



Banka Kombëtare Tregtare SH.A. Rated 'BB-/B'; Outlook Stable

FRANKFURT (S&P Global Ratings) Oct. 7, 2025--S&P Global Ratings today assigned its 'BB-/B' long-and short-term issuer credit ratings on Banka Kombëtare Tregtare SH.A. (BKT). The outlook is stable. At the same time, we assigned our 'BB' long-term resolution counterparty rating (RCR) to the bank.

- Banka Kombëtare Tregtare SH.A. (BKT) is the largest bank in Albania, with total assets of \$6.9 billion as of December 2024. It is 100% owned by the Turkiye-based conglomerate, Calik Holding, and operates in Kosovo through its local subsidiary. BKT has demonstrated stable financial performance, underpinned by its good market position in both its markets.
- The very high exposure to domestic sovereign bonds poses a concentration risk, and market risks are larger than for more lending-focused peers. BKT has a leading deposit franchise in Albania, providing a stable and granular funding base complemented by a sizable liquidity cushion.
- We assigned our 'BB-/B' long- and short-term issuer credit ratings and our 'BB' long-term resolution counterparty rating on the bank.
- The stable outlook reflects our expectation that over the next 12 months, BKT will maintain its good financial performance while maintaining sound asset quality and keeping its capitalization close to current levels.

BKT has a proven track record and an established market position.

The bank has a 25% market share in total assets in Albania and holds a sizable 17% share in Kosovo, providing some geographic diversification. Its universal banking model spans retail, corporate, and treasury services, with a balanced loan portfolio. Since its privatization in 2000, BKT has consistently delivered solid financial performance, always maintaining return on equity (ROE) above 12%, with a three-year average of 17.5%. This also reflects BKT's experienced and effective management. Still, the bank's scale and customer base are limited, given that the total addressable populations in Albania and Kosovo are low, at below 5 million. In addition, BKT's business model is tilted toward securities, which accounted for about half of its total assets at year-end 2024 and generate about 50% of its interest income.

We expect capitalization to keep pace with loan growth.

We forecast loan growth will average about 15% annually from 2025-2027, outpacing the domestic average. This reflects the bank's strategic efforts to regain market share in Albania,



Particularly in corporate lending following several years of more restrictive lending practices resulting from temporarily reduced judicial predictability after a 2016 judicial reform.

We forecast BKT's risk-adjusted capital ratio of 6.9% in December 2024 will only slightly increase to 7.0%-7.5% in the next few years. We expect an ROE of about 17% and a dividend payout ratio of 35%-40%, which support our forecast. We also anticipate that the bank's total adjusted capital (TAC) will consist entirely of common equity.

We think that domestic sovereign exposure shapes BKT's risk profile. The bank's substantial holding of Albanian sovereign bonds--amounting to 27% of total assets and 2.7x TAC--represents a significant concentration risk. This exposure, while aligned with the domestic banking sector average, is larger than that of peers in other developing countries such as Kazakhstan, Uzbekistan, and Armenia. BKT is also exposed to greater market risk through its large mark-to-market portfolio than more lending-focused peers. This is evident, for instance, in the larger fluctuations in its fair value reserves, such as the sharp change experienced in 2022 amid rising interest rates. Nevertheless, we recognize that the bank has proven experience in managing these risks and maintains robust risk management policies.

BKT's asset quality remains robust, underpinned by disciplined underwriting standards. As of December 2024, the nonperforming loan ratio stood at 2.5% in Albania (below the national average of 4.2%) and 1.2% in Kosovo (below the national average of 1.9%). The mortgage loan portfolio's weighted-average loan-to-value ratio of 57% in Albania offers a solid buffer against potential housing market fluctuations, particularly considering the increase in house prices in the country during 2024. Exposure to unhedged foreign currency loans from BKT's Albanian operations remains limited, accounting for less than 10% of the consolidated loan book, which we view as a manageable risk. Additionally, related party exposure is modest, representing just 7% of TAC and having a negligible effect on revenues. Consequently, we forecast risk costs of 50 basis points (bps)-60 bps through 2025-2027, broadly in line with our expectations for the domestic average.

In our view, BKT benefits from a strong and stable deposit franchise. It holds a significant 25% market share in customer deposits in Albania--its core market--and has maintained this throughout the past decade. The deposit base is granular, with 75%-80% sourced from retail customers, which are typically more stable and less sensitive to pricing than corporate deposits. Consequently, concentration risk is low, because the top 20 depositors account for just 5% of total deposits. As well, about 40% of deposits are term deposits with remaining maturities of at least three months, further enhancing stability. BKT's funding metrics place it in the top quartile among peers, with a stable funding ratio of 230% and a loan-to-deposit ratio of 33% as of December 2024, indicating ample capacity to support lending growth. Additionally, a regulatory net stable funding ratio of 199% as of December 2024 underpins its robust funding position.



BKT's substantial liquidity cushion underscores its strong liquidity position. As of December 2024, broad liquid assets made up 59% of total assets and its net broad liquid assets covered short-term customer deposits by 77%, indicating a comfortable liquidity level. A significant portion of the bank's liquid assets consists of local sovereign bonds, which have limited secondary market liquidity. However, these bonds can be used as collateral to access central bank funding with manageable haircuts. Also, BKT maintains robust liquidity stress testing procedures to ensure sufficient buffers even in scenarios of severe deposit outflows.

We do not expect extraordinary group support or negative intervention from the owner. BKT is 100% owned by Calik Holding, a Turkiye-based conglomerate in the energy, construction, textile, banking, and other businesses. Through its annual dividend payment, BKT contributes about 10% to the parent's EBITDA. Given the bank's solid and consistent performance, we understand it is important to Calik's long-term strategy. We regard BKT as a moderately strategically important subsidiary of Calik. We remain mindful that the group could have a somewhat negative influence on the bank given that banking is a confidence-sensitive business. Nevertheless, we view BKT as likely to be resilient to stress in the broader group given features such as no brand overlap, no meaningful crossover of franchise or customers, minimal financial and operational links to group members, no funding dependency, regulatory restrictions, and the bank being lined up for a separate resolution.

BKT has limited additional loss-absorbing capacity (ALAC) to support senior unsecured debt. Due to its systemic importance in Albania, the bank is targeted for resolution with the preferred resolution strategy being bail-in. The corresponding minimum requirement for own funds and eligible liabilities (MREL) requirement of 30.1% applies only at the solo level and is gradually being phased in until December 2027. Therefore, we forecast that in the unlikely event of nonviability, the Albanian entity would be separated from the subsidiary in Kosovo and its parent. While BKT has started to issue MREL-eligible liabilities, we do not expect it to build up a sufficient buffer of ALAC-eligible subordinated debt instruments. This is primarily because the bank's main tool for meeting MREL requirements--MREL-eligible bonds--are classified as senior unsecured debt. In our analysis, however, we focus on subordinated issues, which could buffer senior unsecured investors in case of resolution. Consequently, we forecast BKT's ALAC ratio at 0.5%-0.6% by 2027, significantly below our relevant threshold of 2.5% for a one-notch uplift.

We assigned our 'BB' RCR to the bank.

An RCR is a forward-looking opinion of the relative default risk of certain liabilities, particularly those legally exempt from bail-in, that may be better protected from default in an effective resolution scenario than other senior liabilities. Customer deposits in Albania are excluded from



bail-in, which limits the volume of senior debt eligible for bail-in that could be used to recapitalize the bank. This limits the possible uplift to the RCR to one notch.

The stable outlook reflects our expectation that over the next 12 months, BKT will maintain its good financial performance on its solid market position and stable deposit franchise, while maintaining sound asset quality and keeping its capitalization close to current levels.

We could lower our ratings on BKT if:

- The bank's financial performance or market position weakens substantially.
- Asset quality deteriorates significantly, falling below the domestic average in its two core markets: or
- The bank's deposit franchise and liquidity position weaken relative to its currently strong levels.

We could raise our ratings on BKT if the economic environment in the bank's key markets becomes more supportive, contributing to healthy business growth.