

5. OPERATIONAL RISK MANAGEMENT

The main objective of Operational Risk Management is to: better manage uncertainties of the activity of the Bank; inform at any time the Administrators; assisting in the decision-making process on possible risks that may hinder the achievement of Bank of Albania's objectives or have adverse financial and/or reputational impacts.

The Operational Risk Management Unit, as one of the second control lines in the Bank of Albania, has continued its activity aimed at strengthening and increasing its role. From the annual reports of the Bank's structures, it emerged that the internal controls set up by the structures are generally effective in minimizing/avoiding damage/risks deriving from accidents that have occurred. Examining the possibility of the emergence of new risks related to global events has been the constant focus of assessments and analyses of the Bank's exposure to operational risk.

A. Assessment of Operational Risk Management by international experts

METHODOLOGY USED BY IORWG

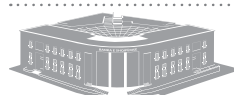
The growth and strengthening of the unit's activity is reflected in the latest assessment carried out by the international experts of the IORWG (International Organization Risk Working Group).

The Bank of Albania, as a member of the above-mentioned organization, participated in the periodic assessment conducted by this organization, which included 102 central banks, as well as supervisory and monetary authorities (such as BIS, ECB, FMN). The final assessment is as follows:

For 2024, the assessment by IORWG (International Organization Risk Working Group) for the Bank of Albania was 82.7%. This assessment is consistent with the recent positive self-assessments of the Bank of Albania and aligns with the 'Managed' category, where the majority of central banks are classified. From the "Advanced" category with 86%, it is only a few percentage points away, which is also the mid-term objective to be achieved by the unit.

AD-HOC	BASIC	MANAGED	ADVANCED	MATURED
<61%	≥61%	≥69%	≥86%	≥94%

The assessment is done periodically based on the IORWG assessment matrix, based on 5 main pillars:



- a) the level of design of processes and control systems covering these processes;
- b) the way and structure of the organization of the risk management function;
- c) the level of accurate and timely reporting;
- d) results after risk management; and
- e) risk culture, which is a challenge that requires awareness and continuous training from the Bank's units.

The assessment conducted by the IORWG was carried out for all member central banks for 2024, following the annual survey. It certifies the level of maturity from an independent international organization, of Operational Risk Management at the Bank of Albania, the awareness and education of the population, which has influenced and will influence the good functioning and continuous improvement of basic and supporting functions, in the framework of risk management.

B. Business continuity management (BCM⁴¹)

The purpose of "Business Continuity Management" is that in case of operational interruptions during a Crisis/Emergency, to support the Bank in its efforts to improve the reaction capacity, ensure the continuation of critical processes and recover the normal activity of the Bank as rapidly as possible. The Supervisory Council has approved a complete regulatory framework regarding Business Continuity Management.

An integral part of this regulatory framework are the individual business continuity plans for each department, the strategies that are followed as well as the tasks and responsibilities of each participant. Regular tests - to ensure their effectiveness - are carried out, such are: simulations and reactions to natural disasters, cybernetic attacks, etc.

In this framework testing of scenarios on DDoS bad Ransomware cybernetic attacks was conducted in collaboration with other departments. The main objective of this testing was to assess and ensure that the Bank is prepared to respond effectively to an emergency resulting from cyberattacks. The testing was successfully conducted and helped raise staff awareness in dealing with these events.

Risk prevention, business continuity planning, and improvements in incident management are the main focus, to ensure the institution's resilience.

C. Whistleblowing function at the Bank of Albania

The consolidation of whistleblowing function has helped the Operational Risk Management as well. In compliance with the Law No.60/2016 "On

⁴¹ BCM - Business Continuity Management.

