Reversal	-	-
Impairment Fund Closing Balance	**(4,823)**	**(4,823)**
Net Value Repossessed Assets	**64,313**	**56,976**

22. Investment in subsidiary

		2023		2022
Subsidiary	**Amount**	**Shares in %**	**Amount**	**Shares in %**
I.F.J.B. NOA sh. a Kosova	35,031	60%	35,031	60%
Total	35,031		35,031	

On 10 October 2022 NOA shareholders decided to establish a non-bank financial institution operating in Kosovo investing 60% of capital of the new company. The company was registered at the Agency of business registration in Kosovo with unique identifying number 811987968 name I.F.J.B NOA Sh.A. with headquarters address “Perandori Justinian”, Pristina Kosovo and total capital EUR 500,000. NOA sha shares amount EUR 300,000 equivalent in LEK 35,031 thousand.

The subsidiary obtained the license from Central Bank of Kosova as Non-Bank Financial Institution on 27th of February 2023, number IFJB/084.

23. Borrowings

Borrowings according to currency and interest as of 31 December 2023 and 2022 are detailed as follows:

	Weighted Average Interest Rate	31 December 2023	Weighted Average Interest Rate	31 December 2022
Fixed interest rate				
EUR	5.22%	5,075,163	4.62%	4,175,553
LEK	6.85%	538,592	6.80%	303,873
Variable interest rate				
LEK	5.88%	1,233,960	6.95%	1,078,957
Interest accrued on borrowings		67,888		47,568
Total		**6,915,604**		**5,605,951**
Short term		2,674,170		1,694,793
Long term		4,173,545		3,863,590
Interest accrued on borrowings		67,889		47,568
Total		**6,915,604**		**5,605,951**

(Amounts in thousands of LEK, unless otherwise stated)

23. Borrowings (continued)

Borrowings weighted average contractual term is 37 months (2022: 35 months). As of 31 December 2023, loan portfolio pledged as collateral to local lenders is Lek 858,359 thousand (2022: Lek 871,179 thousand).

As at the year ended 31 December 2023 the Company is compliant with all covenants of international and local lenders.

24. Bonds

The Company issued LEK 500,000 thousand of senior unsecured bonds at Albanian Stock Exchange with a fixed coupon rate 8% with a 5-year maturity. Interest is payable semi-annually on December 23 and June 23 of each year, commencing on 23 December 2023.

	Issued amount	Maturity	Interest	31 December 2023
Bonds issued	500,000	up to 5 years	8%	500,000
Accrued interest	-			889
Issuance Cost				(7,688)
Total	**-**		**8%**	**493,201**

25. Grants

As at 31 December 2023, grants are composed as follows:

	31 December 2023	31 December 2022
Palladium International LLC	12,762	-
Total	**12,762**	**-**

On 1 November 2022 NOA sh.a signed a subcontractor agreement with Palladium International LLC – fixed price service agreement under CPFF Contract with USAID. Under this agreement NOA will develop a new product for the footwear and apparel sector to overcome the constraints of the sector and is expected to finance the sector up to EUR 3,500 thousand. Palladium and USAID resources will be used as a reserve for the defaulted loans and will be paid to NOA as a pay of result once it has disbursed the loans to customers.

26. Other liabilities

As of 31 December 2023, and 2022 other liabilities are comprised as follows:

	31 December 2023	31 December 2022
Lease Liabilities (Note 26.2)	154,185	121,589
Payable to subsidiary I.F.J.B. NOA Kosovo	-	34,269
Personnel costs and accrued bonus	34,072	32,679
Other tax liabilities	20,430	14,316
Payables to service providers	12,714	9,712
Cheques issued to be cashed	46,281	6,476
Provision for legal cases (Note 26.1)	2,599	4,053
Consultancy fee	3,745	3,063
Other	12,346	12,853
Total	**286,372**	**239,010**

Payable to subsidiary represents the capital of I.F.J.B. NOA sh.a Kosovo (Note 22), capital amount EUR 300,000 which was paid on February 2023.

(Amounts in thousands of LEK, unless otherwise stated)

26. Other liabilities (continued)

26.1 Provision for legal cases:

	31 December 2023	31 December 2022
Opening balance	**4,052**	**5,858**
Release	(1,476)	(1,897)
Additions	23	92
Closing balance	**2,599**	**4,053**

Provisioning for legal cases included legal cases related to ex-staff in the amount LEK 594 thousand (2022: LEK 2,071 thousand), clients in the amount LEK 103 thousand (2022: LEK 81 thousand) and third parties in the amount LEK 1,901 thousand (2022: LEK 1,901 thousand).

26.2 Lease Liabilities:
Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 26 and the movements during the period:

	2023	2022
As of 1 January	**121,589**	**145,384**
Additions	120,712	32,944
Accretion of interest	9,560	6,103
Payments	(64,735)	(50,760)
Disposals/Transfers	(20,855)	(7,539)
Forex	(12,086)	(4,543)
As of 31 December	**154,185**	**121,589**

The maturity analysis of lease liabilities is disclosed in Note 6 (c) iii). The Company had total cash outflows for leases of LEK 64,735 thousand (2022: LEK 50,760 thousand).

27. Paid up capital

As of 31 December 2023, and 2022, the total authorized share capital of the Company is comprised of 73,183 shares which is paid up capital with a par value per share of Lek 10,000.12 as follows:

	31 December 2023			31 December 2022		
	No of shares	**Ownership %**	**'000 Lek**	**No of shares**	**Ownership %**	**'000Lek**
NOA Cooperatief U. A.	1	0.001%	10	1	0.001%	10
NOA Holding N.V.	73,182	99.999%	731,828	73,182	99.999%	731,828
	73,183	**100.0%**	**731,838**	**73,183**	**100.0%**	**731,838**

The General assembly decided on 30 March 2023 to distribute out dividends from the profit of the year 2022, dividend amount per share was 2,727 LEK (2022: The General Assembly decided to distribute and pay dividends on 30 June 2022 and 15 November 2022) as below:

	2023	2022
NOA Holdings N.V.	199,567	156,536
NOA Cooperatief U. A.	3	2
	199,570	**156,538**

(Amounts in thousands of LEK, unless otherwise stated)

28. Legal reserve

The provisions of the Commercial Law require the creation of reserves of 5% of the Company's net income after deduction of accumulated losses from previous years, until the balance of this reserve reaches 10% of the Company's share capital.

29. Related Parties

The Company entered on various business transactions with related parties as presented below:

	2023	2022
Assets at the end of the year		
Loans and advances to financial institutions I.F.J.B. NOA Kosovë	226,688	-
Investments I.F.J.B. NOA Kosovë	35,031	35,031
Liabilities at the end of year		
Accounts payable to NOA Holding N.V.	-	-
Liabilities to I.F.J.B. NOA Kosovë	-	35,031
Profit or loss for the year		
Interest income from I.F.J.B. NOA Kosovë	5,424	-
Operating expenses		
Management fees to NOA Holdings N. V.	3,902	4,272
Royalty fee to NOA Holdings N. V.	2,558	2,800
Remuneration to Executive Directors and Board Members	82,955	68,034

Loans and advances to financial institutions I.F.J.B NOA Kosovë represents financing to NOA Kosovo for working capital.

Remuneration to Executive Directors and Board Members representing remuneration to Senior Management Team, and management fees applicable to the Board Members.

(Amounts in thousands of LEK, unless otherwise stated)

30. Maturity analyses of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

31-Dec-23	Within 12 months	After 12 months	Total
Assets			
Cash and cash equivalents	763,531		763,531
Loans to financial institutions	(3,263)	226,688	223,425
Loans and advances to customers, net	3,934,634	4,662,361	8,596,995
Other assets	137,498	3,500	140,999
Income tax receivable	2,069		2,069
Property, equipment and right-of-use assets	-	245,435	245,435
Investment in subsidiary	-	35,031	35,031
Intangible assets	-	13,044	13,044
Deferred tax asset	27,812	-	27,812
Total assets	**4,862,281**	**5,186,058**	**10,048,340**
Liabilities			
Grants		12,762	12,762
Income tax payable	-	-	-
Other liabilities	132,187	-	132,187
Lease liabilities	56,829	97,356	154,185
Bonds issues	889	492,313	493,201
Borrowings	2,767,654	4,147,950	6,915,604
Total liabilities	**2,957,559**	**4,750,380**	**7,707,939**
Net	**1,904,722**	**435,679**	**2,340,401**

31 December 2022	Within 12 months	After 12 months	Total
Assets			
Cash and cash equivalents	608,745	-	608,745
Loans to financial institutions	105,563	-	105,563
Loans and advances to customers, net	3,357,910	3,555,525	6,913,435
Other assets	90,488	-	90,488
Property, equipment, and right-of-use assets	-	184,017	184,017
Investment in subsidiary	-	35,031	35,031
Intangible assets	-	18,329	18,329
Deferred tax asset	-	24,644	24,644
Total assets	**4,162,706**	**3,817,546**	**7,980,252**
Liabilities			
Income tax payable	16,915	-	16,915
Other liabilities	117,420	-	117,421
Lease liabilities	48,945	72,644	121,589
Borrowings	1,742,361	3,863,590	5,605,951
Total liabilities	**1,925,642**	**3,936,234**	**5,861,876**
Net	**2,237,064**	**(118,688)**	**2,118,376**

(Amounts in thousands of LEK, unless otherwise stated)

31. Commitment and contingencies

The Company has entered into several loan agreements with local banks where these loans are guaranteed with portfolio pledge, balance as of 31 December 2023 and 31 December 2022 is as follows:

	2023	2022
Loans and advances to customers	858,359	871,179
Total	**858,359**	**871,179**

Legal proceedings

The Company is involved in several lawsuits and legal proceedings arising in the ordinary course of the business. Based on the internal and external legal advice Management maintains that these proceedings will not have a material effect on the financial position or operating results of the Company.

32. Events after the reporting period

On January 11, 2024, NOA received the notification of acceptance from the Bank of Albania regarding the change in the share capital structure, considering the fact that Mr. Dritan Pashako, who owned 25% of the shares of BFSE Holding B.V., sold 10% of the shares to ALAR Counsulting sh.p.k., which owned 41% of the shares in BFSE Holding B.V (and indirectly 21.18% of the shares in the company NOA sh.a). After the sale of the shares, their holdings ALAR Counsulting sh.p.k. owns 51% of the shares in BFSE Holding B.V., and Mr. Dritan Pashako owns 15% of the shares in BFSE Holding B.V.

There are no other events after the reporting date that require disclosure in these separate financial statements.