

3. Information on capital adequacy ratio

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

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

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

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

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

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

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

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