

1. SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

The Supervisory Council is the highest decision-making and supervisory body of the Bank of Albania. The Supervisory Council: (i) approves the monetary policy and exchange rate policy, as well as financial stability and macro-prudential policy; (ii) supervises the process of budgeting, financial reporting, internal controls and auditing in the Bank of Albania; (iii) approves all normative acts issued by the institution; and (iv) approves the medium-term strategy, the appointment of department heads and the organizational structure of the Bank of Albania.

The Council exercises its powers independently and in a transparent manner, in line with the organic law and internal procedural rules.

The monitoring of the financial reporting process and of the internal audit system are delegated to the Audit Committee.

The Council held 15 meetings over 2024 in line with the approved schedule of meetings. Eight of these meetings focused on the monetary policy. Four meetings were dedicated to financial stability and supervision. The other meetings addressed: (i) the annual programme of the Supervisory Council; (ii) the Annual Report of the Bank of Albania; and (iii) the annual and medium-term budget.

The Council has been informed regularly on: (i) the institution's management policies; (ii) the performance of international reserve management; and (iii) the findings and recommendations from internal and external audits, on the effectiveness and quality of internal control systems, risk management and Bank of Albania's management.

Also, the Council was informed on the annual supervision report, which analyses the activity of the banking system and its supervision over 2023, provides statistics and information on licensed entities and analyses issues related to the performance of the banking system.

The Bank of Albania has regularly reported to the Assembly of Albania on the extent to which it has fulfilled recommendations presented in the resolution on the assessment of its activity, in compliance with its obligations as an independent constitutional institutions.



THE SUPERVISORY COUNCIL - THE HIGHEST DECISION-MAKING BODY OF THE BANK OF ALBANIA

The Supervisory Council has the power to approve all the decisions, regulations and guidelines of general application, issued by the Bank of Albania.

During its activity throughout 2024, the Council approved 68 decisions, of which 50 were acts approved for the first time and 18 were amendments to existing acts.

These acts were issued in accordance with the legal duties of the Supervisory Council, such as (i) monetary stability; (ii) licensing, regulation and supervision of banks and other financial institutions; (iii) provision of financial infrastructure (currency issue; interbank market); (iv) and stability of the financial system.

MANAGEMENT AND INTERNAL ORGANISATION

The organic law defines the Supervisory Council as the body responsible for (i) approving the Statute and internal regulations of the Bank of Albania; (ii) determining organisational structure; and (iii) approving appointments of the heads of departments and defining employment conditions at the Bank of Albania.

In November, the Council approved the Medium-term Development Strategy of the Bank of Albania 2025-2027, keeping the Bank of Albania's mission, vision and values unchanged. The medium-term strategy was adopted as a new document serving as a main pillar for drafting the budget for the next three years of the Bank of Albania's activity.

BUDGET

The Supervisory Council decides on the budget of the Bank of Albania, the management policies and the procedures on using financial assets to carry out the operational activity of the institution, pursuant to the Law on the Bank of Albania.

The Council approved the budget of the Bank of Albania for 2025 and the planned medium-term budget for 2026-2027. The budget was drafted in accordance with the objectives set in the Medium-term Development Strategy of the Bank of Albania and departmental projections on medium-term incomes and expenditures.

The budget aims at smoothly conducting the activity of the Bank of Albania, and the independent fulfilment of its duties laid down in the organic law, such as (i) the normal conduct of the activity of the Bank of Albania to fulfil its legal duties, (ii) preservation and improvement of the quality of currency in circulation; (iii) improvement and continuous updating of the information technology infrastructure and security system; and (iv) retention of human resource capacities, rationalization of the organizational structure, management and promotion of human capacities.



The capital expenditures and projections included in the budget were preliminarily approved by the Capital Expenditures Committee.

THE SUPERVISORY COUNCIL - THE HIGHEST SUPERVISORY BODY OF THE BANK OF ALBANIA

To ensure compliance with the law and other acts regulating the daily activity of the Bank of Albania, the Supervisory Council is regularly informed by the internal and external auditors.

A. Internal audit

The internal audit is an activity independent of management which provides evaluation, reporting and objective certainty, as well as fulfilling compliance, internal auditing and risk management functions.

1. Control over management

The administrators (the Governor and the two Deputy Governors) inform the Supervisory Council on a monthly basis about economic, financial and monetary developments, in accordance with legal obligations.

The Supervisory Council is also informed about the institution's management policies and the use of financial assets for the realisation of the operational activity of the Bank of Albania. The Governor is accountable to the Supervisory Council for the implementation of approved decisions, as well as for guidance, control and oversight of the management and operations of the Bank of Albania.

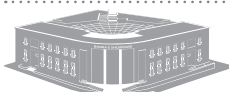
The Inspector General submits quarterly information to the Council on the tasks conducted by the Audit Department and on the findings of the internal auditing carried out in the Bank of Albania.

2. Activity of the Audit Committee

In order to increase efficiency and depth in specific areas, the functions of internal audit are delegated to the Audit Committee, which exercises its duties to support the strengthening of internal and external control lines. The Audit Committee is responsible for: (i) the financial reporting process; (ii) the internal control system; (iii) the internal and external audit; and (iv) compliance with legal and sub-legal acts which are in force.

The Committee is composed of three members of the Supervisory Council, respectively: Ms Suela Popa (Chair), Mr Ridvan Bode and Ms Edlira Luçi. Members are elected from the Council, for a four-year term, with the right to be re-elected only once. Administrators may not be members of the Committee. The Chair of the Committee shall be chosen by the members.

In 2024, the Audit Committee met four times and discussed issues such as: (i) activity of internal audit; (ii) financial results of the Bank of Albania; (iii) financial statements and external auditor's opinion; (iv) letter addressed to the



bank management and the opinion of the external audit as at and for the year ended 31 December 2023; (v) annual and medium-term budgeting, realisation of budget; and (vi) activity of operational risk management.

The Committee has informed the Council regularly on its activity and the implementation of its responsibilities.

3. Internal audit

The Inspector General and the Control Department, periodically and independently: (i) assess the accounts and the accounting records, as well as the management and operational procedures of the Bank of Albania, in order to ensure implementation of legal and sub-legal acts; and (ii) offer reasonable assurance on the efficiency of the control system, risk and processes managements, for the fulfilment of institutional objectives.

The Inspector General reports regularly to the Council on the realisation of this plan and the result of auditing engagements. The plan is based on the international standards for internal auditing and updated risk assessment of the identified functions in the revised audit universe.

4. Operational risk management and business continuity

The Council has approved the operational risk management and monitoring policy of the Bank of Albania and the level of tolerance to this risk. Administrators are responsible for addressing the operational risk, in accordance with the above framework.

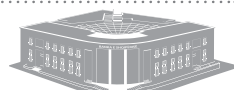
The Audit Committee has a supporting role, regularly discussing, with the Inspector General and the external auditor, the risks identified and the actions to deal with them, as well as recommending to the Council measures to improve the control systems.

The Inspector General and Operational Risk Management Unit regularly inform the Supervisory Council on implementation of the business continuity programme.

B. External audit

The organic law provides that the Bank of Albania's accounts and records may be checked by external auditors of internationally-recognised auditing institutions appointed by the Council. The external auditor expresses his opinion on whether the reports prepared by the Bank of Albania fully and fairly represent the financial situation of the institution, in accordance with generally-accepted international accounting standards.

The financial statements of the Bank of Albania are audited so as to offer a reasonable reassurance that they are not inaccurate, as a result of errors or fraud. This provides the external auditor with a key role in maintaining the trust of financial markets and of the public in financial statements of the Bank of Albania.



The Audit Committee reviews the financial statements of the Bank of Albania and assesses if they are compiled in compliance with the International Financial Reporting Standards and in line with the external auditor's opinion.

Prior to submitting the opinion on the financial statements, the Committee meets with the external auditor, without the presence of the administrators, at which time the progress of the audit process is discussed.

C. Accountability and transparency

In accordance with the organic law, the Supervisory Council approves all reports and recommendations that the Bank of Albania presents to the Assembly or the Council of Ministers, as well as the annual and financial reports of the Bank of Albania. Upon approval by the Council, these reports are published.

1. Approval of the Annual Report

In March, the Supervisory Council approved the 2023 Annual Report and sent it to the Assembly and the Council of Ministers. The report describes the economy and financial situation in Albania and the activity of the Bank of Albania over the reporting period.

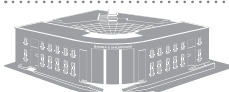
The financial statements audited and certified by the external auditor and its opinion are an integral part of the Annual Report. The financial statements for 2023 were audited by Ernst & Young- Certified Auditors, Albania Branch. In the opinion of EY Albania, the financial statements give a fair view of the Bank of Albania's financial position as at 31 December 2023, and of its financial performance and cash flows in accordance with International Financial Reporting Standards.

Pursuant to the requirements set forth in the Annual and Periodic Monitoring Manual of independent constitutional institutions, the Report was accompanied, by information on implementation of the recommendations provided in the Resolution of the Parliament "On the assessment of the activity of the Bank of Albania for 2023", as well as a detailed information on the implementation of rules laid down in the manual on the reporting of independent constitutional institutions, in general and of the Bank of Albania, in particular.

2. Other reporting to the Assembly and the Council of Ministers

In accordance with the organic law, the Bank of Albania has to publish: (i) a detailed opinion on the situation of the economy, quarterly; and (ii) a statement of threats to the stability of the financial system, biannually.

Through the compilation and publication of these quarterly and biannual reports, the Supervisory Council has regularly fulfilled the accountability obligations of the Bank of Albania to the Parliament and the transparency obligations to the public, financial system and media.



The Supervisory Council, in February, May, August and November, approved the quarterly monetary policy reports, which constitute the main instrument of accountability and transparency in this regard. These reports present a comprehensive description of the latest macroeconomic developments and the factors that affect the performance of consumer prices in Albania.

In April and September, the Supervisory Council approved the biannual financial stability reports. These reports present Bank of Albania's assessment on financial system developments in Albania, underline potential risks to financial stability and make recommendations in relation to necessary measures for reducing risks.

The reports have been sent to the Assembly of the Republic of Albania, the Council of Ministers and other central institutions.

