



**ANNUAL
REPORT**

2024

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01

Message from CEO

Credins Bank closed another successful year

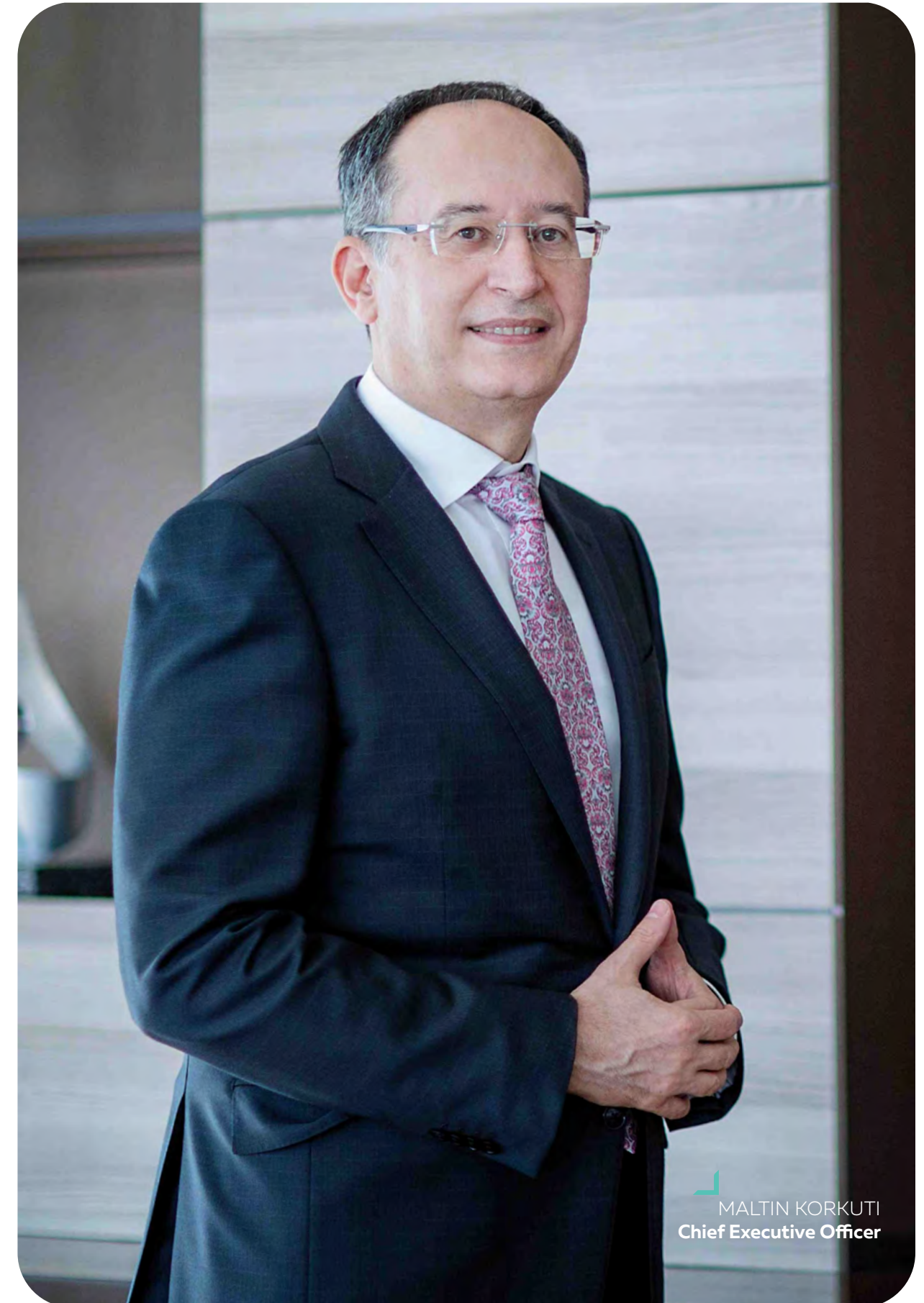
Message from CEO

Credins Bank concluded a strategically successful year, achieving notable financial results, while uplifting the well-being and standard of the local community. We started the year as the recipient of the "Bank of the Year" award, reaffirming that Credins has the strong infrastructure needed to remain a leader in the banking industry.

For us, every year is important, bringing innovations, collaborations, and growing performance that reflect a modern approach and the ability to adapt to global trends. Our ambition is a continuous race that goes beyond today's boundaries, positioning Credins solidly within the banking market. We aim to create a future where technology and innovation come together to transform the way people access and interact with their finances. We strive for the customer experience to be as

unique as it is grounded in building a secure financial ecosystem that supports sustainable and ongoing development within society.

In 2024, Credins Bank achieved significant growth, expanding its client base to 400,000—a 2.35% increase compared to the previous year. This accomplishment reflects our ongoing commitment to building strong, lasting partnerships with our clients. Credins Bank maintained its leading position in the loan portfolio, which grew by over 9% year-on-year. This performance was driven by our tailored approach to lending, which focuses on understanding the potential of both long-standing and new clients, while taking into account the specific dynamics of the sectors in which they operate. Throughout the year, we prioritized support for key sectors vital to the Albanian economy,



MALTIN KORKUTI
Chief Executive Officer

with a particular focus on tourism. Our support extended beyond lending to include the provision of modern digital infrastructure and tailored solutions for businesses such as bars, restaurants, hotels, and travel agencies. In addition, sectors like agriculture and energy remained central to our strategic priorities. Credins Bank has continued to stand alongside individuals, as well as small and medium-sized enterprises, offering personalized advisory services, rapid response times, and streamlined procedures to effectively meet their financial needs.

In a highly competitive banking industry, Credins Bank leverages its professional expertise to offer a comprehensive range of products and services designed to meet the diverse needs of every client. These include loans, deposits, cards, e-banking, the innovative Google Pay service, investments in securities and investment funds, as well as debt instruments issued by the bank and brokerage services. The past year marked a significant expansion in Credins Bank's investment portfolio, positioning the bank as the leader in annual portfolio growth within the banking sector and the second largest by portfolio size. Credins also maintained its strong market position as the second largest bank in terms of total assets, total deposits, and investment portfolios in securities and other financial instruments. The bank increased net interest income through carefully selected and diversified investments, ensuring not only

attractive interest rates but also prudent risk management. Improvements in macroeconomic indicators, along with reductions in base interest rates by central banks in Albania, the Eurozone, and the United States, contributed to more favorable interest rates for our clients. Our diversified credit product range and financial leasing solutions—including vehicle leasing, production lines, and machinery—continued to effectively address the evolving needs and demands of our clients.

While there is still much progress to be made, a positive and ongoing challenge—not only for Credins Bank but for all banks—is to actively work on raising public and client awareness about the benefits of using banking products. In this regard, we observe a growing openness among clients toward leveraging modern technology for financial management. The improved performance of businesses has driven Credins to fully commit to offering the most competitive services, including digital solutions available 24/7. Increased awareness of the advantages clients gain through technology has contributed to a rising trend in the use of POS terminals and ATMs. Today, Credins Bank boasts an extensive branch network, with 52 branches and 87 ATMs strategically located across every city in Albania, ensuring close proximity and accessibility to all our clients.

During 2024, the number of clients using the Credins Online platform increased significantly. Transactions and

transaction volumes on POS terminals grew by over 50% compared to 2023. As a systemically important bank in the sector, Credins played a key role in implementing the national strategy to promote and expand electronic payments across the country, leveraging its extensive client base and beyond. The number of transactions and volumes at ATMs also increased by more than 5% compared to the previous year. In 2024, the bank undertook a project to modernize and enhance its e-banking platform, delivering clients a faster, more efficient, and improved experience for managing their operations, electronic payments, foreign currency transactions, and more.

In an era characterized by diverse and rapid information flow, we have prioritized guiding our clients accurately and transparently at all times. In this regard, Credins Bank has demonstrated a high level of professionalism in educating and raising public awareness about the use of banking products through technology. Our various marketing campaigns, conducted across multiple communication channels, have effectively encouraged clients to

adopt payment cards and other digital channels. These tools serve as the best means to enhance the growth of their businesses while benefiting from the flexible conditions offered by digital services. Looking back on a dynamic year, I would characterize 2024 as a fruitful period. Through a new business strategy, which includes an integrated communication plan, Credins also introduced a refreshed brand image, marking a new chapter in the bank's development.

Market developments prompted Credins Bank to reflect on the need for change, ensuring that our evolution and transformation are accurately represented. This initiative aims to further highlight our values and commitment to the future. The change of our slogan and logo marked another visionary step, aligning our brand with our current mission. As globalization and technology continue to advance rapidly, Credins remains committed to staying at the forefront of these changes, consistently reflecting them in our public image and positioning ourselves as a leader in innovation within the banking sector.

“Personally for You” is the new slogan launched in 2024, reflecting our commitment to building close and trustworthy relationships with every client.

“Personally for You” is the new slogan launched in 2024, reflecting our commitment to building close and trustworthy relationships with every client by placing their needs and aspirations at the center of our work. This slogan perfectly encapsulates Credins Bank’s core approach and mission to move forward with the times and always serve our clients, treating each one as unique. This new journey and transformation have been accompanied by dynamic strategies in the bank’s social and corporate responsibility. Through numerous activities and support across various fields—including art, education, sports, technology, and tourism—we have made a positive impact.

Numerous donations, made possible through the outstanding work of the Credins Foundation and the SMILE platform, stand as a testament to our humanitarian vision. Today, Credins Bank is a prominent voice in preserving Albania’s cultural heritage and identity, while also embracing cultural diversity. Credins is a brand that seamlessly blends tradition with modernity, maintaining its authenticity at all times. Behind every success stands a team of professionals and experts from various fields—our dedicated employees—who continually contribute to the bank’s achievements. I am pleased to state that Credins continues to invest in its employees in multiple ways, from offering highly competitive financial packages compared to the market,

to benefits that enhance social well-being, as well as ongoing training and professional development opportunities. Our employees are the bank’s most valuable asset, and every investment in them is the passport to our success and the foundation of our identity.

In 2025, Credins Bank will continue to prioritize and maintain its profitability indicators, especially as the sector enters a new trajectory of declining interest rates, influenced by the Central Bank’s gradual easing of monetary policy. Our focus will remain on financing businesses and small and medium-sized enterprises, as well as the agrotourism sector, in alignment with the strategy initiated by the Bank of Albania and the Ministry of Finance. Addressing the challenges of lending to this sector—including collateral quality, streamlined credit approval documentation in line with the bank’s security standards, and ongoing financial education—will be a priority to ensure our clients are protected, secure, and satisfied. Continuous financing in the tourism sector and offering a wide range of products to meet all service requirements according to European standards will also remain key priorities for Credins Bank. The deployment of modern POS terminals and ATMs, particularly in these strategic areas, is part of our 2025 strategy and is already underway, with the expectation that these enhancements will be effective and supportive ahead of the summer tourism season. Furthermore, Credins Bank will continue to invest in

technological advancements, leveraging modern platforms to provide clients with a unique financial experience while emphasizing robust protection and integrity of financial data and client security. Being continuously chosen over the years as a trusted partner by clients and collaborators is both the highest recognition and a significant responsibility—one that

Credins will continue to uphold with unwavering commitment and ambition. Lastly, the successful application and implementation of SEPA system requirements will further strengthen Credins’ capabilities and reinforce its commitment to leading the modernization of banking services, delivering them to clients according to the highest European standards.

Maltin Korkuti
CEO





DONATE
FOR A SMILE

02

Corporate
Social Responsibility

Corporate Social Responsibility

Credins bank, in step with progress!

Living in modern times, where the world advances through rapid technological and socio-economic developments, has become a continuous challenge for all members of society—policy makers, and, naturally, corporations. In this dynamic environment, the need for constant adaptation and the creation of innovative strategies is essential to enable swift responses to change, ensuring both stability and sustainable growth in an ever-evolving landscape. Within this context, banks—as prestigious financial institutions playing a key role in a country’s economic development—find themselves in a unique position to lead these transformations. To achieve an impact that is both sustainable and profound, this role must transcend traditional business norms, integrating social responsibility as not merely an important, but an essential component of the operational model.

Coherence - an essential element in this system - is undoubtedly the key factor in maintaining sustainability and ensuring long-term success. For this reason, 2024 marked a historic moment for our Bank, which transformed itself also

through rebranding, as a professional ambition to position itself with a new visionary leadership and an even greater commitment to social responsibility. This transformation process has enabled the organic integration of corporate responsibility in our daily activity, as an emblematic element that defines and guides every step of the Bank’s activity, increasingly serving the local community. For this reason, social projects intensified the past year focusing the Bank’s resources and initiatives to promote sustainable economic development and improve performance in many areas such as environment, art, culture, sports, technology, tourism, and donations through Credins Foundation.

Our strategic domestic and international partnerships - both at business and social level - have also evolved into a new dimension. New productive collaborations have been established, which have become the catalyst of opportunities, raising the profile of Credins and making it a dominant factor in the banking industry. Indeed, these ties are more than just business relationships; they are partnerships oriented towards a

common and sustainable future, where every step of our transformation is based on the expertise and strong commitment of the parties involved. In the same line, we cannot fail to mention the extraordinary commitment of Credins staff, which lies at the core of each of our successes. Passionate and professional, they have been continuously active in social and humanitarian projects, contributing to the development of initiatives that affect the continuous improvement and well-being of the community. Through our continuous commitment, we provided financial support for 151 activities, in line with the principles and objectives of the SDGs. The segmentation of target groups made our support efficient and directed precisely where the community needs are greatest for change and development. Our goal is to create a measurable impact on the community ensuring that each of our investments reflects the Bank’s humanitarian mission. Credins continues to be a success story, not only for its extraordinary achievements through challenges, but because it strongly believes in the philosophy of the values it represents.



03

Board
of Directors



JONAS HASSELROT
member

ELTON TORO
member

MONIKA MILO
member

SAJMIR SALLAKU
chairman

RAIMONDA DUKA
member

MALTIN KORKUTI
member

CLIVE MOODY
deputy chairman

Business
Development Division

04

Business Development Division

Branches' Sales Management Department

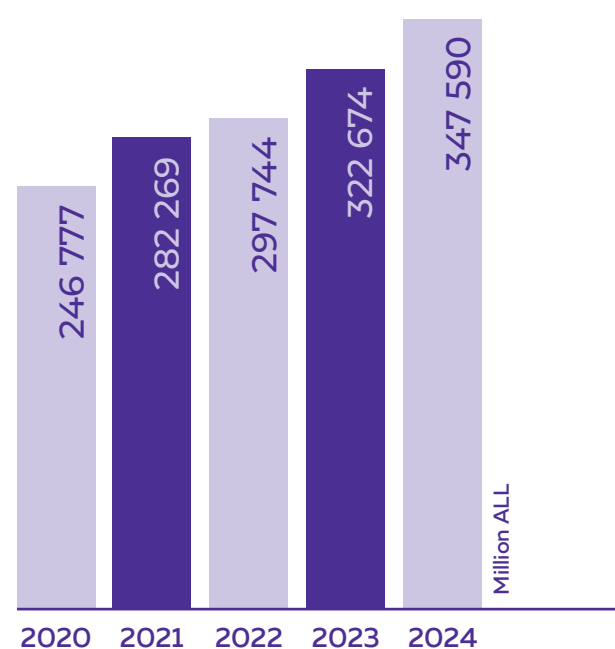
The year 2024 marked a positive year for the entire branch network of the bank, supported by improvements in the domestic economy compared to previous years, driven by the growth in tourism flows. This positively impacted

the economic situation of our individual clients and small businesses. Another positive factor was the increased demand for real estate investments, which was accompanied by a significant rise in demand for housing loans and consumer loans overall. This also positively influenced the liquidity levels and increased payments through banks in businesses related to construction, furnishing, and home improvements.

The domestic market was affected by significant currency exchange rate fluctuations, which in turn created new needs and demands from clients, something the banking sector responded to effectively.

As a result, sales through the branch network reached forecasted levels, and for most products, significantly exceeded expectations. During 2024, the bank's objectives for the branch network were fully surpassed, both in terms of volumes and product portfolio evolution. In numerical terms, the branch network achieved quantitative and qualitative targets in most bank products, with an average realization of 118%. Product sales

Total Assets



in 2024 were approximately 17% higher compared to product sales in 2023.

The key focus products for the sales force in every branch continued to be deposits, loans, and the increase of cross-selling to clients, alongside digital products such as the Credins Online platform (internet banking) and the bank's "virtual" app, allowing clients to perform nearly all transactions available at bank counters. These digital channels have continued to be highly successful both in sales and usage.

The client deposit portfolio grew by 6% at the end of 2024 compared to the end of 2023, despite the significant exchange rate effect on the depreciation of the euro. Credins captured 35% of the total increase in the client deposit portfolio across the system. The loan portfolio generated by the branch network continued to grow in the retail segment, especially in loans provided to small businesses and investment loans for real estate. The retail loan portfolio in 2024 increased by around 17.7% compared to 2022, representing approximately 17% of the system's total annual retail loan growth. The Leasing product saw a significant increase during 2024, with portfolio growth of 36%, increasing Credins Leasing's market share to 19.2% at the end of 2024, up from 17.9% in 2023.

Commissions generated from banking transactions increased by around 21% in 2024 compared to the previous year. These revenues mainly stemmed from commissions on POS transactions, bank card usage, currency exchanges, and other related services.

Development and expansion of the branch and ATM network continued strongly throughout 2024, including ongoing restructuring and modernization of the bank's branches, and innovative, flexible service delivery through the "Mobile Branch" banking service. During 2024, three branches were restructured and remodeled: Tirana Branch 14 (Don Bosco Street), Tirana Branch 10 (Siri Kodra Street), and Vlora Branch 2. Additionally, the network expanded with a second new branch opening in the city of Shkodra in April 2024. The ATM network expanded with 10 new ATMs in 2024, located in Saranda, Dhërmi, Jale, Shengjin, the beach area of Durrës, Shengjin again, Shkodra, Gjirokastër, and near the University Campus in Durrës. For 2025, opening a new branch in Tirana (in the Astiri area) is planned, alongside expanding the ATM network with approximately 30 new ATMs.

In 2025, the bank aims to maintain one of its core advantages by offering high-quality and personalized service to its clients. Besides banking products, there will be a strong focus on advising clients about alternative products such as Investment Products, Insurance Products, and others. Concurrently, support for customers through digital channels for purchasing products and services will remain a priority, as client interest continues to grow in using alternative communication channels with the bank. For example, product requests can now be submitted via the bank's official website and the Credins Online platform.

Marketing Department

2024 marked yet another historical year for this Department, by elevating Credins Bank strategy to a new dimension of values. With professional intuition, we initiated and implemented important projects that repositioned Credins brand as a leader in the banking industry, both visually and commercially. Aspiring to always be one step ahead, we created new and various transformation dynamics in the field of marketing and branding, achieving excellent performance in line with the modern innovations of the time. Following the new leading objectives of the Bank, Marketing Department played a key role in creating a positive and consistent perception, associating Credins Bank with a partner that is both reliable and strategic for each individual and business, be it local or international. The marketing staff, organized in a consolidated structure, has performed with an approach that was both creative and analytical, establishing and maintaining strong communication ties with the client.

The Brand

2024 opened a new and important chapter of transformation for Credins, which aimed not only to re-design a new brand identity, but also to create a future with a modern, contemporary, and technological approach. 20 years after the design of the historical logo,

the decision to initiate a total rebranding was in line with the growth goal and the objective of strategically positioning an institution that is constantly developing, while maintaining and balancing its core values, for which Credins Bank is proud to make a difference in the banking market today. In a digital environment that is constantly growing and globalized, rebranding helped the Bank to create the perception of a more modern and integrated experience through its customized products and services, thus reinforcing the loyalty to a partner that is not only strategic but also reliable and long-standing. The rebranding did not merely aim to establish a highly aesthetic visual communication; it also aimed to build a strategy that further maximized and expanded the influence of Credins in the banking market. The crucial and very comprehensive process of designing the logo was implemented in cooperation with one of the most prestigious international agencies specialized in branding and communication, truly revolutionizing the image of the Bank. The selected agency - with an extensive experience in designing brands that are synonym to innovation, elegance and development, brought a creative concept fully coherent with the new mission and vision determined by the Senior Management of Credins Bank. The redesigned logo and all its elements and components fully adhere to the essence of our identity, while elevating it to a more elegant and contemporary

composition, providing an organic balance between innovation and legacy. Although rebranding is one of the most challenging and complex processes for an institution, the Marketing Department successfully implemented the new logo in every medium. Each branch and ATM, including indoor and outdoor communication means and elements have been rebranded according to the new graphic lines, now structured in a new brand-book, thus creating an identity that is fully coherent with the modern times and speaks a common, simple and modern language. This radical transformation, requiring extraordinary, demanding and quite voluminous work, produced a new face of Credins Bank, reflecting our commitment to always be in line with the market demands and to further improve the experience of our customers, who are increasingly demanding faster, more innovative and flexible services.

“Personally for You” is the slogan chosen by the Bank for a year now to accompany any creative concept of every campaign, further consolidating the new line of the new communication strategy and conveying a personalized and direct message to every client. The main purpose of this slogan is, of course, the organic connection between the Bank and its customers and the wider audience, as well. It also aims to highlight the focus on the customer as a way to make them feel continuously privileged

for every service and product they receive from the Bank. The full completion of this project required considerable time and was finalized with a brand spot that informed the broad audience about the new change. The creative concept passionately described a transformative journey with a modern mindset that embraces innovation. Through a compelling narrative and a mosaic of fragments of diverse dynamic events, the epicenter of the spot is Credins Bank logo, as the main identifying emblem of a brand and institution.

Campaigns

The campaigns launched during 2024 highlighted once again the consolidation of the absolute cooperation with prominent partners in the international banking industry, while also demonstrating the integration of the new brand into our banking products and services through the new communication approach. The campaigns were planned according to a structured annual plan targeting specific groups such as students, retirees, women, small and large businesses, startups, gender-based groups, etc., focusing on information, awareness and education about the use of banking services as a necessity and lifestyle. Our marketing has evolved rapidly in recent years, introducing modern trends not only in communication style,

but also in its entire implementation strategy. Partnerships with MasterCard, Visa, and Google are only some of the collaborations accompanied by dedicated and personalized campaigns for our loyal clients, through popular schemes, such as “loyalty campaign.” Among the successful campaigns distinguished for their unique style throughout the entire communication range are G-Pay, the Albanian National Football Team, Brokerage, Brand, Agro Loan, Tak-Fak, Melody, etc. As consumers are overloaded with information, our campaigns orient our clients in real time and with transparency, thus reflecting the values and vision of Credins Bank.

Events

Events are of course the main insignia that make our brand more visible and tangible to a wider audience. In this regard, the Bank supported numerous activities in art, culture, sport, education, economy, tourism and beyond with the new logo, reaching its intended target groups. As one of the largest corporations in the country, our support to events aimed to convey the power of our brand and the unique experience of our services and products. Throughout 2024, we supported memorable events, associating our brand with famous Albanian and international artists, such as Albanian singer Alban Skenderaj and his concert “Melody” and the world-renowned DJ Martix Garrix, who gave a spectacular performance in “MartinX” show. Tech events, such as “Tirana Slush,” which have recently been hosted in our country with the presence of prominent

personalities in technology and global applications, such as the founder of “Angry Birds” were also supported by our Bank. Credins culture of outdoor events for staff entertainment and socializing purposes is now a tradition and Marketing Department brings new ideas every year, such as “Meet & Greet” with the national football team, Funzone Credins Arena, “Meet & Greet” with Alban Skënderaj, field trips in Bovilla area, etc.

Digital

The new logo required important digital transformations, including continuous upgrades and adaption of the design in order to align with the modern technology and graphic innovations. These positive changes aimed to present the company in the digital platform and social networks by further improving our communication with the clients and the broader audience. The standardization of digital services, of its products and services was part of Credins policies even in 2024, aspiring to make the best for everything that the Bank offers. In this line, the new Credins Online application was an important step both in terms of design and upgraded functionalities making clients’ online experience better and more attractive. Credins is ranked in most digital communication channels as one of the banks with the best and most dynamic performance, thanks to its abilities to always follow and adapt its applications and analytical software to the technologic trends of the best international corporations. Segmentation by focusing on each target group through various channels such as Instagram,

Facebook Ads, TikTok, YouTube, LinkedIn, SMS, E-mail Marketing was again a successful method that combined the variety of campaigns with the interests of clients, to further educate and orient them towards the use of digital banking services. Giveaways, quizzes, funny videos on TikTok were used to reward our loyal clients. Another beautiful and strategic creation was the selection for the first time of a group of Credins employees as “Brand Ambassadors,” who professionally posted every event and campaign on their social profiles during the year, thus become the main image and voice of Credins Bank. Through a considerable interaction, the brand ambassadors helped create a new line of communication that is both individual and practical.

CSR

Corporate social responsibility - as an important structure that influences the social creation and profiling of the Bank, making it more tangible and social for the community - was presented with a new annual plan of projects and events, which were integrated into the launch process of the new Credins brand. The year we left behind may be classified as the most challenging and ambitious one, as we undertook the design of the new logo and its communication in every medium, implementing the new brand-book specifications. In this regard, all CSR projects were supported in harmony with the new visual line. Credins supported 151 events and activities in fields such as education, culture, sports, technology, tourism, economy, etc. contributing not



only to the development and welfare of the society, but also to creating a new investment spirit in Albania. Strategically, the expansion of partnerships brought new successful collaborations such as the sponsorship agreement with the Albanian Football Federation, making Credins Bank the official sponsor of our National Football Team for 3 years. Additionally, we continued the long-standing partnership with prestigious international brands such as MasterCard and Visa and cooperation with local entities. The campaign “Melody”, which

was accompanied by a fabulous concert of the songwriter and singer Alban Skenderaj was sponsored with the successful cooperation of MasterCard where our loyal customers were rewarded again. This campaign was communicated in every channel with new and modern communication standards. We also focused on youth through financial education activities and new agreements in work fairs. Particular attention was paid to interviews and news with Credins managers in the mainstream and social media informing our clients in real time on any change, innovation or development in banking services and products. Other events were hosted throughout the year pursuant to the 17 Objectives of the UN on Sustainable Development such as:

- > Agro fair- The Days of Agriculture, which focused on supporting farmers
- > Global Real Estate, which focused on supporting business women;

- > School Library for the Visually Impaired, which focused on the development of education for vulnerable groups;
- > Credins Library, which focused on creating a more developed occupational environment for our staff;
- > Multiple activities calendar dedicated to women throughout March with the slogan, "You are the Muse";
- > Global Money Week, Startups Ecosystem, and many other activities.

These were only a few of the activities that proved once again the humane, institutional and professional capacity of Credins Bank. 2024 was a productive year for Marketing Department, which was devoted to reflecting the values and vision of Credins Bank in every work!

Products Management and Institutions Department

This department operates under the Business Development Division and is composed of:

Product Management Sector, in charge of designing and managing banking products and services and tailoring offers to customer needs, in compliance with the development strategy of the Bank, and

Institutional Relations Management Sector, in charge of the collaboration with public institutions for the provision of banking products and services to both the institution and its employees.

Our key objective in 2024 was to design competitive products and services focusing on innovation and better efficacy. We started the year with offers

dedicated to specific segments. Several offers tailored to teachers were launched in March, such as health insurance cards with 50% discount for medical services in SICRED's partner entities [hospitals, clinics], life insurance up to ALL 25,000 and medical expenses in case of accident up to ALL 25,000. March was also dedicated to women and Credins designed an attractive offer –opening and maintenance of a bank account with 0 fees for 12 months – as a way to support female owners of small businesses in banking services and products. During the same month, we also launched the new "Start-Up Loan" program dedicated to young entrepreneurs and newly-established businesses, to facilitate their access to funds in the early stages of operation and to support their development and growth. This product allows young entrepreneurs to get financing from the Bank without having a long credit history or strong collateral. This initiative was part of Credins strategy to further promote the development of businesses, innovation and employment.

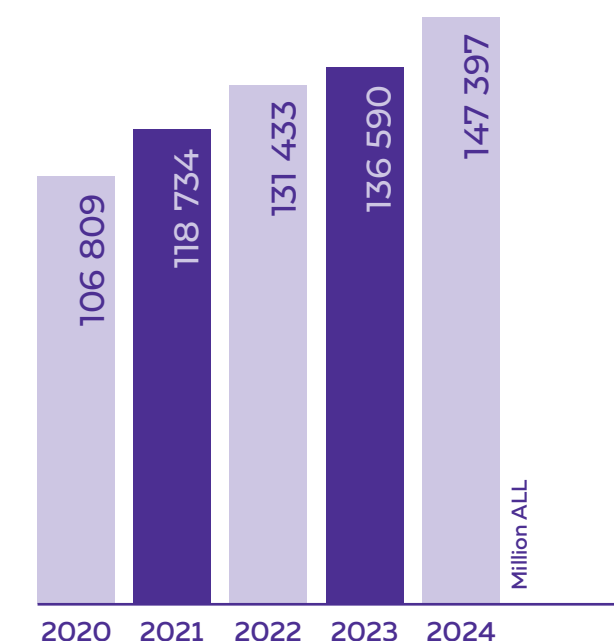
On the other hand, envisioning and aspiring to consolidate the agro sector, as a leading drive in the domestic economy, Credins has always endeavored to support this sector with flexible lending. Fast Agro Loan was launched in April as a quick option for farmers and agro-businesses to ensure the necessary funds with favorable terms and a fast approval process. In this regard, farmers were able to use the financing from Credins Bank to meet their various needs at competitive interest rates and very flexible conditions. This offer also targeted small farmers,

providing them with financing without a long borrowing history, as a chance to help their businesses grow further.

Another product was the Sovereign Loan for NACE products. In the context of supporting the manufacture and processing sector in Albania, Credins participated in the Government's scheme for the Sovereign Loan for NACE Products. This product aims to assist NACE 2 category businesses in the processing industry by supporting their investments in technology, innovation and increase of production capacities through a sovereign guarantee.

Considering the increasing travels abroad during summer, Credins cooperated with its strategic partner, MasterCard

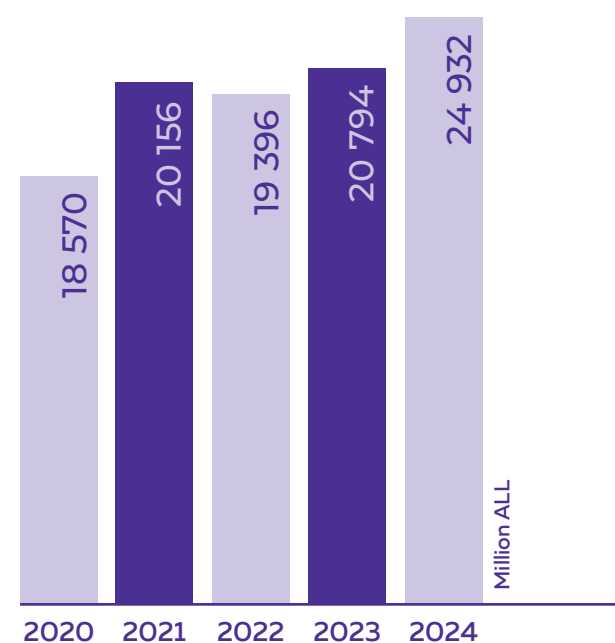
Loan Portfolio



to bring a unique offer for its clients: 10 complementary accesses per year to lounges in international airports and Mother Teresa Airport for Credins MasterCard Premium (Gold, World Debit/Credit, and Business Credit) and Credins MasterCard Business cardholders. The collaboration between the Bank & MasterCard brought another attractive offer for Credins MasterCard users during the European Championship or all the summer concerts supported by the Bank: 20% discount for Credins POS payments for Alban Skender Show and the Fan Zone during the European Championship.

Other innovations and new collaborations brought innovative services and offers to Credins Bank clients during the

Shareholder Capital



summer. In September, Credins launched the functionality of card payments through Google Pay – an important step in its strategy for the digitalization of services and facilitation of contactless payments. This service was designed to offer clients a safe, fast, and efficient way of making payments through a mobile android device by integrating the Near Field Communication technology and advanced data protection. Among Credins Bank’s priorities is the development of the fintech ecosystem and the increasing role of technology in the financial system. The bank has launched a sponsorship service for card payment clearing, aimed at supporting Payment Institutions and Electronic Money Institutions by providing them with a secure and reliable infrastructure for processing payments through international card schemes such as Visa and Mastercard. In this context, Credins Bank remains a strategic partner for all fintech institutions seeking to integrate payment services via Visa and Mastercard schemes, ensuring a trustworthy, secure, and technologically advanced service.

Pursuant to the laws and regulations approved in 2024, Credins launched the products of basic accounts and reasonable fees. The design of these products and their legal regulation is an important step that allows all individuals to hold an active current account without considerable costs. The product has been designed to be offered to individuals who: 1) are not accountholders and need basic financial services; 2) need a safe and simple way of receiving and managing their income; 3) have low income and need an account without high maintenance fees.

At the end of the year, we designed a special offer for senior citizens transferring their state pension to Credins Bank: “the Retirement Package” with various benefits such as no-fee retirement account, debit card without issuance fee, free e-banking, health card with up to 40% discount and free insurance policies.

The Institutional Relations Management Sector continued to perform positively in 2024 and to successfully meet its objectives of maintaining, managing, and increasing cooperation with public institutions. The results further emphasize the importance of this structure in offering a quality, fast, and safe service and products tailored to customer’s needs, which rank our Bank among the leading banks in this sector.

Currently, Credins collaborates with 930 local and central institutions, which are characterized by a high volume of funds and number of employees. During 2024, the number of salary account

holders increased by 6.4%, and an overall increase in account and deposit funds compared to the same period of the previous year, reflecting an increase of 78% in the volume of current accounts.

The offer of Salary Packages, which are divided into Basic Package and Plus Package have attracted more clients, with 66% of the clients choosing one of the packages, of which 37% have chosen the Basic Package and 29% the Plus Package.

The total number of products that the clients receive from the Bank has increased by 8% compared to the same period of 2023. It must be noted that the number of non-credit products has a relatively high increase in online services. This increase in products translates in increase in total income from the management of institutional relations, with the profitability increasing by 22.5% compared to the previous year.

Alternative Business Department

This Department has performed successfully in 2024. The income achieved from ABD in 2024 amounted to approximately ALL 67 million, with the largest contributor still being the insurance intermediation service, specifically 99% of the income (from 86% in 2023). Other business lines exercised

and managed by this department reflect the size and stage of development of the relevant markets: collective investment undertakings and securities subscription services in Albania.

The Alternative Business Department was established in 2018 and since then,

it has increased significantly and has continuously enriched the range of products and services offered to our customers.

Insurance intermediation, brokerage, and agent service activities, exercised in compliance with Credins Bank licenses, continue to grow at a satisfactory pace, increasingly proving the great potential of the interaction between the banking and insurance markets. At the end of 2024, the income from intermediation of insurance policies reached ALL 66.3 million, with income from intermediation of insurance policies for borrowers being the highest, specifically 93% (2023 in 97%). The income generated from insurance policy intermediation in 2024 increased by 16.2% compared to 2023.

The intermediation of life insurance products makes up the majority of the total income from intermediation, around 69%, while non-life products made up 31% of the total income from insurances.

In terms of numbers, a total of over 16,000 insurance policies has been mediated (45% more than in 2023); over 6,600 are voluntary insurance products not related to any credit relation (i.e. they are different from Life Insurance for Loan and Collateral Insurance). The intermediated products included all types and categories such as Life and Health Insurance, Voluntary Property Insurance, Travel Life Insurance, Vehicle Insurance, Liability Insurance, Guarantees, etc.

The Department expects an increase in voluntary insurance intermediations (not related to borrowers) in 2025 and a

further increase in the total income from insurances, due to:

- > The implementation of some additional coverages in life insurance policies for loans (within the first semester of 2025);
- > The implementation of sales objectives for voluntary products from the branch network (within the first quarter of 2025);

Investment Banking (Subscription of Securities and Auxiliary Services) and Depository Activity

Investment Banking Unit has persisted in its efforts to inform and raise awareness among large Albanian corporations on the possibility of funding their business through securities issuance. Numerous meetings held by this unit are expected to have their effect in terms of educating Albanian businesses on the best use of various financing sources.

The performance of the Depository's activity throughout 2024 has been the same as the previous year. The Depository Unit has submitted to AFSA the request for an additional license for Depository of Alternative Investment Funds and the request for approval of the adaptation of the Depository's activity to the requirements of the new Law on Private Pension Funds. Both of these requests are expected to be approved by the Regulatory within the first quarter of 2025.

Leasing Sales and Support Department

The tourism market saw a record expansion in 2024, accompanied by skyrocketing demand in the leasing market, which consisted mainly in financing operational leasing fleets. The applicants were mainly businesses and to a lesser extent, individuals.

The amount of financing increased significantly, marking an absolute record since the establishment of this department. Today, Credins Bank continues to maintain a strong position in leasing product and a steady growth throughout the years. During 2024, the plan for this product exceeded by EUR 23.7 million or 163%, while the projected increase in the surplus was 20% compared to 2023, meaning a total achievement of 113%.

The majority (80%) of the portfolio consists of financing of the automotive sector. Owing to our experience and professionalism, we focused on providing a fast and timely service. Credins leasing continues to be the main choice for both businesses and individuals, who need funds for machinery, equipment, transport means, and cars. The diverse products, flexibility, partnership, and others, ensured an increase in the value of financing, and a significant increase in the number of disbursements, marking a record in terms of cases addressed. Another emerging area is the leasing of equipment, particularly dental and diagnostic equipment.

Leasing market has a portfolio of EUR 234 million, with Credins holding the second place at 19.2%, which was accompanied by a 36% increase in the portfolio surplus of 2024 compared to 2023, when the market average was 27%. Interest income were achieved 123% compared to 2023. During 2024, the strong cohesion of the entire Credins branch staff led to a significant participation of branches in financing for this product, specifically 70%. This is a significant milestone for the involvement of the branch network. The number of contracts at the end of the year increased by 18% compared to the previous year.

The loan portfolio also maintained a good quality with a low level of NPLs. The quality of leasing portfolio at the end of 2024 was NPL at 1.13% and PAR > 30 days was 1.27%.

The objectives and forecasts for 2025 continue to project a growth of 20%, achievable through the broad involvement and support of the entire branch network in terms of new sales. The key to this process remains the very good relations with dealerships by adapting to market shifts through attractive financing schemes tailored to customer's needs. Improving processing time of existing products and further increasing financing for equipment and machinery for various industries will be the focus of our work in 2025.

Another objective in 2025 will be maintaining NPLs at an acceptable level. We will also focus on financing vehicles for operational leases as well as increasing demand for financing for electric vehicles and photovoltaic

Large Business Department

During 2024, the Large Business Department fully engaged in supporting the financing needs of large businesses, ensuring stable and qualitative financing. At the same time, our priority was to support consolidated businesses with a secure future in the market. We focused particularly on providing support to our clients regarding bank guarantees, LCs, etc. We have always been close to our clients, supporting them at every stage of the bidding process with bank guarantees, advice, and ongoing assistance.

Monitoring client activity and analyzing potential impacts of macroeconomic factors have been an integral part of our strategy, ensuring that clients are always supported in the development of their activities. We were also committed to providing quality services and valuable advice for our clients' investments and future plans, positioning Credins Bank as a loyal and reliable partner at every step of their development stages.

The Large Business Department has also considered non-credit transactions

energy. This product is the result of the increasing demand of our customers and the market's willingness to offer it. Several focused concessionaires have been established and the Bank will be an active part of them in leasing financing.

equally important, ensuring that customers have complete access to the full range of Credins products. We have always been committed to mediating their needs for services such as currency exchange, outbound transfers and the use of digital platforms such as Credins Online and Credins POSs. Our goal is for every customer to consider Credins Bank as their key partner for every banking service and product.

In 2025, we will continue our commitment and focus by paying special attention to non-credit transactions, as well as monitoring our customers' activities, in order to anticipate potential impacts that may arise from macroeconomic factors, such as inflation, exchange rates, etc.

Digital Channels Department

Credins Bank has prioritized the development of its digital channels, pursuant to its middle term strategy. For this purpose and in order to meet its digital banking objectives, the Bank's structure was reorganized to enable the establishment of the Digital Channels Department in 2023 to manage all non-traditional banking channels such as e-banking, POSs, e-commerce, ATMs, and online customer care.

This Department focuses on offering leading-edge services that meet the client's need for a simple, fast, and safe banking activity. Clients may use the banking services from the comfort of their home or office using technological advancements, thus making banking more accessible and efficient.

In this context, the improvement of communication channels and digital transactions have been at the focus of our work, including the amelioration, through process optimization and staff training, of the quality of service of the Online Customer Care Sector, which operates 24/7 to resolve customer issues and requests. The use of alternative communication channels such as WhatsApp and social networks has increased significantly, offering a wider access to clients and ensuring a better time management of replies.

Another area of development has been the expansion of the POS network with

more terminals, which led to an increase of 66% in transactions compared to the previous year. This expansion promoted e-payments and reduced the use of physical cash. The most significant increase of POS use occurred in the tourism sector, in line with the increase in the number of tourists visiting Albania and particularly coastal areas. Additionally, the presence of the Bank in the e-commerce market has increased, offering tailored and safe services to online businesses.

One of the most important achievements of Credins Online Unit has been upgrading the e-banking platform, which was completed at the end of 2024. The new platform has a refined image and enhanced structure making it more simple and intuitive for users. Existing clients without an e-banking profile may register online without needing to visit a branch. The new version has been upgraded with new functionalities, making the platform more user-friendly. New functionalities and developments have been planned in 2025 to improve the services for individuals and businesses even further.

A qualified and dedicated staff is at the disposal of customers to provide them with detailed information on the use of Credins Online through the Web or mobile application and the wide range of benefits that the use of digital channels offers.

The transactions through the ATM network have also increased significantly, particularly cash withdrawals. The Bank has invested in the maintenance and expansion of this network, in order to ensure continuous access to services for all users. The number and volume of transactions through ATMs have increased by 10% compared to the previous year.

In 2025, we will focus on developing and improving customer interaction through new technologies and automation of

processes. The Bank aims to increase its collaborations with traders in order to increase the use of e-payments and to offer an increasingly customized customer experience.

With these achievements and clear objectives, the Digital Channels Department will continue to play a key role in modernizing the banking services, bringing innovative solutions that meet the needs and expectations of modern clients.

Risk Division

The Risk Administration Division and its Risk Committees, the Internal Audit Committee, ALCO, and the Board of Directors ensured a prudent risk management in 2024, in compliance with the regulatory framework, aiming to improve risk methodologies, in general. RAD exercises its functions as a second control line through its departments: Large Business Credit Risk, SIMA Credit Risk, Debt Collection and Recovery, Integrated Risks, Legal Credit Risk, and Loan Administration, which have been developed and improved structurally and operationally throughout the years. This Division has effective processes and mechanisms in place to identify, measure, and report the Bank's risks, ensuring also a segregation of duties and responsibilities. The Investment Policy and Credit Policy define the key criteria for managing the financial investments of the Bank in a responsible manner

and in compliance with its business strategy. Through these policies, the Bank determines the allowed investments, taking into consideration their potential risk. The investment analysis is linked to other risk management policies that refer to the Bank's strategy and risk limits. Throughout 2024, Credins continued to implement a prudent policy, in accordance with the regulatory and strategic requirements for the assessment and control of several key risks such as credit, concentration, operational, liquidity, and market risks. The Bank reviews its Risk Appetite Policy annually to ensure at all times that its main risks are under control, including credit concentration risk, liquidity risk, and so on, in compliance with its business strategy and model. During the same year, the Bank revised its risk limits aiming to further reduce the concentration in specific sectors and segments. Certain elements of credit risk

assessment models have also been revised in order to continuously improve the relevant assessment and process.

During 2024, Credins Bank took measures to implement the regulatory amendments on time. The objectives and limits of market risk and liquidity risk were achieved and observed, fulfilling the Bank's needs for liquidity in every currency. Despite the challenges of the inter-banking and securities market, we managed to maintain a prudent approach to liquidity management and a satisfactory performance. Pursuant to international standards, the Bank has revised and improved the measurements and monitoring of liquidity risk and interest rate risk by determining new limits and instruments for their management. Measures were taken for the implementation of systems in relation to upgrading the automation of processes that calculate the indicators according to the regulatory and internal requirements. Risk administration focused mainly on the assessment, measurement, and diversification of the capital requirement based on classes of specific assets and their risk exposure. The Bank assessed the internal capital requirement, by including a number of specific risks not included in the regulatory framework of capital adequacy ratio such as credit concentration risk, country risk, liquidity risk, market risk, assets owned risk, reputational risk, and strategic risk, where stress tests have been developed for each of the main risks. Inventorying the potential risks of the Bank allows for a broader assessment of the risk exposure not only of the assets available, but of the entire activity and operations as well, thus assessing the need for additional capital.

The Bank is focused on improving and increasing investments efficiency, in accordance with the objectives set for fund volumes and provisioning expenditure throughout the year, as well as for medium-term budgeting. In order to protect itself from operational risk, the Bank has designed an internal regulatory framework, which clearly defines operational risk, involving all Bank structures and a philosophy of self-assessment of the exposure to this risk in business processes. Furthermore, Credins has developed and improved a set of internal key risk indicators by proactively monitoring their performance against the established limits. Operational risk events and factors are carefully analyzed and monitored, for its most proactive management. In 2024, the Bank established the Operational Risk Committee and took measures for the timely and effective implementation of regulatory changes. Lending continues to be based on better knowledge of customers and the characteristics of the sectors in which they operate. The focus this year has been supporting sectors such as tourism, various social services, and individuals.

Credins Bank has aimed at reaching a balance between attracting funds in various currencies and investing them through lending in these currencies. Throughout 2024, the Bank focused on the consequences of exchange rate fluctuations by managing this risk both in terms of Forex positions and the indirect manner in the credit risk. Lending followed the policy of mitigation of the indirect credit risk exposure due to exchange rate, recommending to clients to receive loans in the same currency as their income.

An important focus in credit risk management has been the good management of collateral assessments for the highest possible coverage of risk exposures and the inclusion of a wider range of collateral types, including new financial instruments and insurance products. Beyond the improvements in the quality of collateral received as a guarantee for risk exposures, the bank has been engaged in improving the coverage ratios of exposures through instruments for funded credit protection

An important purpose of the credit risk management was the well-management of collateral assessments for the best coverage against risk exposures and inclusion of a wide range of collateral types, including also new financial instruments and insurance products. In addition to improving the quality of collateral received as a guarantee for risk exposures, the Bank has also been committed to improving exposure coverage ratios through funded credit protection instruments.

The economic progress in 2024 has been positive in terms of growth,

Treasury Department

Treasury Department fulfilled its key objectives and exceeded its financial result in 2024, raising the level of expectations more than any other year. The already set objectives were revised during the year and the forecasts for 2025 were prepared. Based on the dynamic of financial markets and

stabilization of inflation and interest rates. Notwithstanding the decrease in interest rates, the Bank continued to maintain its profitability margins through a prudent management of investments and liabilities. In line with the banking system, the level of nonperforming loans decreased this year, due to prudent lending and effective management of the portfolio in arrears. Credins Bank managed to reduce the volume of NPLs and portfolio at risk, both in terms of volume and against the total credit portfolio. The NPL ratio of the Bank at the end of 2024 was 5.5 %, or 0.4 % less than the previous year. This result is a good guarantee that the Albanian banking sector will continue to improve its activity to overcome all the complicated challenges, while always staying in the forefront. Credins Bank closed 2024 with a satisfactory financial performance, in line with its strategic objectives. The same challenges remain in 2025, but market developments will be closely monitored to reflect the measures that we will take to successfully manage every situation with a complete structure of professionals.

reduction of the base interest rate in the Eurozone, USA, England, and UK, we followed the market trends in order to ensure an effective management of liquidity and long-term investments. The monetary policy followed by Central Banks around the world has yielded positive results in reducing the

inflation rate, but not in the absolute way expected; therefore, the efforts to reduce the inflation rate within limits will continue intensively even during 2025. During the second semester of 2024, the financial market experienced even more fluctuations due to the presidential elections in USA, requiring particular attention to the management of liquidity in foreign currency and securities transactions. In this line, the Central Bank of Albania also decided to reduce the base interest rate from the record level of 3.25%. The comprehensive impact in economy was reflected in changes in the interest rates of loans and deposits and any aspect of trade balances.

Objectives such as effective liquidity management, increased investments in securities in ALL and FCY, improvement of internal work processes, increased securities transactions with clients, quality support for the Bank's key activities, increased income from main activities, increased transactions on the ALSE Stock Exchange, and risk management according to internal indicators were successfully accomplished. Income from the activity of the Money Market and Securities Sector increased by 35% compared to 2023. The main objective is to manage liquidity as efficiently as possible based on the products accessible to us, and investing in securities of the Albanian Government and Foreign Governments based on the Investment Policy. We focused on a careful and timely planning of securities investment during 2024, due to high interest rates, increasing the benefits for the Bank. During 2025, we will focus on changing the composition of the securities portfolio, maintaining

the average profitability of the securities portfolio. The Money Market sector supported the activity in the secondary securities market, with high flows in securities trading, doubling transactions and supporting the needs of individual investors and entities.

Credins Bank has maintained its leading role in terms of liquidity in the domestic market; it has also remained active in benchmark securities auctions and secondary market trading, to support the further development of the World Bank's Market Maker program. The relationship with resident and non-resident banks is an important activity of the Treasury Department, due to daily cooperation and access to financial markets. The special importance of these relationships is enduring and aims only to further improve any cooperation with banks. The annual meeting with Correspondent Banks in 2024 offered us opportunities for the development of cooperation, expansion into new products, new mechanisms for access to financial markets, increase in financing limit, and in transactions related to existing products offered at preferential terms. The increase in activity and transactions consolidates Credins' long-standing relationship with Correspondent Banks over the years. The positive performance of the Albanian economy has restored the interest of foreign banks operating with Albanian banks. The Treasury Department cooperates with internationally recognized financial institutions, providing clients with the best prices for securities and fast transactions, as well as creating further diversification of partnerships and potential for constant development.

The dedicated "Broker" position, as a customer advisor for investments and trading in securities, increased its daily volume activity with the Bank's clients this year. The expansion of brokerage activity in a variety of tradable government and corporate securities, in ALL and foreign currency, by offering each client information and transaction support, brought the Treasury Department closer to the client. The standard operation procedures were revised to optimize the process and facilitate the investor. The branches were greatly supported with information on auctions, securities market, on any request to attract and serve the client within the shortest time possible, and provide accurate and efficient information. Considering the Bank's new logo, we have tried to ensure that the client finds at Credins Bank the financial product that suits them, but also the right information on investment with continuous profit.

We continued in 2024 to actively trade corporate bonds issued by NOA sh.a, listed on the ALSE Stock Exchange, thus promoting the financial education of the Bank's clients. The Forex Sector has successfully managed high volumes of currency trading in the domestic market, with participation in FXForward auctions organized by the Bank of Albania. Although the volatility was one-sided in the domestic exchange market leading to the appreciation of the Albanian lek, the Forex Sector maintained the high level of profits and traded values. Professional preparation and monitoring of global developments with impact on exchange rate allowed us to reduce the risk from Forex positions and maintain a stable

profitability. The Forex Sector improved cooperation in foreign exchange trading by increasing volumes, and the way of access to international platforms with foreign banks, which provide support for exchanges with the most competitive rates on the FX Exchange. Orienting customers to easily perform foreign exchange transactions through digital channels on the e-banking platform, supporting their remote needs. Continuous supply of branches with cash for customers at the counter and ATM remains an important daily function.

Credins Bank's new bond issues in 2024 through private placement were successful and voluminous, completing the corporate 3-year and 7-year terms bond issue in a total amount of EUR 54 million. The number of clients requesting participation increased, benefiting from higher interests than term deposits. The Custody Unit has met clients' requests for transfer of ownership of corporate bonds in the secondary market. Credins continues to successfully perform the role of custodian for bonds issued by domestic banks, financial institutions, and domestic corporations throughout 2024, starting to invest in a new computer system that covers 360-degree functions.

The Department has revised the interest rates for term deposits, making the Progressive Flexi Deposit one of the most profitable investment products for individual clients. By increasing the interest rates, the Flexi Deposit has been adapted to the requirements of clients, enabling them to benefit from increasing interest rates and flexibility in liquidity. By administering deposits with real benefits

for clients, Credins Bank has increased its market share in the domestic financial market. Monitoring the performance of deposits has led us to improve customer service.

In 2024, the Treasury Department increased its focus on the staff by providing them with professional training. The review of internal procedures has enabled the optimization of each work process resulting in improvements and benefits in time and efficiency for each transaction. The increase in transactions has in turn increased the processing

capacity of customer requests for Treasury products and cooperation with branches, in order to serve each customer faster and more easily. The long-term and direct relationships with customers have led to an increase in daily transactions and investment benefits for each customer. We have maintained financial stability by monitoring interest rate fluctuations and foreign exchange rate performance. In addition to liquidity management, we have prioritized the support to the branch activity for customers.

Cards Department

In view of the constant challenges in e-payments and the Bank's commitment to be at the forefront of the banking system, 2024 may be considered a successful year with substantial investments in technology.

One of the most important projects successfully completed in 2024 was the integration of Google Pay into the bank's payment systems. Google Pay is a virtual wallet that enables clients to register their Visa and MasterCard cards in Google Wallet, allowing them to make payments quickly, easily, and securely. Payments can be made via Android smartphones or other devices such as smartwatches, eliminating the need for a physical card. The first and ever-increasing statistics are the best confirmation that the Bank's

decision to use the advantages of digital channels provided by Wallet through the involvement in such an impactful project is proper. Aware of the importance of consolidating the financial system in terms of payments and innovations and technological developments in this area, the Bank has set the stage for establishing and strengthening cooperation with "Fintech" companies, offering them supports as "Sponsor Bank" for the settlement of transactions with the international payment schemes, Visa and MasterCard. This initiative aims to facilitate the entrance of new players in the market and to promote the development of digital financial services in Albania.

This engagement and commitment of

the Bank resulted in the prestigious award “Visa Award – Fintech Pioneer Bank”, confirming it as one of the leading institutions in the region for promoting digital transformation and integration of new technologies in banking services.

The Cards Department has closely followed all the developments and projects of the international payment schemes, Visa and MasterCard in relation to their payment requirements and standards. The upgrade and development of both the technology and procedures and standards aim to enhance the security elements, while maintaining the ease and commodity of carrying out transactions.

The ‘security’ element has been and remains a priority for the Bank, in order to provide the cardholders with a comfort, suitable and friendly experience. In this context, the level of security of online transactions has increased in 2024 through the implementation of the most advanced version of the 3D Secure protocol, which is 3DS 2.2. Aiming to provide quality and competitive products and services that integrate high-tech solutions, the Bank has invested in successful collaborations with prestigious international and domestic companies. Our efforts, dedication and commitment in 2024 have led to increasing quantitative and qualitative indicators of both card issuance and payment acceptance at Credins physical and virtual terminals. POS transactions in 2024 have exceeded expectations, reaching their peak in number and value during the summer season. The high number of tourists throughout the year and particularly during the summer

has translated into record figures. The number and volume of POS transactions have increased by around 60% compared to 2023.

To meet the demand for this service, the Bank is committed to increasing the number of traders equipped with POSs, and adding functionalities to facilitate and support their activity, especially for those businesses related to hospitality, tourism, rental cars, etc. Based on tourism trends in Albania and educating businesses about the need to provide alternative forms of payments to their customers, Credins Bank has intensified its collaborations with reliable and reputable partners and has undertaken a number of initiatives and projects aimed at competitive standards and advanced technology for card payments. The number of virtual e-Commerce VPOS terminals has increased steadily. The payment interface provided by Credins enables businesses to process online payments by directing their customers to a secure and audited interface for the collection of sensitive card data (PCI DSS). VPOS Credins operates with the 3DS 1.0 and 3DS 2.0 security protocols, which are designed to reduce the risk of fraud, identity theft, and other illegal activities during CNP (Card Not Present) transactions. The payment interface is intuitive, user-friendly, and adapts to any electronic device using “Responsive Design.” It offers multiple options in managing and controlling transactions carried out on the merchant’s online website. Each e-Commerce merchant is provided with access to a back office platform, where they can monitor and manage transactions carried out in their online store.

In addition to the option of manual management through the back office platform, the merchant can use automated functionalities through the API. The client can use the platform for bookings, payment refunds, refunds/partial refunds, real-time transaction monitoring, and send payments by creating a “Pay By Link”, etc. The services are offered in Albanian Lek and euro. Credins prepaid cards in ALL and EUR continue to be the most preferred for certain segments. Designed specifically for different categories of customers, these cards meet the needs for purchasing products and services at physical points of sale in the country and abroad, as well as online purchases, bookings, online bookings, etc. Issued for the first time in the Albanian banking market by Credins, they continue to remain a success story.

Public Institutions have found in Credins a reliable and stable partner in 2024 ,

which continues to support even their payment needs through personalized products adapted to their nature and modus operandi. The Visa card has been designed to meet the needs of these institutions through parameters, limits, specific fees, adapted in detail for this category of entities. Our goal has been and remains the satisfied, loyal customer, who finds the solution to every request and need in our Bank. Credins has always been a reliable and stable partner, who seeks and implements new modern solutions to support every individual and every business. 2024 has also been the start of new, ambitious, and challenging projects, the results of which are expected to be reflected in an increased experience and added satisfaction for customers when using the wide portfolio of card and digital products and services, in general.

Project Management Department

In line with the Bank’s medium-term strategy, the Strategic Planning and Project Management Department has played an important role in 2024 in improving the internal processes by supporting digital transformation and increasing operational efficiency. Improving the service model and efficiency of branch operations and integrating new technologies are some of

the department’s engagements during this year.

Credins’ strategy is based on the use of technology to increase efficiency and improve customer service. The Bank’s digital transformation program, which has been undertaken for several years, has been a strategic priority during 2024, as well.

The main objectives of the Department during 2024 were:

- › Optimizing internal processes to reduce time and operational costs;
- › Digitizing and automating documents to facilitate data access and management;
- › Improving the customer experience through the review of front office processes;
- › Implementing a CRM system to optimize customer relationship management.

The main projects where the department was engaged during 2024 are:

1. Review of front office processes

This project aims to improve the efficiency of operations, ensure the continuous improvement of the internal processes, and create a more effective service model. A large number of processes have been standardized, simplified, and automated, significantly increasing efficiency, reducing the cost of human and material resources, while simultaneously improving customer service and experience.

Results:

- › A large number of processes have been standardized, simplified and automated, significantly increasing efficiency, reducing the cost of human and material resources and improving customer service and experience.
- › All forms provided to customers

have been reviewed to increase accuracy, transparency, and the service provided.

- › Automation of some processes, saving time and resources.

2. Creation of the e-archive and digitization of documentation

The aim of this project is to create a centralized e-archive for the management of documents. Part of the digital transformation program, the e-archive and digitalization of historical documents project has continued throughout 2024. A significant number of documents have been digitized and an electronic archive has been created, which will greatly facilitate the management of client documentation and will reduce the need for physical storage capacities.

Results:

- › A considerable number of hardcopy documents have been digitized, reducing the staff's access time to them.
- › The spaces used for the physical archive in branches has been reduced.
- › The access security and control over documents has been improved.

3. Implementation of the CRM system

The implementation of the CRM

system began in 2024. Upon completion of the feasibility study and an in-depth analysis, the Bank chose Cretio platform to develop and implement the CRM system. The purpose of this project is to develop and implement a CRM system that will be used to manage and analyze interactions and data throughout the customer life cycle, in order to improve customer service, increase the duration of cooperation, and increase sales.

The expected result is the implementation of a centralized customer data system designed to organize, automate, and synchronize business processes and sales activities, including marketing, customer service, and technical support.

**THIS IS THE WAY
ALBANIA LIKES IT**



**CREDINS
BANK**



Human Resources Department

A new reward package with additional employment benefits was implemented in 2024.

Throughout 2024, in line with the main objectives of the Department and the dynamics, innovations and changes that the employment market constantly brings, Human Resources focused again on the recruitment of skilled employees, the professional growth of existing staff through continuous development, and the implementation of incentive methods, in order to provide an excellent service to our clients, and the community, in general.

A new reward package with additional employment benefits was implemented in 2024.

1. 14th salary – The staff received a 14th full salary for the first time, as a reward for the Bank’s excellent performance.

2. Additional annual leave days for loyal staff – The staff with over 7 years of experience in the Bank will be entitled to additional paid leave days as an appreciation to their long-term contribution.
3. Increased contribution of the Bank to the voluntary pension fund, up to 5% of the monthly salary.
4. Adjustments and increase in the Life and Savings fund (Loyalty Fund).
5. We tested Fridays with reduced working hours for a month, so that employees could devote more time to themselves and their loved ones.

In addition to new rewards, we signed various agreements with 3 universities and participated in 7 job fairs and a conference, which will be useful for future recruitment of talented employees. Furthermore, we started the 5th edition of #YouAreCredins program through which 14 new employees were hired in our Bank, particularly in junior positions in branches.

In order to provide a higher level of customer service, we designed a Sustainable Development Program

with 4 training modules for new branch employees, which aims to empower employees to perform optimally through the necessary tools by developing a customer-focused approach, communication techniques, cultivating a positive mindset, and personal self-motivation.

Based on the performance appraisal process of the previous year, which marked an increase of 7.1%, HR implemented a massive salary increase for 870 employees. The previous year, a total of 633 employees received at least one award, 128 of which are Head Office staff and 505 branch staff.

Additionally, we hosted numerous activities dedicated to our employees such as:

- > Credins on Tour-Hiking Day, a sports event in Bovilla Lake, where over 130 employees participated.
- > Credins Fun Zone, which was joined by

870
Salary increase for 870 employees. Based on the performance appraisal process of the previous year.

633
Based on the performance appraisal process of the previous year. 128 of which are Head Office staff and 505 branch staff.

around 200 employees to watch and celebrate the matches of the Albanian Football Team in UEFA Champions League.

- > Various activities to increase productivity at work and the well-being for our employees, such as meditation sessions, desk exercises, Tirana marathon, fitness classes, etc.
- > Painting exhibitions of our employees in the Bank’s Head office.
- > Around 700 tickets offered to our staff for activities and shows hosted in Tirana during the summer.
- > A tourist travel to Alberobello, Italy as a reward for the insurance products sales competition.
- > “Donated blood and save a life”, an initiative which the Bank joined for the 6th consecutive year and where the staff could donate blood to those in need.

Furthermore, we provided 3-months tennis lesson for the children of our staff and participation in the end-of-year-Circus Show.

Credins implements the Salary and Remuneration Policy, which outlines all forms and elements of remuneration, including salary and salary and remuneration level criteria, bonuses, other financial benefits and benefits from participation in the voluntary pension schemes.

Credins Bank is one of the most influential employers in the market relying strongly on qualified and experienced individuals who are committed to serving the client, which is essential for achieving our business objectives. We set competitive salary levels in the banking sector and rewards that provide employees with security, based on the Bank's performance objectives according to areas of activity and business, as well as according to the employees' objectives. Our rewards policy aims to ensure the achievement of these objectives:

- Rewarding performance and quality of work.
- Keeping the bank in a competitive position in the market.
- Motivating employees through differentiated rewards according to responsibilities, job position and professional skills.
- Keeping the salary expenses within acceptable parameters in the total cost of personnel and budget. The reward policies and practices of the Bank are clear, well-documented and transparent for the staff, clearly defining the constituent elements and reward criteria.
- Rewards at Credins Bank consist of two components:
 - The fixed component, which is the Base Salary, a permanent, predetermined and irrevocable element, which does not provide incentives to take risks;

- The variable component, which includes bonuses and various incentive schemes is determined based on the Bank's financial situation, the overall performance and individual performance of each business unit. This component can be applied to a specific category

of staff, defined by the Bank as 'Identified Staff' – individuals whose activity has a material impact on the Bank's risk profile, or to 'General Staff' – all employees, who have an employment contract with the Bank.

The remuneration forms and components for the Chief Executive Officer of Credins Bank JSC:

Total aggregate value of salaries and bonuses for the year	Immediate for the current period 2024	For previous periods 2023
Fixed remuneration components	91,483,498	89,564,653
Cash/Bonus	91,483,498	89,564,653
Shares		
Others		
Fixed remuneration components	36,427,153	26,588,324
Cash/Bonus	36,427,153	26,588,324
Shares		
Others		

we designed a Sustainable Development Program with 4 training modules for new branch employees, which aims to empower employees to perform optimally.

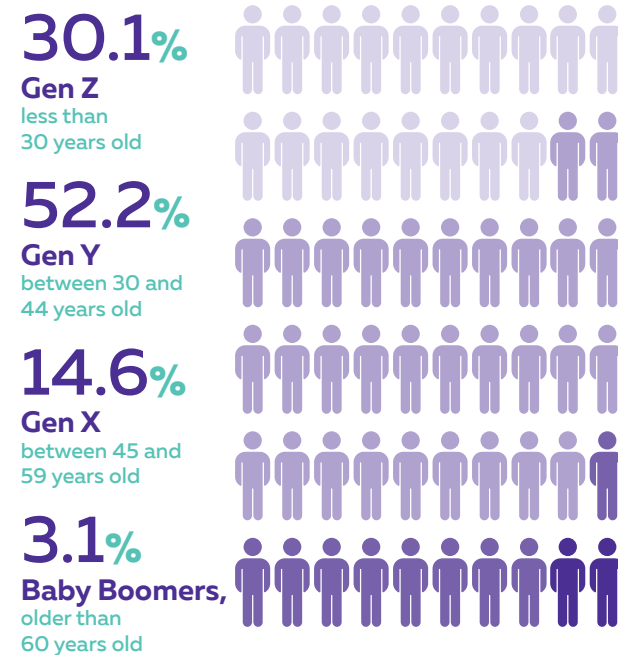
The remuneration forms and components for the Board of Directors of Credins Bank JSC

Total aggregate value of salaries and bonuses for the year	Immediate for the current period 2024	For previous periods 2023
Fixed remuneration components	3,614,220	4,849,376
Cash/Bonus	3,614,220	4,849,376
Shares		
Others		
Fixed remuneration components	12,653,762.47	11,685,661.82
Cash/Bonus	12,653,762.47	11,685,661.82
Shares		
Others		

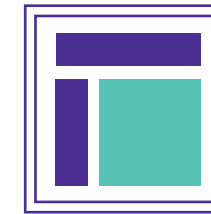
We closed 2024 with 1,132 employees or 4.2% more staff than the previous year. A total of 160 new recruits were hired during 2024. The annual staff turnover reached 10.2%, decreasing compared to the previous year, while the annual staff turnover in the banking system was 15.2%.

Hence, we are pleased to inform you that our staff turnover is the lowest in the banking system this year!

The average age of the staff is 36.1 years, with the following generational classification:



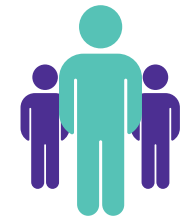
37.471
total training hours



6.245
training man-days



6
average man-days for 1 employee



1.030
existing employees trained

The female-male ratio at the end of 2024 was 76% female staff and 24% male staff. The employee ratio at managerial level was 19.3%, of which 73.3% are female managers and 26.7% are male managers. Last year, we had 124 internal promotions, especially in the Branch Network, of which 22 employees were in a managerial role.

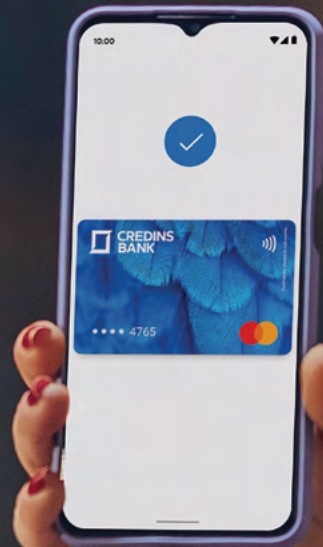
During 2024, staff training was paid particular attention, focusing mainly of training the branch staff. 37,471 hours of training were conducting as follows:

- > 13,431 training hours for existing staff
- > 15,760 training hours for new employees
- > 8,280 training hours for promoted employees or those transferred to a different job position

Below is a summary of the training statistics:

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Corporate Governance

The Bank operates in compliance with the legal and regulatory framework on the banking system in Albania and a number of internal acts designed for the most efficient governance based on the best international corporate governance practices. The core foundation of trust within the corporation, connecting shareholders, directors, and executive officers, rests upon four essential pillars of corporate governance:

- **Transparency:** Providing accurate and timely information to the public and stakeholders on material corporate matters, including the financial situation, performance, ownership, and governance of the Bank.
- **Accountability:** The Directors are accountable for their decisions and actions to the shareholders and, in certain cases, to the main stakeholders.
- **Fairness:** The Bank is obliged to protect shareholders' rights and ensure their fair and equal treatment, including minority shareholders.
- **Responsibility:** The Board of Directors and management shall perform their duties with honesty, fairness, and integrity. The Bank recognizes the rights of other stakeholders, as described in laws and regulations,

and encourages collaboration for the creation of sustainable and financially sound undertakings.

Bank's governance structure

The Shareholders Assembly is represented and composed of Bank's shareholders who hold voting shares in proportion to their participation in the Bank's capital. It is the highest decision-making body of the Bank, which decides on specific matters by simple or qualified majority, as defined in the Articles of Association and Law no. 9901 "On entrepreneurs and commercial companies." The decisions made by this body in accordance with the law, are binding on all shareholders, the Board of Directors, management, employees and representatives of the Bank.

The Board of Directors is a decision making body responsible for the strategic management of the bank and consists of 7 members (non-executive directors and executive directors) who exercise their powers for a period not exceeding four years, with the right to unlimited re-election. The Board of Directors exercises its powers in accordance with the provisions of the laws and regulations of the Bank of Albania and the company's Articles of Association.

During 2024, the Board of Directors met physically 5 times, in accordance with the annual plan. The quorum at each meeting was 100% attendance.

Through periodic quarterly reports from the main units, the Board of Directors has overseen the financial condition of the bank, the functioning of organizational structures, and the activities of management; the implementation of the bank's policies and strategies regarding the business plan, risk management, and the annual budget for 2024 by determining and monitoring the achievement of long-term objectives and the effectiveness of the bank's management practices. At the December 2024 meeting, the preliminary financial result for the closing of 2024 and the budget and business plan for the following year were reviewed.

The Board of Directors approves in advance with 2/3 of the votes all the

bank's actions, as a result of which the bank's exposure to clients with exposure over 10% of regulatory capital and persons with a special relationship with the bank arises or increases. This body has continuously monitored and addressed possible conflicts of interest of the Directors, Members of the Board of Directors, and Shareholders, including the treatment of possible conflicts of interest that may arise from the misuse of the bank's funds and actions with related persons.

Also, during the year, the Board of Directors has reviewed and approved a large number of internal regulatory acts, amended or drafted for the first time in accordance with the internal needs of the company and the requirements of the Regulator.

The current composition of the Board of Directors is as follows:

Member	Position	Term
Saimir Sallaku	Chairman	June 2022 – June 2026
Clive Moody	Deputy Chairman	June 2022 – June 2026
Monika Milo	Member	June 2022 – June 2026
Maltin Korkuti	Member	June 2022 – June 2026
Elton Toro	Member	October 2021 – October 2025

Raimonda Duka	Member	May 2024-May 2028
Jonas Hasselrot	Member	February 2024 – February 2028

The majority of Board members are individuals who, at the time of their election and throughout the duration of their mandate, are not connected by any private interest relationships with the Bank and shareholders considered by law to exercise control over the Bank, or with its executive directors. The Board members are subject to the highest standards or ethics and act based on sufficient and appropriate information, in good faith and in the best interest of the Bank, as well as with prudence and full commitment to their responsibilities in order to safeguard the security and continuity of the banking and financial activity of Credins Bank.

The Management constantly organizes and leads the activity of the Bank, supervises the exercise of the responsibilities delegated in accordance with the approved policies and procedures, takes the necessary measures to monitor and administer all potential risks of the Bank, in accordance with the approved strategies, implements the approved policies and strategies and ensures that the risk management processes are continuously revised to adapt to the risk profile of the Bank and its business plan.

The Management is composed of the Chief Executive Officer and Deputy Chief Executive Officer.

Member	Position	Term
Maltin Korkuti	Chief Executive Officer	May 2023- May 2026
Monika Milo	Deputy Chief Executive Officer	December 2023 – December 2026

The CEO is also the Chairman of the General Assembly of Shareholders. He is appointed for a term not exceeding 3 (three) years, with the right to re-election and legally represents the Bank. The Board of Directors may, for specific issues, authorize the representation of the Bank by both members of the Management.

The Management provides the Board of Director with regular, complete, and timely information on material issues related to the Bank's operations. In particular about risk management, the implementation of strategies and policies, as well as any deviations from the approved objectives. Management is responsible for maintaining the Bank's accounting records in a proper manner, for preparing financial statements in accordance with the law and submitting them to the Board of Directors at least within three months after the closing date of the financial year.

Board Committees and Bank Committees

Pursuant to the Articles of Association of Credins Bank, the Board of Directors have approved the establishment of the following committees, where each committee is subject to internal regulatory acts.

	Board Level Committee				Bank Level Committee					
	Audit Committee	Risk Committee	Remunerations and Nominations Committee	ALCO Committee	IT and Projects Steering Committee	Strategy Implementation Committee	Policies and Procedures Review Committee	Products and Services Committee	Cyber-security Committee	Operational Risk Committee
Chairman	Elton Toro	Jonas Hasselrot	Raimonda Duka	CEO	CEO	Head of Project Management Department	CEO	CEO	CEO	CEO
Member	Raimonda Duka	Maltin Korkuti	Clive Moody	Deputy CEO	Deputy CEO	Chief Risk Officer	Deputy CEO	Deputy CEO	Deputy CEO	Deputy CEO
Member	Eva Pango	Saimir Sallaku	Jonas Hasselrot	Chief Finance Officer (CFO)	Chief Risk Officer (CRO)	CFO	Head of Legal Department	CFO	Chief Operations Officer (COO)	CRO
Member				COO	Head of Project Management Department	Head of IT Infrastructure Department	Head of Compliance and AML Department	COO	Chief IT Officer	CFO
Member				CRO	COO	Head of Branches' Sales Management Department		CRO	Head of Information Security and Business Continuity Department	COO
Member				Chief Business Development Officer	Chief Business Development Officer	Head of Marketing Department		Chief Business Development Officer	Head of IT Infrastructure Department	Chief Business Development Officer
Member				Head of Treasury Department	Head of IT Infrastructure Department	Head of HR Department		Head of Legal Department	Head of Banking Application Unit	Chief IT Officer

Member					CFO			Head of Product Management and Institutions Department	Head of Business Analysis Development Unit	Head of Internal Audit Department
Member					Head of Information Security Department					Head of Integrated Risks Department
Member					Head of HR Department					Head of HR Department
										Head of Legal Department
										Head of Strategic Planning and Project Management Department
										Head of Security Department
										Head of Compliance and AML Department
										Head of Information Security and Business Continuity Department

¹Without voting right
²Without voting right
³Without voting right
⁴Without voting right
⁵Without voting right
⁶Without voting right
⁷Without voting right

The Audit Committee is composed of three members appointed by the Assembly of Shareholders. It controls and supervises the implementation of the internal audit procedures, including those set by the Bank of Albania and reports to the Board of Directors about the main issues and deficiencies identified in the internal audit system, and recommends the manner for their correction. Pursuant to its responsibilities, this Committee revises its annual audit plan, when needed, and proposes it for approval to the Board of Directors. Additionally, it reviews the internal audit reports and monitors the process of handling their conclusions. The Audit Committee proposes the authorized accounting expert and establishes the communication between the latter and the internal control of the Bank. Also, it assesses the Bank's financial situation based on the authorized accounting expert report. It controls the compliance of the Bank's activity with the laws and bylaws and informs the Board of Directors about the conclusions, providing its opinion on all matters requested by the latter. This Committee approves the reports and financial statements prepared by the Bank for publication. Pursuant to its duties, it monitors the status of implementation of recommendations left by the chartered accountant following the annual legal audit and reviews the findings and monitors the status of implementation of recommendations left by the supervisory bodies, etc.

In 2024, the Audit Committee convened regularly 4 times. During these meetings, the Committee reviewed the annual internal audit report for 2023, revised and approved the internal audit plan for 2024, reviewed the activity of the Internal Audit Department and the Bank's

financial statements, reviewed the offers and proposed the legal auditor for 2024, as well as the management letter and financial statements for the preceding year. It also carried out a quarterly follow-up of the recommendations of the inspection group of the Bank of Albania, external audit, and the completion status of the recommendations left by the Internal Audit Department in previous years.

The Risk Committee is composed of three members with voting rights: two non-executive officers and one executive officer. The Chairman is an independent director. All committee members are elected for their skills and experience in the banking sector and risk management.

This committee convened 5 times in 2024. It evaluated and reviewed the information submitted by the CRO on all risks encountered by the Bank during each quarter such as credit risk, market risk, liquidity risk, reputational risk, operational risk, risk of fraud, and so on. The reports of this Committee to the Board during each meeting assisted and advised the latter for the purpose of fulfilling its responsibilities in relation to the current risk profile and future risk strategy of the Bank, taking into account the current and future financial and macroeconomic environment, the alignment of the Bank's activities with the legal and regulatory framework, data security, and business continuity, the review and recommendation to the Board for approval of the overall credit risk appetite, and risk governance framework. Throughout the year, the Risk Committee has actively reviewed and monitored the performance of the Bank's large exposures - over 10% of the regulatory capital - and of the persons in a special relation with the Bank, advising the Risk

structure on a case-by-case basis and making the relevant recommendations to the Board of Directors for the purpose of making sound decisions in line with the risk strategy of the Bank.

The Remunerations and Nominations Committee is composed of three non-executive members with voting right. This Committee supervises the appointments and rewards reviews, assesses and recommends to the Board of Directors for approval the remunerations and nominations policies and practices, and examines the candidacies and remunerations of the CEO and Deputy CEO, ensuring that compensations are appropriate and in line with the strategic objectives of the Bank, the long-term business and risk strategies, the performance and environment of control, the expectations and regulatory requirements.

This Committee convened four times in 2024 and reviewed the quarterly activity of the HR Department, supervised the setting of annual objectives for Chief Officers and Head of Internal Audit, and the fulfillment of objectives of the previous year. This Committee led the performance self-assessment process and the process of suitability of Board members, individually and collectively. It reviewed the performance revision process and salary revision process against the Bank's budget, including the revision of the performance and rewards for the members of the Executive Office.

Credit Committees are level-based committees established by the Risk Division based on amounts, borrower's risk profile, and the respective segment. These committees review and approve credit exposures and any lending-related issue.

Assets and Liabilities Committee (ALCO). Its members and chairman are appointed by the Board of Directors for an indefinite time. The main purpose of this committee is to protect the Bank's capital and the manner of its investment for the purpose of aligning the assets and liabilities of the Bank considering the pricing structure and maturities, in compliance with the relevant laws and internal regulations. ALCO Committee convenes at least once a month and whenever required by the internal regulatory acts. The Chairman may request ad-hoc meetings, if deemed necessary.

Products and Services Committee (PSC) has been established by decision of the Board of Directors, which has appointed its members and chairman for an indefinite period of time. The main purpose of this committee is to approve those products and services that generate income for the Bank. This approval is in line with the strategy and business development plan approved by the Board of Directors, and the dynamics, market demands, target clients and the modification of the existing products and services.

IT and Projects Steering Committee (ITPSC) is established for the purpose of managing, revising, overseeing and prioritizing Credins projects and IT initiatives from a cross-functional perspective. It ensures and advises the management about the successful implementation of strategic IT initiatives and projects in line with the approved strategy of the Bank.

The role of this committee is to oversee project progress, provide the necessary support and guide for achieving its objectives and the compliance with the Bank's strategies. Another role of this

committee is the supervision of the activity of IT Department.

ITPSC has been established by decision of the Board of Directors, which appoints the Chairman of the Committee, who in turn, appoints the deputy Chairman and members of the Committee. It convenes whenever deemed necessary and upon the request of the chairman and/or members.

Policies and Procedures Review Committee (PPRC) has been established by decision of the Board of Directors, which has appointed the Chairman and members for an indefinite period of time. The main purpose of this committee is to design, approve and amend the Bank's policies, procedures, regulations, instructions, guidelines, manuals, methodologies and any other internal regulatory act, in compliance with the legal framework and internal regulatory framework to ensure that every aspect of the Bank's activity is governed and complies with the legal framework in force.

When there is a tie in voting, the vote of the chairman is decisive. The PPRC convenes upon the request of the Chairman, in accordance with the needs of the Bank and the requirements of the Board of Directors and law-maker.

The Cyber-Security Committee aims to manage, oversee and prioritize IT initiatives and activities in Credins Bank from a technical and cyber-security standpoint, and to ensure and advise the management in the context of all information security initiatives undertaken by the Bank. This committee coordinates and communicates the information technology and security governance and program. It ensures

and advises the management about the successful implementation of information security initiatives, in compliance with the Bank's objectives.

The Operational Risk Committee is a permanent decision-making and advisory committee for the Bank's management, the mission of which is to ensure a qualified and efficient management of operational risk issues (ICT/Cyber risk, legal, etc.), in compliance with the internal and external regulatory framework. Its aim is to revise, oversee and prioritize operational risk management in accordance to the Bank's risk appetite. The activity of this committee focuses on designing operational risk management policies and plans, determining and monitoring operational risk indicators, reviewing and approving the operational risk self-assessment, revising the models used for the identification and assessment of operational risk.

Administrator Selection and Appointment Criteria

The Bank has adopted a specific policy for the selection, assessment and remuneration of its Administrators, which is based on the current legal and regulatory framework, as well as on best Corporate Governance.

The Board of Directors evaluates and ensures at all times that any new candidate or the candidate promoted to an Administrator position is suitable and meets all legal and regulatory criteria and requirements.

During interviews for new appointments, the behaviors of candidates for non-executive directors will be taken into

account to ensure that the Boardroom maintains an environment where challenges are welcomed and achieved. The objective of the Board is for the majority of its members to be independent non-executive directors, including the Chair of the Board and Chairpersons of the main board committees, who must have experience in the banking and/or financial sector.

Among the factors playing a role in the substantial and perceived independence of the Board members are:

- > Has not been an employee of the company in recent years;
- > Has no materially significant business relationship with the company;
- > Does not receive (other) remuneration from the company during the term as Board member (other than the honorarium for this role);
- > Has no close family ties with any of the advisors, board members or key employees of the company;
- > Is not a Board member or has no significant ties to other Board members through involvement in the company or other bodies;
- > Does not represent a significant shareholder;
- > Has not served as a Board member for a long period;

In reviewing the composition of the Board, the advantages of diversity, including gender composition, will be considered as well as ensuring a geographical mix of directors along with experience in various industry sectors. All candidates for appointment must

demonstrate the required knowledge in the financial field to properly understand the Bank's activities and the risks associated with them.

At all time, during the selection process for Board candidates or during the re-evaluation or re-election process of current members, the Board of Directors ensures that the knowledge, experience and qualifications are combined with those of other members, so as to create a suitable and balanced collective qualification.

Internal Control and Risk Management System related to financial reporting

The Board of Directors and Management are responsible for creating and determining a suitable internal control and risk management system that encompasses all financial reporting processes, while also respecting the requirements of the company.

The Bank and its governing bodies are fully committed to ensuring that the internal control system provides reasonable assurance regarding the integrity and reliability of the consolidated financial statements, protection of assets from unauthorized use or availability, and prevention and detection of fraudulent financial reporting.

The Board of Directors, through the Audit Committee, has assessed the Company's internal control system, according to effective internal control criteria. These criteria consist of five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring.

Board of Directors statement on Bank's risk appetite and tolerance in relation to its strategic objectives

During 2024, the Board of Directors of Credins Bank continued to exercise its supervisory and strategic function in line with the objective of ensuring that the bank operates within a sustainable risk management framework.

One of the main pillars of this framework is the definition and implementation of a risk appetite that is aligned with the bank's financial capacity, strategic planning, commitment to regulatory requirements, and the fulfillment of customer service.

The Board has approved a clear risk appetite framework, which serves as the basis for decision-making at all levels of the bank. This framework defines the level and nature of risk that the bank is willing to accept in order to achieve its short-term and long-term objectives, including the sustainable growth of the loan portfolio, improvement of operational efficiency, strengthening of capital position, and fostering innovation.

Throughout this year, the Board of Directors has reaffirmed and overseen the implementation of the risk appetite, ensuring that it is consistent with the bank's acceptable risk capacity and its goal for sustainable growth, good governance, and effective resource management.

In line with the overall risk management philosophy, the bank's risk appetite is constrained in relation to:

Credit risk, by maintaining lending standards and a clear commitment to prudent analysis of clients and the

sectors in which the bank operates;

Operational risk, by limiting operational losses and escalating key operational risk indicators;

Liquidity and market risk, by escalating regulatory and internal indicators to warning levels and implementing corrective measures in a timely manner;

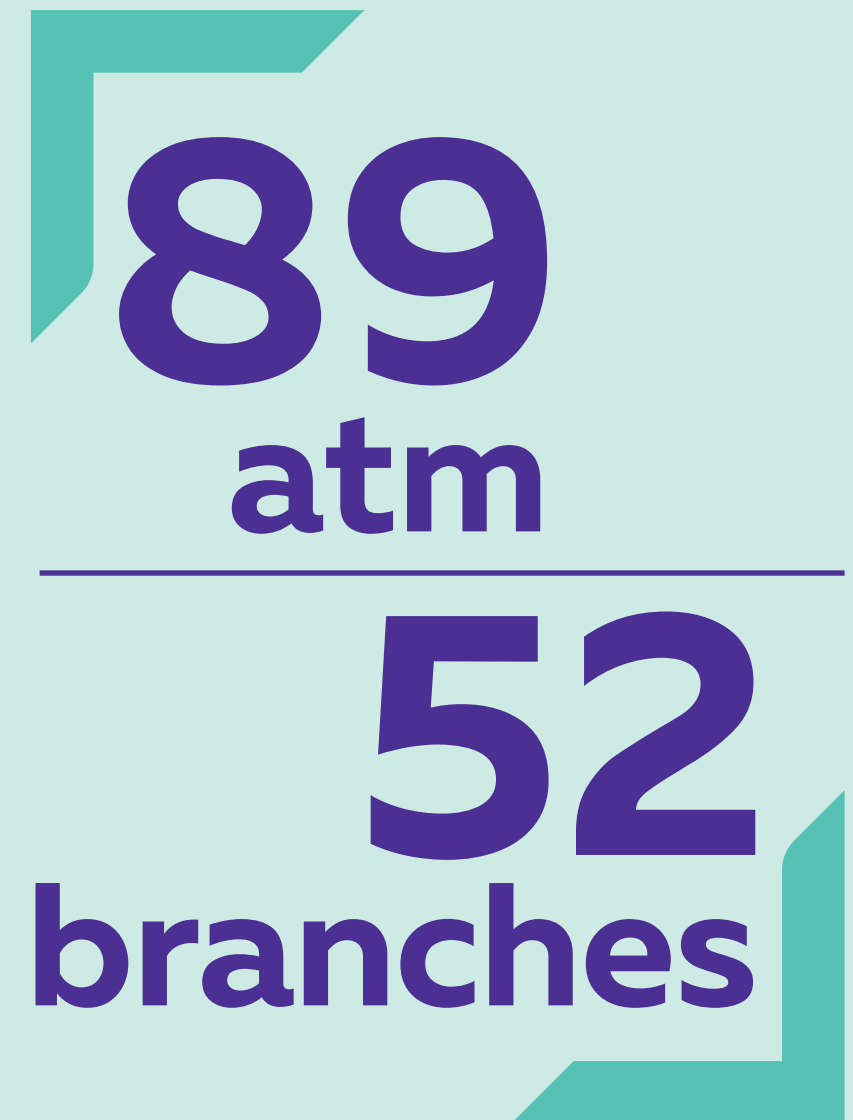
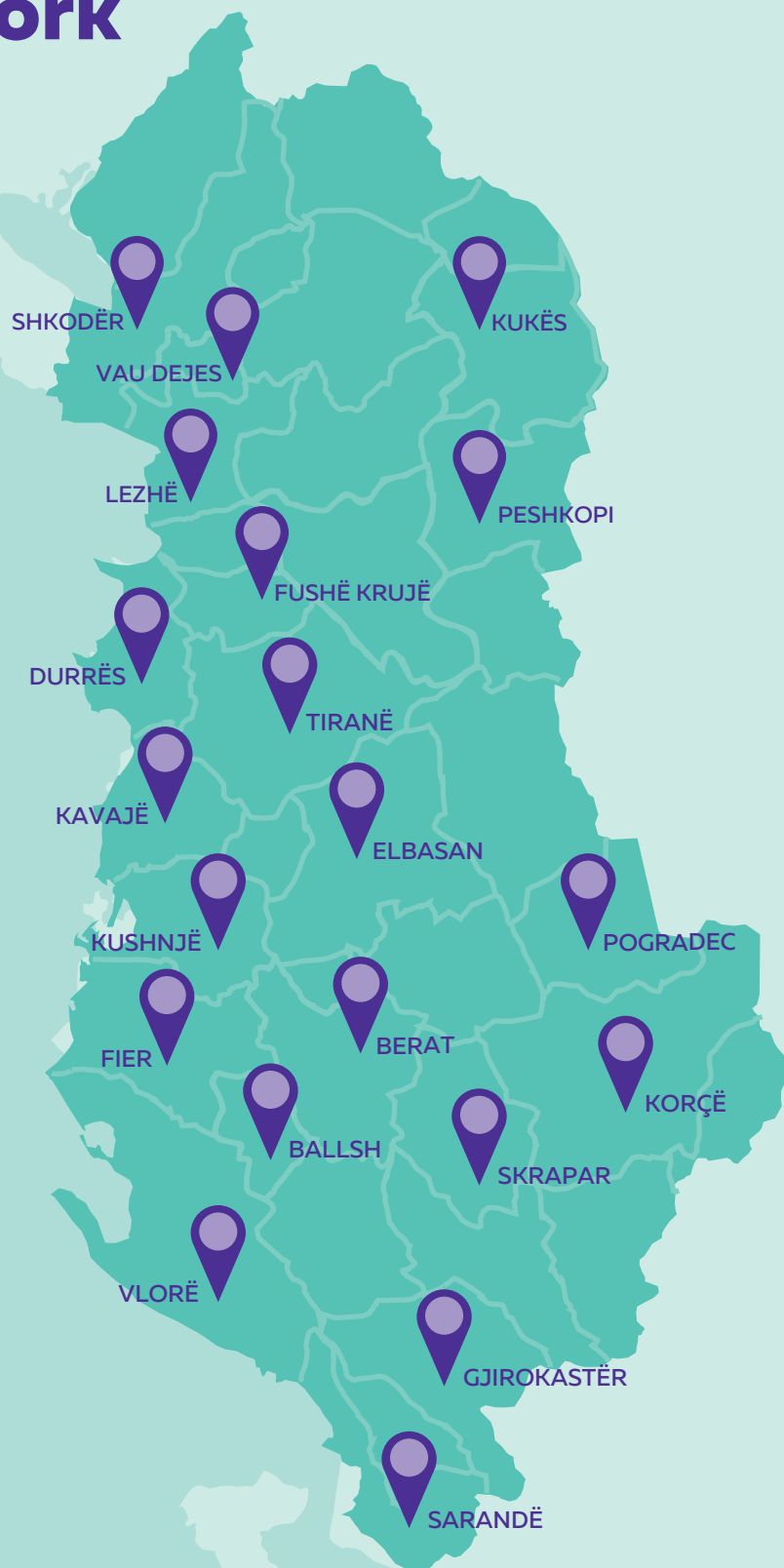
Capital indicators, by setting metrics that ensure compliance with the minimum requirements set by the regulator, macroprudential buffers, capital needs for development according to the bank's strategy, and the impact of macroeconomic shocks;

Concentration risk, by aiming to reduce this risk and promote diversification.

The bank maintains minimal tolerance for reputational and compliance risk, always acting in accordance with the expectations of clients, regulators, and ethical standards.

In this context, the Board of Directors considers risk appetite not as a static concept, but as a dynamic element that must be reviewed and updated in accordance with market developments, regulatory changes, and the evolution of the bank's business model itself. During 2024, periodic reviews have been undertaken to ensure that the risk appetite remains appropriate and aligned with the macroeconomic climate.

Branch Network



Auditors' Report

BANKA CREDINS SHA

Consolidated Financial Statements for the year ended on

31 December 2024



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Banka Credins Sh.a

Opinion

We have audited the consolidated financial statements of Banka Credins Sh.a (hereafter referred as the "Bank" or "Group") which comprise the consolidated statement of financial position as at 31 December 2024 the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, its financial performance and its cash flows for the year then 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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

Other Matter

The consolidated financial statements for the year ended 31 December 2023 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 11 July 2024.

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RSM Albania SH.P.K is part of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Report on Other Information

Other information includes annual report and other information prepared in accordance with Law No. 25\2018 'On Accounting and Financial Statements', besides the consolidated financial statements and this auditor's report. Management is responsible for other information as required by the law which is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any type of assurance conclusion with respect to this information. In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information identified above when it becomes available to us and to evaluate whether such information is materially inconsistent with the consolidated financial statements or with the knowledge we obtained during the audit or otherwise, if it appears to be materially flawed.

Bujar Bendo
Statutory Auditor
RSM Albania



Tirana, 10 June 2025

Banka Credins sh.a.

Consolidated statement of profit or loss for the year ended 31 December 2024¹

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
		ALL '000	ALL '000
Interest income	9	15,878,464	14,533,734
Interest expense	9	(4,083,381)	(3,063,274)
Net interest income	9	11,795,083	11,470,460
Fee and commission income	10	2,771,729	2,291,320
Fee and commission expense	10	(1,035,963)	(739,654)
Net fee and commission income	10	1,735,766	1,551,666
Other expenses	11	(972,580)	(592,276)
Other income	11	1,712,176	658,728
(Loss)/profit from foreign exchange transactions		271,592	(357,864)
Net other income		1,011,188	(291,412)
Net impairment loss on financial assets	12	(3,804,978)	(3,284,785)
Depreciation of property and equipment	23	(557,611)	(469,286)
Amortization of intangible assets	24	(107,164)	(76,342)
Depreciation of right-of-use assets	25	(573,438)	(589,615)
Personnel expenses	13	(2,661,350)	(2,314,548)
Administrative expenses	14	(3,618,755)	(3,756,993)
		(11,323,296)	(10,491,569)
Share of loss of associates	18	(641)	(2,621)
Profit before taxes		3,218,100	2,236,524
Income tax expense	15	(608,908)	(490,344)
Profit for the year		2,609,192	1,746,180

¹The notes 1 to 49 in pages 5 to 73 are an integral part of these consolidated financial statements.

Banka Credins sh.a.

Consolidated statement of other comprehensive income for the year ended 31 December 2024²

	Notes	Year ended	Year ended
		31 December 2024	31 December 2023
		Lek '000	Lek '000
Profit for the year		2,609,192	1,746,180
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
<u>Investment securities at fair value through other comprehensive income:</u>			
Revaluation of debt instruments at fair value through other comprehensive income	15	326,705	81,967
Income tax effect		(49,009)	(12,816)
Net gains/(loss) on debt instruments at fair value through other comprehensive income		277,696	69,151
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		277,696	69,151
Other comprehensive income for the year, net of income tax		277,696	69,151
Total comprehensive income for the year, net of tax		2,886,888	1,815,331
Attributable to:			
Equity holders of the parent		2,917,228	1,814,247
Non-controlling interests		(30,340)	1,084
		2,886,888	1,815,331

The consolidated financial statements have been approved by the Board of Directors of Banka Credins Sh.a on May 15, 2025 and signed on its behalf:


Mr. Maltin KORKUTI ZYRA QËNDRËRE (212-00)
 Chief Executive Officer TIRANË - SHQIPËRI


Mrs. Valentina PRODANI
 Head of Accounting and Finance Department

Banka Credins sh.a.

Consolidated statement of financial position as at 31 December 2024¹

	Notes	31 December 2024	31 December 2023
		ALL '000	ALL '000
Assets			
Cash and cash equivalents	16	26,523,946	50,202,509
Restricted balances with Central Bank	17	17,922,364	17,989,357
Loans and advances to banks	18	2,997,551	2,128,983
Reverse repurchase agreement	19	322,979	1,534,355
Debt securities measured at FVTPL	20	51,403	62,988
Debt securities measured at FVOCI	21	37,568,896	22,968,242
Debt instruments at amortised cost	22	90,790,300	69,748,858
Units in investment funds		96,042	89,033
Investments in associates	24	13,348	8,163
Goodwill	23	43,371	43,371
Leasing	25	3,587,711	2,788,304
Loans and advances to customers	26	150,682,166	139,796,541
Current tax asset	15	1,881	-
Repossessed properties	27	9,949,527	7,133,500
Investment property	28	6,181,297	4,968,799
Property and equipment	29	3,866,508	3,610,962
Intangible assets	30	565,005	460,910
Right-of-use assets	31	3,030,599	3,641,522
Other assets	32	1,728,703	2,113,806
Total assets		355,923,597	329,290,203
Liabilities			
Due to banks and other financial institutions	34	8,919,231	5,587,067
Due to customers	35	302,467,751	287,317,390
Borrowing	36	55,162	92,468
Debt represented by securities (MREL)	37	3,533,388	-
Subordinated debt	38	10,796,920	10,130,109
Current tax liabilities		-	49,617
Deferred tax liabilities	33	286,510	159,148
Lease liability	39	3,224,717	3,841,493
Other liabilities	40	936,057	712,878
Provisions	41	88,477	82,879
Total liabilities		330,308,213	307,973,049
Equity			
Share capital	42	14,209,465	12,480,211
Share premium	43	4,417,018	3,855,876
General reserve	44	4,083,449	3,725,946
Revaluation reserve of investment securities	21	339,837	62,163
Retained earnings		1,912,939	701,329
Total equity attributable to equity holders of the parent		24,962,708	20,825,525
Non-controlling interest ("NCI")		652,676	491,629
Total equity		25,615,384	21,317,154
Total liabilities and equity		355,923,597	329,290,203

¹The notes 1 to 49 in pages 5 to 73 are an integral part of these consolidated financial statements.

²The notes 1 to 49 in pages 5 to 73 are an integral part of these consolidated financial statements.

Banka Credins sh.a.

**Consolidated statement of changes in equity
for the year ended 31 December 2024¹**

	Share capital ALL '000	Share premium ALL '000	General reserve ALL '000	Revaluation reserve of investment securities		Retained earnings ALL '000	Total ALL '000	NCI ALL '000	Total equity ALL '000
				ALL '000	ALL '000				
Balance at 1 January 2023	11,503,786	3,855,876	3,341,663	(9,443)	776,368	19,468,250	454,749	19,922,999	
Profit of the year	-	-	-	-	1,741,464	1,741,464	4,716	1,746,180	
Other comprehensive income	-	-	-	72,783	-	72,783	(3,632)	69,151	
Total comprehensive income	-	-	-	72,783	1,741,464	1,814,247	1,084	1,815,331	
Change in business model	-	-	-	(1,177)	44,205	43,028	(49,200)	(6,172)	
Appropriation of retained earnings (note 42, 44)	976,425	-	384,283	-	(1,360,708)	(500,000)	(643)	(500,643)	
Dividends	-	-	-	-	(500,000)	(500,000)	-	(500,000)	
Issue of share capital (note 42)	-	-	-	-	-	-	-	-	
Increase in the capital from NCI	-	-	-	-	-	-	-	-	
Balance at 31 December 2023	12,480,211	3,855,876	3,725,946	62,163	701,329	20,825,625	491,629	21,317,154	
Profit of the year	-	-	-	-	2,634,648	2,634,648	(25,456)	2,609,192	
Other comprehensive income	-	-	-	282,579	-	282,579	-4,884	277,695	
Total comprehensive income	-	-	-	282,579	2,634,648	2,917,227	(30,340)	2,886,887	
Foreign exchange rate differences	-	-	-	(4,905)	21,090	16,185	(24,023)	(7,838)	
Appropriation of retained earnings (note 42, 44)	1,086,625	-	357,503	-	(1,444,128)	-	-	-	
Dividends	-	-	-	-	-	-	-	-	
Issue of share capital (note 42)	642,629	561,142	-	-	-	1,203,771	-	1,203,771	
Increase in the capital from NCI	-	-	-	-	-	-	215,410	215,410	
Balance at 31 December 2024	14,209,465	4,417,018	4,083,449	339,837	1,912,939	24,862,708	652,676	25,615,384	

¹The notes 1 to 49 in pages 5 to 73 are an integral part of these consolidated financial statements.

Banka Credins sh.a.

**Consolidated statement of cash flows
for the year ended 31 December 2024¹**

	Notes	Year ended	Year ended
		31 December 2024	31 December 2023
		ALL '000	ALL '000
Cash flows from operating activities			
Profit before income tax		3,218,100	2,236,524
<i>Adjustments for:</i>			
Depreciation and amortization	29,30	664,775	545,628
Disposed fixed assets	29	290,897	(67,855)
Right-of-use assets	31	610,924	(466,852)
Net impairment loss on financial assets	12	2,340,591	1,837,765
Share of loss from associate	24	641	2,821
Fair value of investment properties and securities		(7,009)	(41,183)
Impairment on repossessed properties	27	236,676	162,532
Net interest income	9	(11,795,083)	(11,470,460)
Foreign exchange effect		2,212,643	3,674,770
Cash flows (used in) operating activities before changes in working capital		(2,226,845)	(3,586,510)
Cash flows (used in) investing activities			
Change in loans and advances to banks	18	(872,011)	(1,789,692)
Change in Repo/Reverse Repo	19	1,211,376	(566,061)
Change in loans and advances to customers	26	(13,203,080)	(8,133,703)
Change in leasing	25	(819,090)	(861,848)
Change in restricted balances with Central bank	17	66,993	1,364,053
Change in repossessed properties	27	(3,052,703)	(2,592,562)
Change in investment properties	28	(1,212,498)	(368,579)
Change in other assets	32	383,219	186,012
Change in due to banks and financial institutions	34	3,332,164	2,009,509
Change in due to customers	35	15,150,361	21,708,458
Change in lease liability	39	(616,776)	511,194
Change in other liabilities	40,41	307,130	(2,692,034)
Interest received		15,878,464	14,533,734
Interest paid		(4,546,243)	(3,356,293)
Income tax paid		(658,525)	(452,986)
Net cash from operating activities		9,121,926	15,912,692
Cash flows used in investing activities			
Purchase of investment securities	20,21,22	(61,199,838)	(35,907,650)
Sales of investment securities	20,21,22	2,081,227	20,566,053
Investment securities matured	20,21,22	21,858,022	7,083,960
Investment in subsidiaries and associates	24	(6,243)	-
Purchase of property and equipment	29	(1,103,099)	(545,567)
Purchase of intangible assets	30	(212,214)	(53,181)
Net cash used in investing activities		(38,582,145)	(8,856,385)
Cash flows from financing activities			
Proceeds from issued debt instruments (MREL)	37	3,542,034	-
Proceeds from issued subordinated liabilities	38	1,929,096	4,034,355
Repayments of subordinated debt	38	(1,071,346)	(1,520,248)
Repayments of borrowings	36	(37,306)	(65,218)
Dividend payment		-	(500,643)
Issue of share capital		1,419,181	85,639
Net cash from financing activities		5,781,659	2,033,885
Net increase, in cash and cash equivalents		(23,678,563)	9,090,194
Cash and cash equivalents at 1 January	16	50,202,509	41,112,315
Cash and cash equivalents at 31 December	16	26,523,946	50,202,509

¹The notes 1 to 49 in pages 5 to 73 are an integral part of these consolidated financial statements.

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL '000, unless otherwise stated)

1 General information

Principal Activity

Banka Credins sh.a. (hereinafter "the Bank") is an Albanian financial institution which was incorporated on 31 January 2003 under the Albanian Commercial Law and was licensed by the Bank of Albania on 31 March 2003 to operate as a bank in all fields of banking activity in Albania in accordance with the law No. 8365, "On banks in the Republic of Albania", dated July 1998. The Bank is also subject to law No. 8269, dated December 1997, "On the Bank of Albania" (Bank of Albania hereinafter referred to as "Central Bank"). These consolidated financial statements comprise the Bank and its subsidiaries (collectively, the Group).

As at 31 December 2024 the Group had 1,270 employees (31 December 2023: 1,224 employees). The address of the Parent Company main registered office and principal place of business is Str. "Vaso Pasha" No.8, Tirana, Albania.

Subsidiaries

In 2015, the Bank acquired 76% of the shares of "CREDINS INVEST sh.a. - Shoqëri administruese e Fondëve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive" (former "Shoqëria Administruese e Fondit të Pensionit "SICRED" sh.a.") from "SICRED sh.a." and registered with the National Registration Center on 10 June 2015. As at 31 December 2024 the Bank holds 76% of its shares. (2023: 76%).

In 2016, the Bank acquired 95% of the shares of "Regjistri Shqiptar i Titujve ALREG" sh.a." and registered with the National Registration Center on 16 March 2016. As at 31 December 2024, the Bank holds 52.50% of the shareholding in ALREG (2023: 52.5%)

The Bank acquired 42.5% of the shares of "Bursa Shqiptare e Titujve ALSE" sh.a." registered with the National Registration Center on 28 July 2017. During the year 2019 the bank through a share purchase agreement invested the amount ALL 17,500 thousand. As at 31 December 2024 the Bank holds 45.59% of its shares (2023: 45.59%).

In October 2020, the Bank acquired 100% of the shares of "Banka Credins Kosovë" sh.a. an entity operates in the territory of Kosovo. As at 31 December 2024, the Bank holds 60.2% of its shares (2023: 62.11%).

2 Basis of Accounting

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. Details of the Group's accounting policies, including changes thereto, are included in Note 8.

The consolidated financial statements are prepared on a going concern basis, as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Group.

3 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for debt securities at FVTPL and FVOCI all of which have been measured at fair value and repossessed properties which are measured at the lower of cost or net realizable value.

4 Functional and presentation currency

The Consolidated Financial Statements are presented in Albanian Lek (ALL), which is the Bank's functional currency and all values are rounded to the nearest thousand (ALL '000), except when otherwise indicated.

5 Presentation of Consolidated Financial Statements

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 45.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group. Certain reclassification have been made to prior year in order to comply with current year presentation.

Consolidated financial statements include financial statement of Parent company and its subsidiaries as at 31 December 2024. Control is achieved when Parent company is exposed to, or is eligible to benefit from participation in subsidiary, revenues which might be variable, and if it has the ability to effect these results through its influence in the subsidiary.

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL '000, unless otherwise stated)

6 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities (if any). Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 Impairment losses on financial assets

The Group considers exposure as non-performing/impairment when one or more of following events that have a detrimental impact on the estimated future cash flows have occurred:

- Days past due of an account greater than 90 days
- Loan is characterized by bad rating (loans that have rating equal to 7 or economic rating equal to 10)
- Loan is subject to threshold exposure at GCC level for individual impairment

The mentioned default (impairment) definition is applied on the account (loan) level

Loans that are not individually tested for impairment are assessed collectively. In the collective impairment are included loans that have an exposure less than ALL 10,000, thousand at GCC level.

The collective impairment is calculated according to stage 2 and stage 1.

Stage 2: For collectively assessed accounts in Stage 2 impairment allowance is equal to lifetime ECL. Lifetime ECL is defined as all possible default loss events over the expected life of a financial instrument (i.e., risk of a default occurring on the financial instrument during its expected life).

Stage 1: For collectively assessed accounts in Stage 1, 12 month Expected Credit Loss (ECL) is calculated. 12-month ECLs is a loss that is expected to materialize in the following 12 months – therefore 12 months probability is multiplied by current EAD and corresponding LGD. In the case remaining maturity is shorter than 12 months, instead of 12 months PD, the remaining lifetime PD is considered.

The measurement of impairment losses 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 Group'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 Group's internal credit grading model, which assigns PDs to the individual grades
- The Group'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

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

6.2 Fair value of financial instruments

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 current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 8.4.

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL'000, unless otherwise stated)

6. Significant accounting judgments, estimates and assumptions (continued)

6.3 Effective Interest Rate (EIR) method

The Group's EIR method, as explained in Note 8.7.1, recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans and deposits and recognizes the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments.

6.4 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized. Although in Albania tax losses can be utilized within 3 years of the date it occurred, judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies (see Note 15 and Note 33).

6.5 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group 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 Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not 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 Group 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) or any other event that prevents the Group to use the premises.

6.6 Estimating the incremental borrowing rate

The Group 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 interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as to reflect the terms and conditions of the lease).

6.7 Impairment of investment securities

The Group reviews its debt securities classified as FVOCI investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The treatment of financial instruments (government bonds and exposures with/to banks) is different from the general approach with respect to determining parameters. While the LGD is simply set to 45% (according to the CRR regulation), PD is inferred from the specific country of entity S&P rating.

As there was no significant deterioration in credit risk for the outstanding financial instruments in the portfolio, only the cumulative PDs up to 12th month is calculated.

7 Changes in accounting policies and disclosures

7.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These amendments had no impact on the financial statements of the Bank, therefore no additional disclosure have been presented in the financial statements.

7.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements and are not expected to have a significant impact. These new and amended standards are as follows:

- IFRS 18 Presentation and Disclosure in Financial Statements
- Lack of Exchangeability (Amendments to IAS 21)
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL'000, unless otherwise stated)

8 Summary of material accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements by the Group. In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments did not result in any changes to the accounting policies themselves and did not substantially impacted the accounting policy information.

8.1 Basis of Consolidation

i) Business Combination

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii) Subsidiaries

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii) Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

8. Summary of material accounting policies (continued)

8.2 Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date 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. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is 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 arising on translation are generally recognised in profit or loss.

The applicable rate of exchange (ALL to foreign currency unit) for the principal currencies as at 31 December 2024 and 31 December 2023 were as follows:

	31 December 2024	31 December 2023
USD	94.26	93.94
EUR	98.15	103.88
GBP	118.16	119.47
CHF	104.27	112.10
CAD	65.56	70.85
XAU	7,915.28	6,232.03

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into ALL at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into ALL at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

8.3 Financial instruments – initial recognition and subsequent measurement

8.3.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

8.3.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 8.5.1.1. Financial instruments are initially measured at their fair value (as defined in Note 8.4), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below:

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is de-recognized.

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Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

8. Summary of material accounting policies (continued)

8.3 Financial instruments – initial recognition and subsequent measurement (continued)

8.3.3 Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in Note 8.5.1
- FVOCI, as explained in Notes 8.5.4 and 8.5.5
- FVTPL, as set out Note 8.5.6.

The Group classifies and measures its derivative and trading portfolio at FVTPL, as explained in Notes 8.5.2 and 8.5.3. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 8.5.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 8.5.6.

8.3.4 De-recognition of financial assets

8.3.4.1 De-recognition due to substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a 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 de-recognition 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 POCL.

When assessing whether or not to de-recognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

8.3.4.2 De-recognition other than for substantial modification

8.3.4.2.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognized when the rights to receive cash flows from the financial asset have expired. The Group also de-recognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition. The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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(Amounts in ALL'000, unless otherwise stated)

8. Summary of material accounting policies (continued)

8.3 Financial instruments – initial recognition and subsequent measurement (continued)

8.3.4 De-recognition of financial assets (continued)

8.3.4.2 De-recognition other than for substantial modification (continued)

8.3.4.2.1 Financial assets (continued)

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

8.3.4.2.2 Financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

8.4 Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarized below.

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Group estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself. Details of this are further explained in Note 48.7 (Fair value measurement). The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

8.5 Financial assets and liabilities

8.5.1 Due from banks, Loans and advances to customers, financial investments at amortized cost

The Group measures *Due from banks, 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.

The details of these conditions are outlined below.

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL'000, unless otherwise stated)

8. Summary of material accounting policies (continued)

8.5 Financial assets and liabilities (continued)

8.5.1.1 Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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 realized in a way that is different from the Group's original expectations, the Group 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.

As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

8.5.2 Derivatives recorded at fair value through profit or loss.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a consolidated financial instrument. Financial assets are classified based on the business model and SPPI assessments as outlined in Note 8.5.1.1.

8.5.3 Financial assets or financial liabilities at FVTPL

The Group classifies financial assets or financial liabilities at FVTPL when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. FVTPL assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

8.5.4 Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost as explained in Note 2.4.2. The ECL calculation for Debt instruments at FVOCI is explained in Note 8.7.3 Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On de-recognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

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Notes to the consolidated financial statements for the year ended 31 December 2024
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8. Summary of material accounting policies (continued)

8.5.1 Financial assets and liabilities (continued)

8.5.5 Debt issued and other borrowed funds

After initial measurement, debt issued, and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

The Group has issued financial instruments with equity conversion rights. When establishing the accounting treatment for these non-derivative instruments, the Group first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. Once the Group has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for (as outlined in Note 8.5.2). Disclosures for the Group's issued debt are set out in Note 37 and Note 38.

8.5.6 Financial assets and financial liabilities at FVTPL

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate.

8.5.7 Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and an ECL allowance. The premium received (if any) is recognized in the income statement in *Net fees and commission income* on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 46.

8.6 Reclassification of financial assets and liabilities

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

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Notes to the consolidated financial statements for the year ended 31 December 2024
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8. Summary of material accounting policies (continued)

8.7 Impairment of financial assets

8.7.1 Overview of the ECL principles

The Group records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 48.2.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 48.2.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 48.2. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit impaired. The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

8.7.2 The calculation of ECL

The Group calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period. If the facility has not been previously de-recognized and is still in the portfolio.
- EAD - The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, collateral coverage and accrued interest from missed payments.
- LGD - The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, as set out in Note 2.4. It is usually expressed as a percentage of the EAD. Expert LGD values are used estimated as 1 less the cash recovery rates. The recovery rates are estimated based on the internal available data of the bank historic recoveries within the last five years. The LGD values are based on cash recoveries without discriminating whether the exposure is secured or not secured. For the loan to customer portfolio the LGD values vary from 45% to 70%. LGD values for all other portfolios such as loans to Financial Institutions, Sovereigns and investment securities is set at 45%.

When estimating the ECLs, the Group considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Except for credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 46.

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8. Summary of material accounting policies (continued)

8.7 Impairment of financial assets (continued)

8.7.2 The calculation of ECL (continued)

The mechanics of the ECL method are summarized below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

8.7.3 Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

8.7.4 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Group only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

8.7.5 Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- House price indices

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 48.2.

8.8 Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group 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 Group's trading activity.

8.9 Recognition of interest income and expenses

8.9.1 The effective interest rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost, interest rate derivatives for which hedge accounting is applied and the related amortization/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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8. Summary of material accounting policies (continued)

8.9 Recognition of interest income and expenses (continued)

8.9.1 The effective interest rate method (continued)

If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

8.9.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information. In its interest income/expense calculated using the effective interest method.

In its interest income/expense calculated using the effective interest method, the Group only includes interest on those financial instruments that are set out in Note 8.9.1 above.

Other interest income/expense includes interest on all financial assets/liabilities measured at FVTPL, other than those held for trading, using the contractual interest rate. Interest income/expense on all trading financial assets/liabilities is recognized as a part of the fair value change in Net trading income. The Group 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 (and is therefore regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures (and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the financial asset. The credit adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI financial asset.

The Group also holds investments in financial assets issued in countries with negative interest rates. The Group discloses interest received on these financial assets as interest expense. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

8.10 Fee and commission income and expense

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

8.11 Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading. This is included in the interest income line as Net trading income.

Net loss on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and from 1 January 2018, also non-trading assets measured at FVTPL, as required by or elected under IFRS 9. The line item includes fair value changes, interest, dividends and foreign exchange differences.

8.12 Cash and cash equivalents

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

8.13 Investments securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either Debt securities at amortized cost, debt securities through other comprehensive income or debt securities at fair value through profit or loss (mandatory).

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8. Summary of material accounting policies (continued)

8.13 Property Plant and 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. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as consolidated items (major components) of property and equipment.

(ii) Subsequent Cost

The cost of replacing part of an item of property or 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 Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a declining balance method over the estimated useful life of the assets, except for depreciation of property which is based on the straight-line method. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Right-of-use assets are depreciated on a straight-line basis over the lease term. The depreciation rates for the current and comparative periods are as follows:

Fixed Assets Category	Depreciation %
Buildings	5%
Electronic equipment	25%
Vehicles	20%
Furniture's, fittings and office equipment	20%
Leasehold improvements	5%

8.14 Intangible assets

(i) Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss at 25% based on the reducing balance method from the date that it is available for use.

(ii) Licenses

Licenses and rights to use that are acquired by Group are stated at cost less accumulated amortization and impairment losses, if any. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the license, from the date that it is available for use.

8.15 Impairment of non – financial assets

The carrying amounts of the Group'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.

8.16 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

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Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

8. Summary of material accounting policies (continued)

8.17 Pension benefits

(i) Compulsory social security contributions

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

(ii) Paid annual leave

The Group recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange of the employee's service for the period completed.

(iii) Employee health insurance

The Group also operates a defined contribution employee health insurance plan. The contribution is payable to an insurance company in proportion to the services rendered to the Group by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(iv) Voluntary pension contribution for employees

The Group has created a Professional Pension Plan for its employees. The Group commits to pay the contributions for each employee that signed the individual "Professional Pension Plan" contract. The annual expense represents the annual charge contributed by the Group, and is recorded under "Personnel Expenses" accounts, affecting the profit and loss of the Group, with no other future liabilities for the Group.

8.18 Provisions for contingent liabilities and commitments

A provision is recognized if, as a result of a past event, the Group 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.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

8.19 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Corporate tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years in accordance with the Albanian tax legislation. Taxable income is calculated by adjusting the statutory profit before taxes for certain income and expenses.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws in Albania that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL '000, unless otherwise stated)

8. Summary of material accounting policies (continued)

8.20 Repossessed properties

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations of the Group are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

The Group holds some repossessed properties that it has acquired through enforcement of collateral over loans and advances. The Group measures these repossessed assets initially at their cost (purchase price). At the end of each reporting period, these assets are measured at the lowest of their cost or net realizable value. Gains and losses arising from changes in the net realizable value of these repossessed properties are included in profit or loss in the period in which they arise. These assets are derecognized upon disposal or when these are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

8.21 Deposits and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's chief sources of debt funding. When the Group sells a financial asset and simultaneously enters into a "repo" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the Group's consolidated financial statements.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

8.22 Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's statement of financial position include:

'General reserve' reserve which comprises changes made for legal and statutory reserve as determined in the Central Bank Law and Commercial Companies Law applicable in Albania.

'Revaluation reserve' which is used to record exchange differences arising from the revaluation of investment securities.

8.23 Write-offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

8.24 Forborne and modified loans

The Group 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 Group 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 Group 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 Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

De-recognition 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.

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL '000, unless otherwise stated)

8. Summary of material accounting policies (continued)

8.25 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

8.25.1 Bank as a lessee

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of 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.

The right-of-use assets are presented within Note 31 Right-of-use assets and are subject to impairment in line with the Group's policy as described in Note 9.15 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group 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 lease incentives 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 Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

8.25.2 Bank as a lessor

Leases where the Group transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. In the statement of financial position the Group presents the receivable amount equal to the net investment value.

The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. The sales revenue recognized at the commencement of the lease term by a manufacturer or dealer lessor is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest.

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Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL '000, unless otherwise stated)

9 Net interest income

	Year ended 31 December 2024	Year ended 31 December 2023
Interest income		
Loans and advances to customers	10,986,778	10,926,903
Net trading income	5,067	18,536
Investment securities	3,918,986	2,467,674
Cash and cash equivalents	737,523	885,364
Loans and advances to banks	46,449	71,777
Restricted cash with Central Bank	183,661	163,480
Total interest income	15,878,464	14,533,734
Interest expense		
Deposits from banks	(96,808)	(113,319)
Deposits from customers	(3,216,147)	(2,325,214)
Subordinated liabilities	(601,870)	(466,209)
Interest expense on lease liabilities	(116,892)	(138,437)
Reverse Repo	(51,664)	(20,095)
Total interest expense	(4,083,381)	(3,063,274)
Net interest income	11,795,083	11,470,460

10 Net Fee and commission income and expense

	Year ended 31 December 2024	Year ended 31 December 2023
Fee and commission income		
Grouping customer fees	2,669,589	2,224,435
Fee and commissions from lending services	102,140	66,895
Total fee and commission income	2,771,729	2,291,320
Fee and commission expense		
Inter bank transaction fees	(86,188)	(527,776)
Treasury operations	(917,732)	(165,567)
Other	(52,043)	(46,311)
Total fee and commission expense	(1,035,963)	(739,654)
Net fee and commission income	1,735,766	1,551,666

11 Net other income/(expense)

	Year ended 31 December 2024	Year ended 31 December 2023
Other income		
Reversals from written of loans	249,693	224,346
Other income (see note 28)	1,462,483	434,382
Total other income	1,712,176	658,728
Other expenses		
Other expenses related to the Grouping activity	(972,580)	(592,276)
Total other expenses	(972,580)	(592,276)
Net other income/(expense)	739,596	66,452

Other expenses related to banking activity include expenses for impairment on repossessed properties, which for the year ended on 31 December 2024 amounts to ALL 236,676 thousand (31 December 2023: ALL 162,532 thousands) (note 27). Other income includes the revaluation gain of the assets invested in the alternative fund "Green View – Alternative Investment Fund" and the gain from the increase in the fair value of the quotas invested in "Sea Land – Alternative Investment Fund".

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Notes to the consolidated financial statements for the year ended 31 December 2024
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12 Net impairment loss on financial assets

	Year ended 31 December 2024	Year ended 31 December 2023
Charges for ECL on cash and cash equivalents	(75,730)	10,716
Charges for ECL on restricted balances with Central Bank	(938)	(3,704)
Charges for ECL on loans and advances to banks	19,285	15,366
Charges for ECL on investment securities	47,969	32,600
Charges for ECL on loans and advances to customer and leasing	3,806,439	3,222,366
Impairment charges on other financial assets (debtors)	4,090	1,817
Impairment charges on other financial assets (legal litigation)	24,266	-
Charges for ECL on guaranties and letter of credits	(20,403)	5,624
	3,804,978	3,284,785

13 Personnel expenses

	Year ended 31 December 2024	Year ended 31 December 2023
Salaries	2,145,753	1,823,951
Social insurance	269,081	232,887
Life insurance premium	61,119	48,161
Other	185,397	209,549
	2,661,350	2,314,548

14 Administrative expenses

	Year ended 31 December 2024	Year ended 31 December 2023
Insurance and surveillance	987,977	975,397
Third parties fees	479,645	525,310
Rent	91,557	64,768
Marketing and subscriptions	900,017	897,674
Maintenance	609,886	836,904
Utilities	216,434	163,208
Supplies	120,884	124,134
Other	112,318	79,827
Local and other taxes	40,553	31,052
Transport and travel	59,384	58,718
	3,618,755	3,756,993

Insurance and surveillance, third parties fees and maintenance expenses increases are in line with the increased Group's activity and daily operations. Marketing expenses have further supported the increase of the Group's operations. The activity performed through Visa and Master Cards and also the increase in the number of transactions processed via ATM & POS is another important factor that has affected the increase in administrative expenses.

15 Income tax expense, net

	Year ended 31 December 2024	Year ended 31 December 2023
Current tax expense	527,305	439,753
Income tax expense from subsidiary's profit	3,197	2,506
Deferred tax income (note 33)	78,406	48,085
income tax expense	608,908	490,344

The impairment allowances charged by the Group in accordance with IFRS are considered as tax deductible expenses, provided that they are certified by the external auditors. In accordance with Albanian tax regulations, the applicable income tax rate for the year ended 31 December 2024 is 15% (31 December 2023: 15%). The reconciliation of effective income tax rate is summarized as follows:

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL '000, unless otherwise stated)

15. Income tax expense net, (continued)

	Year ended 31 December 2024	Year ended 31 December 2023
Profit before tax in income statement	3,218,100	2,236,524
Prima facie tax calculated at 15%	482,715	335,479
Adjustment for unrecognized loss of associate	97	393
Adjustment for non-taxable profit/(loss) of subsidiary	(5,295)	3,073
Non tax deductible expenses	49,788	100,808
Income tax expense	527,305	439,753

Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Albanian tax laws and regulations are subject to interpretations by the tax authorities. Un-deductible expenses comprise losses from unrecoverable loans, losses from decreases in the value of repossessed properties, provisions created, depreciation charge for leasehold improvements that is not recognized as deductible for fiscal purposes, and other expenses not recognized as tax deductible based on current tax legislation.

16 Cash and cash equivalents

	31 December 2024	31 December 2023
Current accounts with banks	2,928,716	2,186,816
ECL impairment for CA balances with banks	(1,085)	(12,568)
Money market placements	3,481,733	6,659,681
ECL impairment for placements with banks	(9,517)	(16,691)
Cash on hand	7,432,538	4,846,211
Unrestricted balances with central bank	13,708,360	38,159,319
ECL impairment for balances with central bank	(35,459)	(92,604)
In transit	(981,340)	(1,527,655)
	26,523,946	50,202,509

An analysis of changes in the corresponding ECL allowances is provided below:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	121,863	-	-	121,863
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(75,775)	-	-	(75,775)
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(27)	-	-	(27)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	46,061	-	-	46,061
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	110,760	-	-	110,760
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	11,103	-	-	11,103
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	121,863	-	-	121,863

Money market placements include placements with resident and non-resident banks, bearing short-term maturity, up to 3 months. Cash in transit represents transactions as agents for payments made by customers in behalf of fiscal authorities, initiated within 31 December 2024 and settled with the current account at the Central Bank within the first days in January 2025. Details on impairment allowance on balances with Central Bank is provided in note 17.1.

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Notes to the consolidated financial statements for the year ended 31 December 2024

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17 Restricted balances with Central Bank

	31 December 2024	31 December 2023
Restricted balances with Central Bank	17,973,355	18,041,291
ECL impairment	(50,991)	(51,934)
Balances with Central Bank, net	17,922,364	17,989,357

The required reserve rate is the percentage of the required reserve base, which is held in the Bank of Albania. The reserve requirement rate in Lek is:

- 7.5 % for the categories of liabilities included in the required reserve base to which the 0 % required reserve rate is not applied and which have a maturity period of no longer than 12 months
- 5.0 % percent for the categories of liabilities included in the required reserve base to which the 0 % required reserve rate is not applied and which have an initial term longer than 12 months to 2 years

The required foreign currency reserve ratio is:

- 12.5 % for the categories of liabilities included in the required reserve base to which the 0 % required reserve rate is not applied, when the value of the ratio "obligations in the corresponding currency included in the required reserve base to which the rate of 0 % of the required reserve is not applied/the total of obligations included in the basis of the required reserve to which the rate of 0 % of the required reserve is not applied" for the bank is up to 50 %.
- 20 % for the categories of obligations included in the required reserve base to which the 0 % rate of the required reserve does not apply, for the additional value of these bank obligations that exceed the level of 50 % of value of the ratio "obligations in the relevant currency included in the required reserve base to which the 0 % required reserve rate is not applied/ total liabilities included in the required reserve base to which the rate is not applied 0 % of the required.

The bank must hold its minimum reserves in BoA with a maintenance period of one month and they may use only the minimum reserve in Lek, provided that the average of the reserve balance on the last day of the maintenance period does not fall below the required reserve level. In its day-to-day operations the Bank can use up to 70% the Statutory Reserve, provided that it maintains the required levels at the end of day of the reporting months. As of 31 December 2024 only ALL is remunerated by 2.75% (31 December 2023: 3.25%). Balances denominated in USD, EUR are not remunerated.

Current accounts with the Central Bank bear no interest.

In accordance with the requirements of the Central Bank of Kosovo regarding the deposit reserve for liquidity purposes, the Bank must maintain a minimum of 10% of customer deposits with a maturity of up to one year, in the Central Bank as a reserve account. Mandatory reserves represent instruments with high liquidity, including cash, accounts with the CBK, or with other banks in Kosovo, and the amounts held with the CBK shall not be less than half of the total reserves. The assets with which the Bank can meet its liquidity requirements are Euro deposits with the CBK and 50% of the Euro equivalent of cash in easily convertible currencies. Deposits with the CBK should not be less than 5% of the applicable deposit base.

17.1 Impairment allowance for restricted cash with Central Bank

An analysis of changes in the corresponding ECL allowances is provided below:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	51,934	-	-	51,934
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(943)	-	-	(943)
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	50,991	-	-	50,991

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Notes to the consolidated financial statements for the year ended 31 December 2024
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17.1 Impairment allowance for restricted cash with Central Bank (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	55,638	-	-	55,638
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(3,704)	-	-	(3,704)
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	51,934	-	-	51,934

18 Loans and advances to banks

	31 December 2024	31 December 2023
Non- Resident banks and financial institutions	1,028,976	653,827
<i>In foreign currency</i>	1,028,976	653,827
Resident banks and financial institutions	2,009,020	1,491,506
<i>In ALL</i>	1,827,438	1,357,489
<i>In foreign currency</i>	181,582	134,017
Total balances for loans and advances to banks, gross	3,037,996	2,145,333
<i>ECL impairment</i>	<i>(35,610)</i>	<i>(16,350)</i>
<i>Less: Unearned finance income</i>	<i>(4,835)</i>	<i>-</i>
Loans and advances to banks, net	2,997,551	2,128,983

18.1 Impairment allowance for loans and advances to banks

An analysis of changes in gross carrying amount and the corresponding ECL allowances is provided below:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Low- fair risk	3,037,996	-	-	3,037,996
Less: allowance	(35,610)	-	-	(35,610)
Less: Unearned finance income	(4,835)	-	-	(4,835)
Carrying amount	2,997,551	-	-	2,997,551

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Low- fair risk	2,145,333	-	-	2,145,333
Less: allowance	(16,350)	-	-	(16,350)
Carrying amount	2,128,983	-	-	2,128,983

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	16,350	-	-	16,350
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	19,840	-	-	19,840
De-recognition of financial assets	(554)	-	-	(554)
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(26)	-	-	(26)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	35,610	-	-	35,610

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Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL '000, unless otherwise stated)

18 Loans and advances to banks (continued)

18.1 Impairment allowance for loans and advances to banks (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,491	-	-	1,491
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	14,859	-	-	14,859
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	16,350	-	-	16,350

19 Reverse repurchase agreement

Outstanding Reverse repurchase agreement is composed as follows and is placed with Union Bank Sh.a

	31 December 2024				
	Interest rates	Nominal value	Premium to be amortized	Accrued interest	Book value
	Min	ALL '000	ALL '000	ALL '000	ALL '000
7 days	2.80%	322,855	-	124	322,979
		322,855	-	124	322,979

	31 December 2023				
	Interest rates	Nominal value	Premium to be amortized	Interest rates	Nominal value
	Min	ALL '000	ALL '000	ALL '000	ALL '000
7 days	3.38%	447,675	-	166	447,841
7 days	3.35%	1,086,115	-	399	1,086,514
		1,533,790	-	565	1,534,355

20 Debt securities measured at FVTPL

Debt securities measured at FVTPL as at 31 December 2024 and 31 December 2023 are as follows:

	31 December 2024	31 December 2023
Government bonds	51,403	52,586
Corporate bonds	-	10,402
Total	51,403	62,988

Albanian Government and corporate bonds

As at 31 December 2024 the Group had a portfolio of 2-years maturity Albanian government bonds held to trading, denominated in ALL. Interest is received semi-annually at a respective coupon rate to 5.8%.

	31 December 2024						
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
24 months ALL	50,000	7	-	1,361	51,368	35	51,403
	50,000	7	-	1,361	51,368	35	51,403

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

20 Debt securities measured at FVTPL (continued)

	31 December 2023						
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
24 months ALL	50,000	217	-	1,361	51,578	1,008	52,586
60 months ALL	10,000	97	-	18	10,115	287	10,402
	60,000	314	-	1,379	61,693	1,295	62,988

21 Debt securities measured at FVOCI

Debt instruments measured at FVOCI as at 31 December 2024 and as at 31 December 2023 are as follows:

	31 December 2024	31 December 2023
Treasury Bills	9,308,912	12,731,083
Government bonds	28,093,813	10,024,951
Corporate bonds	226,979	272,917
Total investment securities at FVOCI	37,629,704	23,028,951
<i>ECL impairment</i>	<i>(60,808)</i>	<i>(60,709)</i>
Total, net of impairment	37,568,896	22,968,242

Treasury bills

The effective interest rates on treasury bills for the year ended 31 December 2024 fluctuated between 2.82% and 3.73% (31 December 2023: 3.08% and 5.45%). Details of treasury bills as at 31 December 2024 and 31 December 2023, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31 December 2024					
	Nominal value	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
12 months	9,343,920	(321,393)	280,127	9,302,654	6,259	9,308,912
	9,343,920	(321,393)	280,127	9,302,654	6,259	9,308,912

	31 December 2023					
	Nominal value	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
12 months	12,893,140	(469,646)	302,004	12,725,498	5,584	12,731,083
	12,893,140	(469,646)	302,004	12,725,498	5,584	12,731,083

Albanian and Foreign Government bonds

As at 31 December 2024, the Bank had a portfolio of 2-years, 3-years, 5-years, 7-years, 10-years and 15-years government bonds, denominated in the local currency LEK, Euro and US dollar. Interest is received semi-annually at a respective coupon rate of 3.85% to 5.8% (2-years), 2.8% to 5% (3-years), 3.32% to 6% (5-years), 3.75% to 5.88% (7-years), 5% to 9.25% (10-years) and 5.88%-8.39% (15 years), (31 December 2023: 3.88% to 5.8% (2-years), 2.8% to 5% (3-years), 3.32% to 6% (5-years), 5.06% to 6.88% (7-years), 5% to 8.93% (10-years)).

Details of government bonds as at 31 December 2024 and 31 December 2023, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31 December 2024						
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
6 months	8,604,000	-	(126,365)	83,086	8,560,701	2,852	8,563,553
7 months	1,963,000	-	(27,652)	22,445	1,957,793	1,144	1,958,937
12 months	3,644,913	-	(75,260)	28,789	3,598,442	2,227	3,600,669
24 months	4,642,964	3,472	(158)	70,802	4,717,080	25,142	4,742,222
36 months	1,832,120	6,317	(1,139)	33,148	1,870,446	39,366	1,909,812
60 months	4,021,040	63,828	(21,457)	82,459	4,145,870	187,522	4,333,392
84 months	1,447,820	1,203	(7,163)	21,424	1,463,284	70,676	1,533,960
120 months	1,179,373	14,753	(21,994)	28,636	1,200,770	60,374	1,261,144
180 months	176,300	7,624	(2,247)	3,909	185,586	4,538	190,124
	27,511,530	97,197	(283,455)	374,700	27,699,972	393,841	28,093,813

Banka Credins sh.a.

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21 Debt securities measured at FVOCI (continued)

	31 December 2023						
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
24 months	3,500,000	15,116	-	57,431	3,572,547	35,184	3,607,731
36 months	2,794,933	8,757	(794)	38,385	2,841,281	19,033	2,860,314
60 months	2,301,668	65,735	(21,490)	45,359	2,391,272	(3,917)	2,387,355
84 months	539,284	253	(5,833)	5,043	538,746	(3,690)	535,056
120 months	611,279	11,122	(22,781)	13,621	613,241	21,254	634,495
	9,747,164	100,983	(50,898)	159,839	9,957,087	67,864	10,024,951

Corporate bonds

	31 dhjetor 2024						
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
84 months ALL	131,000	276	-	2,620	133,895	(19)	133,876
84 months EUR	91,280	162	-	1,673	93,115	(12)	93,103
	222,280	437	-	4,293	227,010	(31)	226,979

Corporate bonds

	31 dhjetor 2023						
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
84 months ALL	157,000	429	-	3,140	160,569	(24)	160,545
84 months EUR	110,113	256	-	2,019	112,388	(16)	112,372
	267,113	685	-	5,159	272,957	(40)	272,917

21.1 Impairment allowance for debt securities measured at FVOCI

The table below shows the fair value of the Group's debt securities measured at FVOCI by credit risk, based on the Group's internal credit rating system and year-end stage classification:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
AAA	989,957	-	-	989,957
AA+ to AA-	13,133,202	-	-	13,133,202
A+ to A-	-	-	-	-
BBB+ to BBB-	-	-	-	-
Lower than BBB-	23,279,566	-	-	23,279,566
Unrated	226,979	-	-	226,979
Exposure before impairment	37,629,704	-	-	37,629,704
Loss allowance	(60,808)	-	-	(60,808)
Carrying amount	37,568,896	-	-	37,568,896

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
AAA	-	-	-	-
AA+ to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	22,402,176	-	-	22,402,176
Lower than BBB-	-	-	-	-
Unrated	626,775	-	-	626,775
Exposure before impairment	23,028,951	-	-	23,028,951
Loss allowance	(60,709)	-	-	(60,709)
Carrying amount	22,968,242	-	-	22,968,242

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

21 Debt securities measured at FVOCI (continued) 21.1 Impairment allowance for debt securities at FVOCI (continued)

An analysis of changes in the fair value of debt securities measured at FVOCI, is as follows:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
--Balance at 1 January	23,028,951	-	-	23,028,951
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	29,823,540	-	-	29,823,540
De-recognition of financial assets	(13,862,293)	-	-	(13,862,293)
Change in fair value	(1,319,722)	-	-	(1,319,722)
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(40,772)	-	-	(40,772)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	37,629,704	-	-	37,629,704

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	17,368,010	-	-	17,368,010
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	26,021,246	-	-	26,021,246
De-recognition of financial assets	(20,350,175)	-	-	(20,350,175)
Change in fair value	82,604	-	-	82,604
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(92,734)	-	-	(92,734)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	23,028,951	-	-	23,028,951

An analysis of changes in the corresponding ECLs of debt instruments measured at FVOCI, is as follows:

ECL	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	60,709	-	-	60,709
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	(1,164)	-	-	(1,164)
New financial assets originated or purchased	5,217	-	-	5,217
De-recognition of financial assets	(5)	-	-	(5)
Change in fair value	(3,547)	-	-	(3,547)
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(402)	-	-	(402)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	60,808	-	-	60,808

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024
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21 Debt securities measured at FVOCI (continued) 21.1 Impairment allowance for debt securities at FVOCI (continued)

ECL	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	34,833	-	-	34,833
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	7,935	-	-	7,935
De-recognition of financial assets	17,941	-	-	17,941
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	60,709	-	-	60,709

22 Debt securities measured at amortized cost

Debt instruments measured at amortized cost as at 31 December 2024 and as at 31 December 2023 are as follows:

	31 December 2024	31 December 2023
Government bonds	90,967,961	69,878,786
Total investment securities	90,967,961	69,878,786
ECL impairment	(177,661)	(129,928)
Total, net of impairment	90,790,300	69,748,858

As at 31 December 2024, the Group had a portfolio of 2-years, 3-years, 5-years, 6-years, 7-years, 10-years and 15 years government bonds. Interest is received semi-annually at a respective coupon rate of 3.85% to 5.8% (2-years), 2.8% to 5% (3 years), 0.25% to 6% (5-years), 0.85% to 6.88% (7-years), 0.0%- 9.25% (10-years) and 5.88% to 8.39% (15 years) (31 December 2023: 2.07% to 4.35% (2-years), 2.8% to 5% (3 years), 0.25% to 6% (5-years), 0% (6-years) 0.85% to 6.88% (7-years), 9.34% (10-years) and 5.88% to 8.39% (15 years)). Details of government bonds as at 31 December 2024 and 2023, showing their initial maturity, their book value and respective fair value as at the reporting date, by type, are presented as follows:

	31 December 2024				
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost
24 months	7,567,100	2,171	(862)	111,728	7,680,137
36 months	6,129,300	30,336	(3,879)	102,588	6,258,345
48 months	1,776,515	-	(18,348)	12,048	1,770,213
60 months	11,541,940	106,864	(68,023)	181,872	11,762,653
72 months	3,867,110	-	(215,089)	18,390	3,670,411
84 months	18,273,690	156,434	(96,087)	262,265	18,596,302
120 months	40,017,140	638,935	(574,713)	449,270	40,530,632
180 months	665,000	24,290	(813)	10,791	689,268
	89,837,795	959,030	(977,814)	1,148,850	90,967,961

	31 December 2023				
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost
24 months	3,381,900	22,789	(2,914)	37,827	3,439,602
36 months	4,721,300	53,258	(23,662)	61,429	4,812,325
60 months	9,518,920	106,757	(22,781)	141,822	9,744,716
72 months	2,856,700	3,228	-	0	2,859,928
84 months	15,817,751	263,939	(42,229)	198,194	16,235,655
120 months	31,513,640	691,880	(134,032)	387,104	32,458,592
184 months	325,000	1,127	(881)	2,720	327,966
	68,135,211	1,142,978	(226,499)	827,096	69,878,786

Banka Credins sh.a.

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22 Debt securities measured at amortized cost (continued)

The table below shows the fair value of the Group's debt securities measured at amortized cost by credit risk, based on the Group's internal credit rating system and year-end stage classification:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
AAA	8,686,936	-	-	8,686,936
AA+ to AA-	11,925,474	-	-	11,925,474
A+ to A-	1,894,993	-	-	1,894,993
BBB+ to BBB-	1,789,027	-	-	1,789,027
Lower than BBB-	66,671,531	-	-	66,671,531
Unrated	-	-	-	-
Exposure before impairment	90,967,961	-	-	90,967,961
Loss allowance	(177,661)	-	-	(177,661)
Carrying amount	90,790,300	-	-	90,790,300
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
AAA	8,205,883	-	-	8,205,883
AA+ to AA-	11,430,317	-	-	11,430,317
A+ to A-	523,717	-	-	523,717
BBB+ to BBB-	49,718,869	-	-	49,718,869
Lower than BBB-	-	-	-	-
Unrated	-	-	-	-
Exposure before impairment	69,878,786	-	-	69,878,786
Loss allowance	(129,928)	-	-	(129,928)
Carrying amount	69,748,858	-	-	69,748,858

An analysis of changes in the corresponding ECLs of investment securities, is as follows:

ECL	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	129,928	-	-	129,928
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	47,733	-	-	47,733
De-recognition of financial assets	-	-	-	-
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	177,661	-	-	177,661

Banka Credins sh.a.

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22 Debt securities measured at amortized cost (continued)

ECL	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	123,204	-	-	123,204
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	6,724	-	-	6,724
De-recognition of financial assets	-	-	-	-
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	129,928	-	-	129,928

23 Equity investments and goodwill

The Group's Shareholders acquired 76% of the shares of "CREDINS INVEST sh.a. - Shoqeri administruese e Fondit te Pensionit dhe Sipermarrjeve te Investimeve Kolektive" (former "Shoqeria Administruese e Fondit te Pensionit "SICRED" sh.a.") from "SICRED sh.a." through a share purchase agreement signed on 22 December 2014 for a purchase consideration of ALL 60,206 thousand. The approval for the change in the shareholding structure and change in control of "Shoqeria Administruese e Fondit te Pensionit "Credins Invest" sh.a. has been given from the Financial Supervisory Authority on 28 April 2015. This has been registered with the National Registration Center on 10 June 2015, which is the date when the change in control becomes effective. During the previous years, the Group has injected additional capital in "Credins Invest" and as at 31 December 2024 and 31 December 2023 the carrying amount of the shareholding is ALL 88,908 thousand.

Credins Invest sh.a is an asset management company administering five separate funds: a voluntary private pension fund, an investment fund denominated in ALL and three alternative investment funds in Albania, two of them denominated in Lek and one denominated in Euro.

During the year ended 31 December 2024 and 31 December 2023 no additional capital is injected by the Group.

24 Investments in associates

During 2017 the Group's Shareholders decided that the Group would acquire 42.5% of the shares of ALSE SHA for an amount of ALL 38,750 thousand and accounted as an associate. There was no goodwill resulted from this purchase. This has been registered with the National Registration Center on 28 July 2017. As at 31 December 2024 the group holds 42.59% of its shares (2023: 42.59%). No additional capital is injected during the year ending 31 December 2024 and 2023.

The share of loss in the associate for the year ended 31 December 2024 added a loss of ALL 641 thousand (31 December 2023: ALL 2,621 thousand) to profit before tax from continuing operations of the Group.

The Group during 2018 bought shares in SWIFT SCR for an amount of EUR 46,650 consisting of 10 shares of their capital. During the year, the Group purchased additional shares of SWIFT SCR, for an amount of 62,080 Euro consisting of 8 additional shares.

	31 December 2024	31 December 2023
Net investment in ALSE	2,677	3,317
Cost of investment in Swift SCR	10,671	4,846
Total	13,348	8,163

Banka Credins sh.a.

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25 Leasing

	31 December 2024	31 December 2023
Gross investment in finance leases, receivable		
- Not later than 1 year	1,090,722	847,892
- Later than 1 year and not later than 5 years	2,498,782	1,985,323
- More than 5 years	96,140	22,094
	3,685,644	2,855,309
Less: Unearned finance income	(53,315)	(42,239)
Net investment in finance leases	3,632,329	2,813,070
Less allowances for impairment	(44,618)	(24,766)
Total	3,587,711	2,788,304

Movement in the impairment for losses on lease contracts is detailed as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
Balance at the beginning of the year	24,766	76,499
Allowance for loss impairment	21,736	1,999
Recoveries	(528)	(50,886)
Effect of foreign currency movements	(1,356)	(2,846)
Balance at the end of the year	44,618	24,766
	31 December 2024	31 December 2023
Individual impairment	25,563	20,132
Collective impairment	19,055	4,634
	44,618	24,766

ECL

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,895	59	22,812	24,766
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	(13)	13	-	-
Transfer to Stage 3 (from 1 or 2)	(3)	-	3	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	4,530	500	-	5,030
De-recognition of financial assets	(62)	-	-	(62)
Write-offs	-	-	-	-
Changes in models/risk parameters	6,347	1,549	8,341	16,237
Foreign exchange and other movements	(91)	(3)	(1,259)	(1,353)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	12,603	2,118	29,897	44,618

ECL

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,863	7,697	66,939	76,499
Transfer to Stage 1 (from 2 or 3)	6,848	(6,849)	-	(1)
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	(15)	15	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	1,732	-	-	1,732
De-recognition of financial assets	(1,863)	(7,897)	(42,406)	(51,966)
Write-offs	-	-	-	-
Changes in models/risk parameters	(6,526)	7,619	4,330	5,423
Foreign exchange and other movements	(159)	(697)	(6,065)	(6,921)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	1,895	58	22,813	24,766

Banka Credins sh.a.

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25 Leasing (continued)

25.1 Impairment allowance for leasing (continued)

The tables below show an analysis of changes in gross carrying amount and the corresponding ECL allowances as follows:

	31 December 2024						Total
	Stage 1	Stage 2	Stage 3	POCI	Non Past Due	Past due	
Gross carrying amount							
Leasing	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	3,632,329
Total	2,792,639	754,007	24,238	11,824	49,621	-	3,632,329
ECL allowance							
Leasing	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	(44,618)
Total	(10,510)	(2,097)	(1,779)	(338)	(29,894)	-	(44,618)
Net carrying amount	2,782,129	751,910	22,459	11,486	19,727	-	3,587,711
Gross carrying amount							
Leasing	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	2,813,070
Total	2,339,160	416,736	-	5,415	50,513	-	2,813,070
ECL allowance							
Leasing	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	(24,766)
Total	(1,683)	(213)	-	(58)	(22,812)	-	(24,766)
Net carrying amount	2,337,477	416,523	-	5,357	27,701	-	2,788,304

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Notes to the consolidated financial statements for the year ended 31 December 2024
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26 Loans and advances to customers

Loans and advances to customers consisted of the following:

	31 December 2024	31 December 2023
Loans and advances to customers at amortized cost	163,776,634	150,570,271
Loan loss allowances for impairment	(13,094,468)	(10,773,730)
	150,682,166	139,796,541

Loans and advances to customers by classes can be detailed as follows:

	31 December 2024	31 December 2023
Corporate lending	123,757,305	118,211,683
Mortgage lending	25,174,838	19,248,606
Private individuals lending	2,376,825	1,981,657
Other secured lending	12,467,666	11,128,425
Total gross	163,776,634	150,570,271
Impairment allowance	(13,094,468)	(10,773,730)
	150,682,166	139,796,541

Movements in the impairment for loan losses by classes of loans and advances are detailed as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
Balance at the beginning of the year	10,773,730	8,884,230
Allowance for loan loss impairment	4,333,839	3,463,734
Recoveries	(723,509)	-
Write-offs	(1,201,087)	(1,422,371)
Effect of foreign currency movements	(88,505)	(151,863)
Balance at the end of the year	13,094,468	10,773,730

26.1 Impairment allowance for loans and advances to customers

ECL

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2,047,963	1,401,731	7,324,036	10,773,730
Transfer to Stage 1 (from 2 or 3)	17,020	-8,147	-8,873	0
Transfer to Stage 2 (from 1 or 3)	(20,136)	612,720	(592,584)	0
Transfer to Stage 3 (from 1 or 2)	(260,428)	(582,122)	842,550	0
Net re-measurement of loss allowance	16,147	15	-	16,162
New financial assets originated or purchased	1,287,540	27,369	262,984	1,567,893
De-recognition of financial assets	(276,142)	(269,626)	(92,297)	(638,065)
Write-offs	-	-	(1,201,087)	(1,201,087)
Changes in models/risk parameters	1,003,702	(475,388)	2,136,026	2,664,340
Foreign exchange and other movements	(32,960)	(14,850)	(38,248)	(86,058)
Change in PV of the allowance Account	(1,654)	(279)	(514)	(2,447)
Balance 31 December	3,731,652	691,423	8,621,993	13,094,468

ECL

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	661,692	1,386,079	6,836,458	8,884,229
Transfer to Stage 1 (from 2 or 3)	541,036	(311,229)	(229,807)	-
Transfer to Stage 2 (from 1 or 3)	(20,098)	23,920	(3,822)	-
Transfer to Stage 3 (from 1 or 2)	(13,197)	(213,902)	227,099	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	674,762	384,756	322,151	1,381,669
De-recognition of financial assets	(141,657)	(567)	(1,077,899)	(1,220,143)
Write-offs	-	(8)	(664,264)	(664,272)
Changes in models/risk parameters	375,620	179,732	1,989,757	2,544,109
Foreign exchange and other movements	(30,195)	(46,031)	(75,836)	(151,862)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	2,047,963	1,401,730	7,324,037	10,773,730

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Notes to the consolidated financial statements for the year ended 31 December 2024
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26 Loans and advances to customers (continued)

26.1 Impairment allowance for loans and advances to customers (continued)

The tables below show an analysis of changes in gross carrying amount and the corresponding ECL allowances for each of the above categories is as follows:

Gross carrying amount	31 December 2024								
	Stage 1		Stage 2		Stage 3		POCI		Total
	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	
Retail lending	26,980,289	6,234,061	830,237	312,484	852,075	617,483	-	-	36,826,629
Mortgage	19,071,293	4,749,897	486,829	154,854	452,516	259,450	-	-	25,174,839
Consumer	5,530,399	1,430,610	194,580	126,974	272,771	210,323	-	-	7,765,657
Credit cards	1,460,962	37,393	148,828	6,568	126,788	51,854	-	-	1,832,413
Other (incl. SBL)	917,615	16,161	-	24,088	-	95,856	-	-	1,053,720
Corporate lending	72,681,136	40,152,483	1,977,556	4,036,231	553,390	8,550,209	-	-	127,950,095
Large	50,756,918	34,556,108	1,503,125	3,880,847	539,291	7,800,544	-	-	98,638,633
SME's	21,924,218	5,596,375	474,431	354,384	14,099	749,665	-	-	29,113,172
Public sector	-	-	-	-	-	-	-	-	-
Total	99,661,425	46,386,544	2,807,793	4,347,715	1,405,465	9,167,692	-	-	163,776,634
ECL allowance	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Total
Retail lending	(193,822)	(43,629)	(67,866)	(15,994)	(340,609)	(235,477)	(897,597)	-	(897,597)
Mortgage	(60,520)	(14,080)	(18,077)	(3,783)	(127,544)	(87,048)	(311,052)	-	(311,052)
Consumer	(97,604)	(28,248)	(23,289)	(10,876)	(135,519)	(94,911)	(390,447)	-	(390,447)
Credit cards	(32,492)	(618)	(26,500)	(696)	(77,746)	(31,390)	(169,442)	-	(169,442)
Other (incl. SBL)	(3,205)	(683)	-	(839)	-	(22,126)	(26,656)	-	(26,656)
Corporate lending	(1,591,257)	(1,952,344)	(257,050)	(350,514)	(562,791)	(7,482,915)	(12,196,871)	-	(12,196,871)
Large	(1,357,625)	(1,964,690)	(235,911)	(344,516)	(560,164)	(7,155,187)	(11,518,083)	-	(11,518,083)
SME's	(233,632)	(87,654)	(21,139)	(5,998)	(2,627)	(327,726)	(678,778)	-	(678,778)
Public sector	-	-	-	-	-	-	-	-	-
Total	(1,785,079)	(1,995,973)	(324,916)	(386,596)	(903,600)	(7,718,392)	(13,094,468)	-	(13,094,468)
Net carrying amount	97,876,346	44,390,571	2,482,877	3,961,207	501,865	1,449,300	150,682,166	-	150,682,166

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Notes to the consolidated financial statements for the year ended 31 December 2024
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29 Property and equipment

	Buildings	Electronic and office equipment	Vehicles, Furniture & Fittings	Leasehold improvements	Prepayment	Total
Cost						
Balance at 1 January	1,637,730	1,563,174	805,770	1,931,023	356,090	6,293,767
Acquisitions	-	181,389	113,928	222,749	27,801	545,567
Transfers	-	5,615	5,544	18,271	(29,430)	-
Transfers to inventory warehouse	-	(27,610)	13,153	95,051	10,491	91,085
Disposals	-	(9,514)	(35,345)	(7,586)	(11,994)	(64,439)
Effect of foreign currency movements	-	(8,990)	(6,718)	(20,803)	(3,592)	(40,203)
Balance at 31 December 2023	1,637,730	1,704,054	896,032	2,238,705	349,266	6,825,797
Acquisitions	-	242,956	119,994	334,060	36,380	733,390
Transfers	(272)	14,866	6,004	28,877	(49,475)	0
Transfers to inventory warehouse	-	193,593	73,233	94,635	(21,012)	340,449
Disposals	-	(43,442)	(5,069)	(276)	(268,304)	(317,091)
Effect of foreign currency movements	-	(5,990)	(4,065)	(12,719)	(742)	(23,516)
Balance at 31 December 2024	1,637,458	2,106,047	1,086,129	2,663,282	46,113	7,559,029
Depreciation						
Balance at 1 January	(656,109)	(956,218)	(432,650)	(798,367)	-	(2,843,344)
Depreciation for the period	(81,873)	(161,330)	(78,814)	(147,269)	-	(468,286)
Transfers to inventory warehouse	-	68,340	-	-	-	68,340
Disposals	-	6,351	24,723	72	-	31,146
Effect of foreign currency movements	2,848	2,100	3,361	-	-	8,309
Balance at 31 December 2023	(735,134)	(1,050,757)	(483,380)	(945,664)	-	(3,214,835)
Depreciation for the period	(79,280)	(200,197)	(101,459)	(176,675)	-	(557,611)
Transfers to inventory warehouse	(2,805)	36,003	8,469	3,318	-	44,985
Disposals	-	26,603	546	-	-	27,149
Effect of foreign currency movements	(817,219)	(1,155,667)	(573,848)	(1,115,787)	-	(3,692,521)
Balance at 31 December 2024	902,596	653,307	472,652	1,293,141	349,266	3,610,962
Net Book Value						
Balance at 31 December 2023	820,239	920,360	572,281	1,567,495	46,113	3,866,508
Balance at 31 December 2024						

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Notes to the consolidated financial statements for the year ended 31 December 2024
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30 Intangible assets

	Software	Patents and licenses	Total
Cost			
Balance at 1 January	987,186	80,158	1,067,344
Additions	53,181	-	53,181
Transfers	32,809	-	32,809
Disposals	(3,416)	-	(3,416)
Effect of foreign currency movements	(6,460)	(458)	(6,918)
Balance at 31 December 2023	1,063,300	79,700	1,143,000
Additions	148,690	-	148,690
Transfers	67,258	-	67,258
Disposals	(955)	-	(955)
Effect of foreign currency movements	(4,823)	(254)	(5,077)
Balance at 31 December 2024	1,273,470	79,446	1,352,916
Amortization			
Balance at 1 January	(541,554)	(66,356)	(607,910)
Amortization charge for the year	(75,723)	(619)	(76,342)
Disposals	1,631	-	1,631
Effect of foreign currency movements	501	30	531
Balance at 31 December 2023	(615,145)	(66,945)	(682,090)
Amortization charge for the year	(99,333)	(7831)	(107,164)
Disposals	735	-	735
Effect of foreign currency movements	578	30	608
Balance at 31 December 2024	(713,165)	(74,746)	(787,911)
Carrying amounts			
Balance at 31 December 2023	448,155	12,755	460,910
Balance at 31 December 2024	560,305	4,700	565,005

31 Right-of-use assets

Group as a lessee - The Group has lease contracts for various buildings that it uses for the branches' operations. Leases of the premises generally have lease terms between 5 and 20 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased. There are several lease contracts that include extension and termination options, which are further discussed below. The Group also has certain leases of offices (premises) with lease terms of 12 months or less or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Right of use asset	Total
Cost		
Balance at 1 January 2023	4,670,422	4,670,422
Additions	1,439,205	1,439,205
Disposals	(360,419)	(360,419)
Effect of foreign currency changes	(27,285)	(27,285)
Balance at 31 December 2023	5,721,923	5,721,923
Additions	579,851	579,851
Disposals	(604,774)	(604,774)
Effect of foreign currency changes	(16,982)	(16,982)
Balance at 31 December 2024	5,680,018	5,680,018
Amortization		
Balance at 1 January	(1,495,752)	(1,495,752)
Amortization charge for the year	(572,382)	(572,382)
Reversal of amortization charge	(17,233)	(17,233)
Effect of foreign currency changes	4,966	4,966
Balance at 31 December 2023	(2,080,401)	(2,080,401)
Amortization charge for the year	(573,438)	(573,438)
Effect of foreign currency changes	4,420	4,420
Balance at 31 December 2024	(2,649,419)	(2,649,419)
Carrying amounts		
Balance at 31 December 2023	3,641,522	3,641,522
Balance at 31 December 2024	3,030,599	3,030,599

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Notes to the consolidated financial statements for the year ended 31 December 2024
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31 Right of use assets (continued)

The following are the amounts recognized in profit or loss:

	31 December 2024	31 December 2023
Depreciation expense of right-of-use assets	(573,438)	(589,615)
Interest expense on lease liabilities	(159,889)	(119,531)
Expense relating to short-term leases	(42,312)	(41,559)
Expense relating to leases of low-value assets	(15,382)	(966)
Total amount recognized in profit or loss	(791,021)	(751,671)

32 Other assets

	31 December 2024	31 December 2023
Debtors	826,360	879,429
Inventory warehouse	40,371	110,034
Prepaid expenses	861,972	1,124,343
	1,728,703	2,113,806

A detailed breakdown of debtors and respective impairment loss allowance is presented below:

	31 December 2024	31 December 2023
Debtors, gross	953,510	1,046,031
ECL/impairment	(127,150)	(166,602)
	826,360	879,429
	31 December 2024	31 December 2023
Impairment allowance as at 1 January	166,602	171,254
Impairment charge for the year (ECL) (note 12)	(39,452)	(4,652)
Total impairment losses as at 31 December	127,150	166,602

33 Deferred tax assets/liabilities

Deferred tax is attributable to the following:

	31 December 2024			31 December 2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Debt instruments at FVOCI	-	(59,975)	(59,975)	-	(10,972)	(10,972)
Investment properties	-	(226,430)	(226,430)	-	(148,024)	(148,024)
Property and equipment	-	(105)	(105)	-	(152)	(152)
Net deferred tax liability	-	(286,510)	(286,510)	-	(159,148)	(159,148)

The deferred tax assets have been recorded net of the deferred tax liabilities as the amounts are due to the same tax authority and are expected to be settled on a net basis. The created deferred tax assets/(liability) arises from the revaluation of the invested financial instruments held at FVOCI, whose fluctuations in their fair value are recorded in the revaluation reserve in Equity, going through other comprehensive income and revaluation of investment property going through profit or loss.

34 Due to banks and other financial institutions

Due to banks and other financial institutions are detailed as follows:

	31 December 2024	31 December 2023
Current accounts – resident	2,483,755	1,659,582
Money market deposits – resident	4,374,271	3,343,446
Repo – resident	1,944,322	512,104
Interbank loans – resident	116,883	71,935
	8,919,231	5,587,067

35 Due to customers

	31 December 2024	31 December 2023
Private individuals	228,718,448	210,429,751
Sovereign governments	28,895,934	30,022,857
Corporates	41,972,214	43,465,974
Other customers	3,081,155	3,398,808
	302,467,751	287,317,390

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35 Due to Customers (continued)

The table below shows due to customers by currency are detailed as follows:

	31 December 2024	31 December 2023
Current accounts		
Local currency	55,829,997	51,725,313
Foreign currency	37,468,303	36,383,932
Saving accounts		
Local currency	17,456,123	13,975,067
Foreign currency	32,830,873	33,661,535
Term deposits		
Local currency	84,071,573	84,047,042
Foreign currency	70,812,744	63,039,208
Other customers accounts		
Local currency	1,483,568	1,456,633
Foreign currency	2,514,570	3,028,660
	302,467,751	287,317,390

36 Borrowing

Borrowing as at 31 December 2024 and 31 December 2023 are composed of the following items:

	31 December 2024	31 December 2023
Ministry of Economic Development, Trade and Entrepreneurship (ex-METE)	55,162	92,468
Other borrowing	-	-
	55,162	92,468

Ministry of Economic Development, Trade and Entrepreneurship (ex-METE)

During 2009, the Bank obtained a borrowing (soft-loan) from the Ministry of Economy, Commerce and Entrepreneurship, as part of the "Program for development of the Albanian private sector through a credit line for SMEs and relevant technical assistance" of the Italian-Albanian Development Cooperation (PRODAPS), which aims at supporting the development of the Albanian private sector by facilitating the access to credit of local SMEs.

The annual interest rate is fixed at 0.2% p.a. for lending in EURO. Repayment to the Ministry is according to the same repayment terms settled with the final users of the loan contracts (ultimate borrowers). As at 31 December 2024, the outstanding amount of borrowings is ALL 55,162 thousands (31 December 2023: ALL 92,468 thousand), and there are no balances in default related to this borrowing either at 31 December 2024 or at 31 December 2023.

37 Debt represented by securities (MREL)

During 2024, the Bank issued debt instruments which meet the requirements of Bank of Albania MREL regulation no. 78 dated December 16, 2020, denominated in three currencies (ALL, EUR, USD) and with a 3-year maturity.

Currency	Units of Instruments	31 December 2024
ALL	1,820	1,838,420
EUR	1,672	1,653,990
USD	43	40,978
	3,535	3,533,388

38 Subordinated debt

The General Assembly of shareholders has approved the issuance of subordinated instruments in ALL, Euro and USD to private individuals. As of 31 December 2024, and 31 December 2023 the instruments are detailed as follows:

Currency	Units of Instruments	31 December 2024	Units of Instruments	31 December 2023
ALL	5,992	6,112,372	5,622	5,731,366
EUR	4,251	4,228,155	3,637	3,826,331
USD	478	458,393	602	572,412
	10,721	10,796,920	9,861	10,130,109

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38. Subordinated debt (continued)

Tranches	Issue date	Maturity date	Units of Instruments	31 December 2024	31 December 2023
12	07.02.2017	07.02.2024	-	-	258,791
13	02.06.2017	02.06.2024	-	-	329,523
14	03.11.2017	03.11.2024	-	-	340,246
15	08.03.2018	08.03.2025	390	392,005	511,373
16	28.12.2018	28.12.2025	495	488,544	546,117
17	17.10.2019	17.10.2026	598	598,589	607,707
18	26.06.2020	26.06.2027	502	498,726	508,229
19	02.03.2021	02.03.2028	735	739,573	759,006
20	26.08.2021	26.08.2028	1317	1,328,664	1,348,812
21	03.02.2022	03.02.2029	576	578,925	593,319
22	05.10.2022	05.10.2029	520	521,988	534,490
23	26.01.2023	26.01.2030	883	894,926	929,117
24	05.07.2023	05.07.2030	1983	2,027,004	2,061,931
25	20.12.2023	20.12.2030	782	772,770	802,448
26	10.09.2024	10.09.2031	1940	1,955,206	-
Total			10,721	10,796,920	10,130,109

39. Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31 December 2024	31 December 2023
As at 1 January	3,841,493	3,330,289
Additions	580,154	1,015,062
Accretion of interest	159,889	119,531
Disposals	(661,666)	57,116
Payments	(695,153)	(680,515)
Balance as at 31 December	3,224,717	3,841,493

The Group had total cash outflows for leases of ALL 695,153 thousand (2023 ALL 680,515 thousand). Minimal lease payments related to lease contracts for buildings of the 'branches' operations are analyzed as follows:

31 December 2024	Within the year	Minimal lease payments						Total
		1-2 years	2-3 years	3-4 years	4 - 5 years	After 5 years		
Lease payments	445,558	537,571	425,067	406,513	473,949	3,294,855	5,583,513	
Finance charges	(292,441)	(273,863)	(151,846)	(164,766)	(203,374)	(1,272,506)	(2,358,796)	
Total	153,117	263,708	273,221	241,747	270,575	2,022,349	3,224,717	

31 December 2023	Within the year	Minimal lease payments						Total
		1-2 years	2-3 years	3-4 years	4 - 5 years	After 5 years		
Lease payments	440,895	531,251	420,666	402,067	470,156	3,429,800	5,694,835	
Finance charges	(162,902)	(251,639)	(111,578)	(127,055)	(165,315)	(1,034,853)	(1,853,342)	
Total	277,993	279,612	309,088	275,012	304,841	2,394,947	3,841,493	

40. Other liabilities

Other liabilities are comprised of the following:

	31 December 2024	31 December 2023
Transactions as agents	457,002	500,993
Suppliers and accrued payables	479,055	211,885
Total	936,057	712,878

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41. Provisions

Provisions as at 31 December 2024 and 31 December 2023 are composed of the following:

	31 December 2024	31 December 2023
Provisions for litigations	11,083	8,486
ECL impairment for off balance sheet items	47,514	67,940
Other provisions for tax liabilities	26,151	4,600
ECL on other financial assets (debtors)	3,729	1,853
Total	88,477	82,879

In the table below are presented the movements in provisions occurred during the year ended 31 December 2024 and 31 December 2023.

	31 December 2024	31 December 2023
Balance 1 January	82,879	75,843
ECL charge/(recovery) for off balance sheet items	(20,403)	7,476
Provision for tax liabilities	29,317	-
Recovery of other provisions	(5,051)	-
Foreign exchange rate effect	(258)	(440)
ECL on other financial assets (debtors)	1,993	-
Balance 31 December	88,477	82,879

During the year ended 31 December 2024, the provisions amount of ALL 88,477 thousand (31 December 2023: ALL 82,879 thousand) for off balance sheet items and also other provision recoveries of an amount of ALL (20,403) thousand (31 December 2023: ALL 7,476 thousand). Provisions for tax liabilities are created during 2024 for an amount of ALL 29,317 thousand (31 December 2023: nil).

42. Share Capital

The share capital is composed of type A shares and normal shares both with a nominal value of 1 USD for each share. The subscribed share capital contributed by the shareholders of the Parent is denominated in USD, EUR and ALL and is reported in the Financial Statements with the historical rates of exchange. As at 31 December 2024 the subscribed share capital amounts to USD 18,665 thousand, EUR 44,273 thousand and ALL 6,451,800 thousand, (2023 USD 18,665 thousand, EUR 37,760 thousand and ALL 5,365,175 thousand). Shares are ranked as normal and type A and are owned by the following shareholders:

Share Capital	31 December 2024 (%)	31 December 2023 (%)
Renis Tereshana	11.226%	13.091%
Aleksander Pilo	7.271%	7.866%
B.F.S.E Holding BV	19.471%	15.099%
Bank Executive Directors	6.528%	6.880%
ARMAAR GROUP	5.396%	5.889%
Other (less than 5% of shareholding)	50.110%	51.575%
Total	100.00%	100.00%

The paid up capital of the Parent as of 31 December 2024 is ALL 14,209,465 thousand translated at the historical rate of exchange (31 December 2023: ALL 12,480,211 thousand) with a nominal value of USD 1 each. During the year 2024 were subscribed, paid and registered with the National Business Center shares in the amount EUR 12,200 thousand.

The shares of the Bank have a nominal value and are indivisible. Each share gives its owner the right to one vote. The Bank holds "ordinary shares" and "class A" shares, where each of these shares has a nominal value of USD 1 per share. The "class A" shares afford to their holder certain rights and privileges, mainly in relation to the transfer of shares, sale of shares, conversion of "class A" shares into ordinary shares, and the right to propose to appoint and remove 2 members of the BOD. The holders of the class "A" shares acting jointly through an appointed representative will have the rights and privileges attached to their class "A" shares with regard to "pre-approval" of certain changes and decisions, and certain "information rights". All shares held by B.F.S.E Holding BV shall all time be "A" shares. All other shareholders of the Bank hold ordinary shares. A reconciliation of share capital at the beginning and end of the year are as follows:

	Normal shares		Type A shares	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
As at 1 January	97,670,591	89,194,129	17,369,458	15,862,028
Increase in number of shares:	16,814,975	8,476,462	1,766,613	1,507,430
As at 31 December	114,485,566	97,670,591	19,136,071	17,369,458

During 2024, there was no dividend distribution (2023: ALL 500,000 thousands).

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL'000, unless otherwise stated)

43 Share Premium

During the year ended 31 December 2024, the Group issued 6,881,097 new shares for an amount of ALL 1,203,772 thousand. (31 December 2023: there are no new shares acquired). The Group recognized as share premium the amount of ALL 561,143 thousands related to new shares issued by Credins Bank Albania.

44 General reserve

The Group has created two reserves through appropriations from retained earnings being the general reserve, which represents the risk weighted assets reserve, as required by the Central Bank, and the statutory reserve, as required by the by-laws of the Group. The general reserve is calculated as 1.25% of the risk weighted assets, whereas the statutory reserve is calculated as 5% of annual profit. These reserves are not distributable.

	31 December 2024	31 December 2023
General reserve	3,282,916	3,051,950
Statutory reserve	800,533	673,996
Total	4,083,449	3,725,946

45 Maturity analysis of assets and liabilities

31 December 2024	< 12 months	> 12 months	Total
Assets			
Cash and cash equivalent	26,523,946	-	26,523,946
Restricted balances with Central Bank	11,638,703	6,283,661	17,922,364
Loans and advances to banks	2,594,687	402,864	2,997,551
Reverse repurchase agreement	322,979	-	322,979
Debt securities measured at FVTPL	51,403	-	51,403
Debt instruments at fair value through other comprehensive income	27,314,368	10,254,528	37,568,896
Debt instruments at amortised cost	10,007,594	80,782,706	90,790,300
Units in Investment Funds	-	96,042	96,042
Investment in associates	-	13,348	13,348
Goodwill	-	43,371	43,371
Leasing	999,287	2,588,424	3,587,711
Loans and advances to customers	55,280,865	95,401,301	150,682,166
Current tax assets	1,881	-	1,881
Repossessed properties	-	9,949,527	9,949,527
Investment properties	-	6,181,297	6,181,297
Property and equipment	6,302	3,860,206	3,866,508
Intangible assets	9,646	555,359	565,005
Right-of-use assets	7,174	3,023,425	3,030,599
Other assets	1,526,421	202,282	1,728,703
Total	136,285,256	219,636,341	355,923,597
Liabilities			
Due to banks and other financial institutions	8,468,964	450,267	8,919,231
Due to customers	184,816,052	117,851,699	302,667,751
Borrowing	24,541	30,621	55,162
Debt represented by securities (MREL)	31,788	3,501,600	3,533,388
Subordinated debt	1,045,760	9,761,160	10,796,920
Current tax liabilities	-	-	-
Deferred tax liabilities	59,975	226,536	286,510
Lease liability	-	3,224,717	3,224,717
Other liabilities	936,057	-	936,057
Provisions	4,028	84,449	88,477
Total	195,187,165	135,121,048	330,308,213
Net positions	(58,901,909)	84,517,293	25,615,384

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL'000, unless otherwise stated)

45. Maturity analysis of assets and liabilities (continued)

31 December 2023	< 12 months	> 12 months	Total
Assets			
Cash and cash equivalent	50,202,509	-	50,202,509
Restricted balances with Central Bank	14,455,888	3,533,459	17,989,357
Loans and advances to banks	1,737,789	391,194	2,128,983
Reverse repurchase agreement	1,534,355	-	1,534,355
Debt securities measured at FVTPL	1,379	61,609	62,988
Debt instruments at fair value through other comprehensive income	14,000,631	8,967,611	22,968,242
Debt instruments at amortised cost	9,375,446	60,373,412	69,748,858
Quotas in Investment Funds	-	89,033	89,033
Investment in associates	-	8,163	8,163
Goodwill	-	43,371	43,371
Leasing	794,842	1,993,462	2,788,304
Loans and advances to customers	52,309,221	87,487,320	139,796,541
Repossessed properties	-	7,133,500	7,133,500
Investment properties	-	4,968,799	4,968,799
Property and equipment	7,866	3,603,096	3,610,962
Intangible assets	10,672	450,238	460,910
Right-of-use assets	7,975	3,633,547	3,641,522
Other assets	1,789,486	324,320	2,113,806
Total	146,228,069	183,062,134	329,290,203
Liabilities			
Due to banks and other financial institutions	5,185,111	401,956	5,587,067
Due to customers	185,418,257	101,899,133	287,317,390
Borrowing	39,309	53,159	92,468
Subordinated debt	1,083,813	9,046,296	10,130,109
Current tax liabilities	49,617	-	49,617
Deferred tax liabilities	10,971	148,177	159,148
Lease liability	-	3,841,493	3,841,493
Other liabilities	712,878	-	712,878
Provisions	2,509	80,370	82,879
Total	192,502,465	115,470,584	307,973,049
Net	(46,274,396)	67,591,550	21,317,154

Expected maturity dates do not differ significantly from the contract dates, except for:

- Retail deposits, which are included within Due to customers, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the Group's operations and liquidity needs because of the broad base of customers, and are renewable at the end of their contractual term, and
- Overdrafts, which are included within "Loans and advances to customers", which are generally short term and with a contractual maturity of up to 12 months, but in practice are renewed and their maturity is extended for another period, usually of up to 12 months.

46 Contingent liabilities and commitments

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognized in the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL'000, unless otherwise stated)

46 Contingent liabilities and commitments (continued)

Guarantees and letters of credit

Commitments and contingencies include guarantees extended to customers and received from credit institutions. The balance is comprised of the following:

	31 December 2024	31 December 2023
Guarantees in favour of customers	4,024,610	5,791,170
Commitments in favour of customers	4,854,077	5,071,736
ECL Impairment	(47,215)	(67,283)
Net of impairment	8,831,472	10,795,623
Guarantees pledged from credit customers	2,998,935	5,170,835
Guarantees received from credit customers	535,079,046	504,212,423
Commitments on securities	311,685	283,545
Commitments from financial institutions	-	-

Guarantees received from customers include cash collateral, mortgages, inventory and other assets pledged in favor of the Group from its borrowers. The Group issues guarantees and letters of credit for its customers. These instruments bear a credit risk similar to that of loans granted. Based on management's estimate, no material losses related to guarantees and letters of credit outstanding at 31 December 2024 will be incurred.

The table below shows an analysis of changes in the corresponding ECL allowances for each of the above categories is as follows:

Guarantees and letters of credit

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	67,283	-	-	67,283
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(20,068)	-	-	(20,068)
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	47,215	-	-	47,215
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	60,696	-	-	60,696
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	6,587	-	-	6,587
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	67,283	-	-	67,283

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL'000, unless otherwise stated)

46 Contingent liabilities and commitments (continued)

Operating Lease commitments – Group as lessee

The Group leases office premises in Tirana, Durres, Fier, Vlora, Lezha, Elbasan, Shkodra, Korca, Shijak, Kavaja, Kukës, Berat, Ballsh, Mat, Peshkopi and Vora mostly under ten year operating leases, as a lessee. Further, the Group rents premises in Prishtina, Ferizaj, Prizren, Fushe Kosova, Rruga B and Gijlan through its subsidiary in Kosovo. Below is presented information on future commitments for the years ended 31 December 2024 and 31 December 2023:

	Year ended 31 December 2024	Year ended 31 December 2023
Not later than 1 year	623,436	686,325
Later than 1 year and not later than 5 years	2,103,831	2,393,693
Later than 5 years	1,185,426	1,542,568
Total	3,912,693	4,622,586

Lease commitments – Group as lessor

The Group has issued financial leases to its customers, amounting ALL 4,227,816 thousand (31 December 2023: ALL 3,226,791 thousand). These leases have an average life of between one to five years, with no renewal option included in the contracts. Future minimum lease payments (principal and interest) as at 31 December 2024 and 31 December 2023 are detailed as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
Not later than 1 year	1,295,310	993,855
Later than 1 year and not later than 5 years	2,811,808	2,208,817
Later than 5 years	120,698	24,119
Total	4,227,816	3,226,791

Litigation and claims

The Group is subject to other legal proceedings, claims, and litigation arising in the ordinary course of business. Management believes that the ultimate costs to resolve these matters will not have a material adverse effect on the Group's financial position, results of operations, or cash flows.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken.

The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing.

At year end, the Group had several unresolved legal claims with no probable adverse effects. Accordingly, no provision, except for the amounts included in provision note 41, has been made in these Financial Statements.

47 Related party disclosures

In the following tables, the Group presents the relationships that existed between the Group and its related parties, the nature of the transactions, outstanding amounts and expenses and/or income recognized as at 31 December 2024 and 31 December 2023.

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Persons or entities that are related to the Group, by being either a person or close member of that person's family to the Group, by having control or joint control by a person or close member of that person's family, or by having significant influence over the entity, are presented as other related parties.

Related party transactions

Transaction	31 December 2024		31 December 2023	
	Key Management Personnel	Other related parties	Key Management Personnel	Other related parties
Lease expense	-	122,411	-	29,054
Income	2,795	229,726	214	195,570
Expenses	81,372	285,544	70,709	191,252

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL '000, unless otherwise stated)

47 Related party disclosures (continued)

Type of transaction	31 December 2024		31 December 2023	
	Key Management Personnel	Other related parties	Key Management Personnel	Other related parties
	ALL '000	ALL '000	ALL '000	ALL '000
Credit Line	-	560,084	-	560,337
Overdrafts	-	616,995	78	825,489
Term Loans	31,793	2,231,399	37,390	2,856,346
Leasing	-	50,806	-	47,727
LCs + LGs	-	69,315	-	208,300
Current accounts	7,929	1,179,502	38,139	1,624,449
Term deposits	53,200	408,153	253,004	319,385
Collateral placed in favour of the Group	69,939	12,311,201	73,932	17,207,868

Type of transaction	Interest rates (in %)	
	31 December 2024	31 December 2023
	Credit Line	5.50%
Overdrafts	1.89%-16%	1.89%-24%
Term Loans	1%-8.25%	1%-9.73%
Leasing	4%-7.3%	4%-7.3%
Current accounts	0.00%	0.00%
Term deposits	0.0%-4.5%	0.0%-4.5%

In addition, the key management personnel remuneration has been as follows, with no other benefits to disclose as at 31 December 2024 and 31 December 2023:

	Salaries	Bonuses
Year ended 31 December 2024		
Key management remuneration	69,732	25,479
Board of Directors remuneration	6,476	12,654
Year ended 31 December 2023		
Key management remuneration	64,910	23,371
Board of Directors remuneration	7,878	11,686

48 Risk management

48.1 Introduction and overview

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

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight and control of the Group's risk management framework. The Board has established the Group Asset and Liability Committee (ALCO) and the Credit Committee, which are responsible for developing and monitoring Group risk management policies in specified areas up to predetermined limits of exposure.

The risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Amounts in ALL '000, unless otherwise stated)

48 Risk management (continued)

48.1 Introduction and overview (continued)

The Control Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. On the other hand, the Control Committee is supported by Internal Control to perform its functions. Internal control observes regularly and ad-hoc the risk management policies and procedures and reports the results of the observations to the Control Committee.

48.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers and other Groups and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The risk arising from investments in securities is maintained in low levels as investments are made only in government securities, Treasury Bills and Bonds, considered as low risk investments.

The Board of Directors has delegated responsibility for the management of credit risk to its Group Credit Committees for all credit exposures within 5% of the Group's regulatory capital. The Board of Directors in cooperation with the Credit Committee is responsible for oversight of the Group's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, documentary and legal procedures, compliance with regulatory and statutory requirements, establishing the authorization structure for the approval and renewal of credit facilities.

Authorization limits are allocated to Risk Division Credit Committees. Larger facilities require approval by the Senior Credit Committee, with the involvement of the High Management level or the Board of Directors as appropriate. Credit decision making Authorities assess all credit exposures in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

Developing and maintaining the Group's risk classifications in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades in accordance with the Central Bank Credit Risk Management Regulation, reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approval by the Credit Committee and these grades are subject to regular monthly reviews. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Group Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken. Providing advice, guidance, and specialist skills to business units to promote best practice throughout the Group in the management of credit risk. Each branch and business unit is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit/branch has a Chief Credit Risk officer who reports on all credit related matters to local management and the Group Credit Committee. Each business unit/branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subjects to central approval.

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Notes to the consolidated financial statements for the year ended 31 December 2024

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48 Risk management (continued)

48.2 Credit risk (continued)

Regular audits of business units and Group Credit processes are undertaken by Internal Audit. Based on the Group's internal rating policy, the portfolio rating as at 31 December 2024 and 31 December 2023 is as follows:

Group's Credit Rating	31 December 2024		31 December 2023	
	Amount	% to Total Gross	Amount	% to Total Gross
A+	551,538	0.33%	525,197	0.34%
A	14,042,440	8.39%	16,899,660	11.02%
A-	27,017,557	16.14%	27,733,998	18.08%
B+	18,549,844	11.08%	18,382,131	11.98%
B	48,312,547	28.86%	41,944,546	27.35%
B-	2,420,336	1.45%	3,388,055	2.21%
C+	99,638	0.06%	405,404	0.26%
C	13,321	0.01%	101,781	0.07%
C+	338,710	0.20%	353,909	0.23%
D	3,379,769	2.02%	3,356,911	2.19%
E+	652,750	0.39%	644,069	0.42%
E	920,236	0.55%	1,077,742	0.70%
E-	708	-	1,164	-
Loans with a credit rating	116,299,394	69.47%	114,814,567	74.86%
Loans with no rating	19,908,883	11.89%	11,688,079	7.62%
Loans with credit score	29,466,619	17.60%	25,625,863	16.71%
Total Gross Loan portfolio	165,674,896	98.96%	152,128,509	99.18%
Leasing with no rating	1,734,068	1.04%	1,254,833	0.82%
Total Gross Loan & Leasing portfolio	167,408,964	100.00%	153,383,342	100.00%

The table below shows the credit quality by class of assets for loans and advances to customers and leasing to credit risk, based on the Group's internal credit rating system. The amounts presented are gross impairment allowances.

Group's Internal Credit Rating	31 December 2024		31 December 2023	
	Default rates in %	Total	Default rates in %	Total
High grade		48,213,158		50,368,218
Risk rating class 1	1.69%	2,832,379	2.02%	3,091,835
Risk rating class 2	8.46%	14,161,685	10.21%	15,654,849
Risk rating class 3	18.65%	31,219,094	20.62%	31,621,534
Standard grade		86,185,425		77,558,818
Risk rating class 4	19.82%	33,180,677	20.68%	31,720,300
Risk rating class 5	31.66%	53,004,748	29.88%	45,838,518
Sub-standard grade		11,367,431		12,513,394
Risk rating class 6 and lower	8.79%	11,367,431	8.16%	12,513,394
No rating		19,908,883		11,688,079
Leasing with no rating	1.07%	1,734,067	0.82%	1,254,833
Total		167,408,964		153,383,342

The classification of the internal rating is in accordance with the Group's procedures regarding the different segments of the client. In the high grade class are included the valuations for the commercial clients (A+, A, A-) and the valuations for individuals and micro (classes 1, 2). For the standard grade are included the valuations for the commercial clients (B+, B) and the valuations for individuals and micro (classes 3, 4, 5). And in the sub-standard grade are included the valuations for the commercial clients (B- and lower) the valuations for individuals and micro (classes 6, 7).

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(Amounts in ALL '000, unless otherwise stated)

48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk

	Gross maximum exposure	
	31 December 2024	31 December 2023
Cash and cash equivalent (excluding cash on hand)	20,072,749	45,356,298
Restricted balances with Central Bank	17,922,364	17,989,357
Loans and advances to banks	2,907,551	2,128,983
Debt securities measured at FVTPL	51,403	62,988
Debt instruments at fair value through other comprehensive income	37,568,896	22,968,242
Debt instruments at amortised cost	90,790,300	69,748,858
Quotas on investment fund	96,042	89,033
Leasing (gross)	3,632,329	2,813,072
Loans and advances to customers (gross)	163,776,635	150,570,270
Other assets (Debtors)	826,360	879,429
Total	337,734,629	312,606,530
Undrawn credit commitments	4,840,575	5,060,323
Letters of credit	13,502	11,413
Guarantees in favor of customers	4,024,610	5,791,170
Total Credit related commitments	8,878,687	10,862,906
Total Credit Risk Exposure	346,613,316	323,469,436

The aging of past due and not impaired exposures for loans and advances to customers as at 31 December 2024 and 31 December 2023 is presented in the following table:

	31 December 2024	31 December 2023
Past due but not individually impaired		
0-30 days	-	-
31-60 days	-	-
61-90 days	-	3,771
over 90 days	-	-
Total	-	3,771

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Notes to the consolidated financial statements for the year ended 31 December 2024
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48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk (continued)

The table below shows the credit quality for loans and advances to customers for the year as at 31 December 2024 and 31 December 2023, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

31 December 2024	Neither past due nor impaired				Total
	Investment grade	Standard grade	Sub standard grade	Without rating	
Corporate lending	21,904,764	52,094,905	4,734,034	11,760,634	86,836,833
Small business lending	7,662,095	14,716,816	2,009,035	4,890,714	30,166,892
Consumer lending	3,819,707	3,670,040	1,420,813	611,690	9,598,070
Residential mortgage	9,371,193	11,049,270	1,826,328	2,511,407	25,174,839
Total	42,757,759	81,531,031	9,990,210	19,774,345	163,776,634
Allowances for impairment of loans	(1,231,954)	(2,416,333)	(426,549)	(762,492)	(13,094,468)
Loan exposure, net of allowances	41,525,805	79,114,698	9,563,661	19,011,853	150,682,166

31 December 2023

Investment grade	Neither past due nor impaired		Past due but not impaired	Total	
	Standard grade	Sub standard grade			
Corporate lending	9,769,899	50,699,900	3,861,249	74,021	8,219,978
Small business lending	3,844,690	11,851,307	996,251	8,912,489	652,345
Consumer lending	2,955,023	3,778,375	1,120,685	827,435	31,308
Residential mortgage	5,432,196	9,256,629	1,663,334	2,738,290	158,157
Total	22,001,808	75,566,211	7,641,519	36,152,158	150,570,271
Allowances for impairment of loans	(263,492)	(2,123,906)	(119,713)	(1,039,912)	(7,212,326)
Loan exposure, net of allowances	21,738,316	73,462,305	7,521,806	35,112,246	139,796,541

For the purpose of this disclosure, the Group includes under the category of "neither past due nor impaired" loans that are tested collectively for impairment.

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Notes to the consolidated financial statements for the year ended 31 December 2024
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48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk (continued)

The table below shows the credit quality for leasing for the year as at 31 December 2024 and 31 December 2023, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

31 December 2024	Neither past due nor impaired			Total	
	High grade	Standard grade	Sub standard grade		
Corporate	258,054	286,312	11,831	60,226	1,820
Small business	474,251	818,813	98,518	934,046	36,461
Consumer	165,382	130,353	11,483	344,779	-
Residential mortgage	-	-	-	-	-
Total	897,687	1,235,478	121,832	1,339,051	38,281
Allowances for impairment of leasing	(4,514)	(9,879)	(393)	(4,269)	(25,563)
Leasing exposure, net of allowances	893,173	1,225,599	121,439	1,334,782	12,718

31 December 2023

High grade	Neither past due nor impaired		Total		
	Standard grade	Sub standard grade			
Corporate	40,819	233,827	24,961	381,271	5,980
Small business	74,415	566,954	59,750	967,521	31,142
Consumer	63,184	94,421	10,375	269,060	-
Residential mortgage	-	-	-	-	-
Total	178,418	895,202	94,786	1,607,842	36,822
Allowances for impairment of leasing	(66)	(2,914)	(48)	(1,578)	(20,160)
Leasing exposure, net of allowances	178,352	892,288	94,738	1,606,264	16,662

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48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk (continued)

The following tables set out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed. Explanation of the terms: Stage 1, Stage 2 and Stage 3 are included in Note 8.7.1.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and Cash equivalents				
<i>Current accounts with banks</i>				
Low- fair risk	2,928,716	-	-	2,928,716
Less: allowance	(1,085)	-	-	(1,085)
Carrying amount	2,927,631	-	-	2,927,631
<i>Money market placements</i>				
Low- fair risk	3,481,733	-	-	3,481,733
Less: allowance	(9,517)	-	-	(9,517)
Carrying amount	3,472,216	-	-	3,472,216
<i>Unrestricted balances with central bank</i>				
Low- fair risk	13,708,360	-	-	13,708,360
Less: allowance	(35,458)	-	-	(35,458)
Carrying amount	13,672,902	-	-	13,672,902
Total	20,072,749	-	-	20,072,749

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Cash and Cash equivalents				
<i>Current accounts with banks</i>				
Low- fair risk	2,186,842	-	-	2,186,842
Less: allowance	(12,568)	-	-	(12,568)
Carrying amount	2,174,274	-	-	2,174,274
<i>Money market placements</i>				
Low- fair risk	6,659,681	-	-	6,659,681
Less: allowance	(16,691)	-	-	(16,691)
Carrying amount	6,642,990	-	-	6,642,990
<i>Unrestricted balances with central bank</i>				
Low- fair risk	38,159,319	-	-	38,159,319
Less: allowance	(92,604)	-	-	(92,604)
Carrying amount	38,066,715	-	-	38,066,715
Total	46,883,979	-	-	46,883,979

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Restricted cash at Central Bank				
Low- fair risk	17,973,355	-	-	17,973,355
Less: allowance	(50,991)	-	-	(50,991)
Carrying amount	17,922,364	-	-	17,922,364

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Restricted cash at Central Bank				
Low- fair risk	18,041,291	-	-	18,041,291
Less: allowance	(51,934)	-	-	(51,934)
Carrying amount	17,989,357	-	-	17,989,357

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Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk (continued)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
<i>Debt instruments at fair value through other comprehensive income</i>				
Low- fair risk	37,629,704	-	-	37,629,704
Less: allowance	(60,808)	-	-	(60,808)
Carrying amount	37,568,896	-	-	37,568,896

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<i>Investment securities</i>				
Low- fair risk	23,028,951	-	-	23,028,951
Less: allowance	(60,709)	-	-	(60,709)
Carrying amount	22,968,242	-	-	22,968,242

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
<i>Debt instruments at amortized cost</i>				
Low- fair risk	90,967,961	-	-	90,967,961
Less: allowance	(177,661)	-	-	(177,661)
Carrying amount	90,790,300	-	-	90,790,300

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<i>Debt instruments at amortized cost</i>				
Low- fair risk	69,878,786	-	-	69,878,786
Less: allowance	(129,928)	-	-	(129,928)
Carrying amount	69,748,858	-	-	69,748,858

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
<i>Leasing</i>				
Low- fair risk	3,542,936	34,890	-	3,577,826
Monitoring	3,709	1,173	-	4,882
Substandard	-	-	10,553	10,553
Doubtful	-	-	295	295
Lost	-	-	38,773	38,773
Less: allowance	(12,607)	(2,117)	(29,894)	(44,618)
Carrying amount	3,534,038	33,946	19,727	3,587,711

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<i>Leasing</i>				
Low- fair risk	-	-	6,749	6,749
Monitoring	599	5,415	-	6,014
Substandard	2,755,297	-	1,164	2,756,461
Doubtful	-	-	799	799
Lost	-	-	43,047	43,047
Less: allowance	(1,897)	(57)	(22,812)	(24,766)
Carrying amount	2,753,999	5,358	20,947	2,780,304

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48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk (continued)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Low- fair risk	141,810,889	5,675,421	1,058,349	148,544,659
Monitoring	4,237,069	1,480,113	41,213	5,758,395
Substandard	-	-	334,664	334,664
Doubtful	-	-	228,498	228,498
Lost	-	-	8,910,443	8,910,443
Less: allowance	(3,781,092)	(691,422)	(8,621,977)	(13,094,491)
Carrying amount	142,266,866	6,464,112	1,951,188	150,682,166
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Low- fair risk	5,968,314	32,266	2,501,942	8,502,522
Monitoring	5,537,473	4,113,234	26,848	9,677,555
Substandard	120,874,121	4,479,904	352,407	125,706,432
Doubtful	2,428	3,635	585,442	591,505
Lost	-	-	6,092,257	6,092,257
Less: allowance	(2,047,962)	(1,401,730)	(7,324,038)	(10,773,730)
Carrying amount	130,334,374	7,227,309	2,234,858	139,796,541
	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Financial guarantees and other commitments				
Low- fair risk	8,878,687	-	-	8,878,687
Less: allowance	(47,215)	-	-	(47,215)
Carrying amount	8,831,472	-	-	8,831,472
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Financial guarantees and other commitments				
Low- fair risk	10,862,906	-	-	10,862,906
Less: allowance	(67,283)	-	-	(67,283)
Carrying amount	10,795,623	-	-	10,795,623

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Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk (continued)

The table below shows the net exposure to loans and advances to customers and leasing as at 31 December 2024 and 31 December 2023, categorized as per individual and collective impaired portfolio:

	Net exposure to Loans and advances to customers and leases	
	31 December 2024	31 December 2023
Individually impaired		
Past due and impaired	9,575,771	9,205,307
Allowance for impairment	(8,273,045)	(7,246,867)
Carrying amount	1,302,726	1,958,440
Collectively assessed for impaired		
Past due but not impaired	151,233,250	144,178,033
Allowance for impairment	(4,831,308)	(3,551,628)
Carrying amount	146,401,942	140,626,405
Impairment neither individual or collective	6,600,111	-
Not overdue but individually impaired	(34,902)	-
Net amount	8,565,209	-
Total carrying amount on loans and advances to customers	154,269,877	142,584,845

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of expected losses in its loan portfolio. The main component of this allowance is the specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but not identified as well as expected losses on loans subject to individual assessment for impairment.

Write-off policy

The writing off of losses is done following a decision from the Board of Directors when the legal process of demanding payment from the borrower is completed and the borrower continues to be a debtor to the Group for the unpaid portion.

Loans and advances to customers

The Group holds collateral against loans and advances to customers and leasing in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2024 or 31 December 2023. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	31 December 2024	31 December 2023
Against individually impaired:	4,819,075	3,961,111
Property	3,888,751	2,983,823
Other	930,324	977,288
Against collectively impaired:	271,114,528	256,251,069
Property	199,571,237	193,747,208
Other	71,543,291	62,503,861
Total	275,933,603	260,212,180

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Notes to the consolidated financial statements for the year ended 31 December 2024
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48 Risk management (continued)

48.2 Credit risk (continued)

Exposure to credit risk (continued)

The financial effect of collateral, by showing the level of provisions if no collateral would be considered is shown as below:

	31 December 2024	31 December 2023
Gross amount of loans	167,409,132	153,383,341
Provisions if no collateral would be considered	(20,136,033)	(15,202,293)
Total carrying amount on loans and advances to customers	147,273,099	138,181,048

Risk concentration

The Group monitors concentrations of credit risk by industry sector, geographic location, counterparty, maturity, and currency. An analysis of concentrations of credit risk by industry sector and geographic location at the reporting date is shown below:

Loans and advances to customers and leasing	31 December 2024			31 December 2023		
	Albania	Others	Total	Albania	Others	Total
Construction	15,570,988	11,453,920	27,024,908	17,016,600	9,263,210	26,279,810
Commerce	35,757,074	5,145,649	40,902,723	36,535,414	4,663,669	41,199,083
Consumer loans	33,513,394	2,752,862	36,266,256	8,660,251	1,080,752	9,741,003
Public, social and personal services	18,651,990	1,765,799	20,417,789	22,440,713	3,701,707	26,142,420
Processing industry	4,787,931	4,621,844	9,409,775	4,364,765	2,767,678	7,132,443
Hotels and restaurants	8,662,961	247,307	8,910,268	6,659,413	240,788	6,900,201
Production and distribution of electricity/water	5,154,723	616	5,155,339	5,017,993	20,578	5,038,571
Real estate	2,734,704	151,017	2,885,721	1,208,106	173,743	1,381,849
Transport and telecommunication	3,701,074	1,219,061	4,920,135	3,704,662	717,803	4,422,465
Agriculture	1,827,225	61,852	1,889,077	1,792,803	487,007	2,279,810
Mining	1,077,961	3,152,711	4,230,672	291,130	682,925	974,055
Health and social activities	3,704,275	156,854	3,861,129	1,101,476	127,263	1,228,739
Fishery	11,180	-	11,180	16,267	-	16,267
Other	806,893	717,467	1,524,360	19,518,224	1,128,401	20,646,625
	135,962,373	31,446,759	167,409,132	128,327,817	25,055,524	153,383,341

An analysis of concentrations of credit risk by industry sector at the reporting date is shown below:

31 December 2024	Corporate lending	Small business lending	Consumer lending	Residential mortgage	Total
Individuals	-	841,352	9,598,070	25,826,835	36,266,257
Public Sector	573,362	-	-	-	573,362
Trade	35,232,567	5,670,156	-	-	40,902,723
Manufacturing	6,209,146	3,200,629	-	-	9,409,775
Construction	20,508,882	4,507,006	-	-	25,015,888
Services	26,984,824	2,203,389	-	-	29,188,213
Others	15,181,109	8,774,668	-	-	23,955,777
Total	104,689,890	25,197,210	9,598,070	25,826,835	165,312,005
Financial Services	78,663	2,018,464	-	-	2,097,127

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48 Risk management (continued)

48.2 Credit risk (continued)

Risk concentration (continued)

31 December 2023	Corporate lending	Small business lending	Consumer lending	Residential mortgage	Total
Individuals	-	3,472,037	9,154,411	16,772,019	29,398,467
Public Sector	139,224	-	-	-	139,224
Trade	36,241,867	4,967,217	-	-	41,199,084
Manufacturing	8,491,102	3,659,333	-	-	12,150,435
Construction	20,793,623	5,486,204	-	-	26,279,827
Services	19,946,381	3,286,156	-	-	23,232,537
Others	11,335,606	8,123,554	-	-	19,459,160
Total	96,947,803	28,984,501	9,154,411	16,772,019	151,858,734
Financial Services	37,446	1,487,161	-	-	1,524,607

48.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Short-term liquidity is managed by the Treasury Department, while mid-term and long-term liquidity is managed by ALCO. The Risk Management Division reports regularly to ALCO and the Treasury Department on the level of exposure to liquidity risk.

The Treasury Department maintains a portfolio of short-term liquid assets, made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained by the Group. Daily reports produced by the Treasury as well as weekly and monthly reports produced by the Risk Management Division cover the liquidity position of the Group. All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are the calculation of liquidity ratios and the evaluation of liquidity gaps for specific periods.

The Group calculates on a weekly basis the following ratios: liquid assets to short-term liabilities, loans to deposits, and liquid assets to deposits. Liquid assets are considered as including cash and cash equivalents, Albanian government treasury bills and any short-term deposits with banks maturing within one month. Details of the liquid assets to short-term liabilities ratio during the reporting period were as follows:

	31 December 2024	31 December 2023
Average for the period	44.69%	39.05%
Minimum for the period	10.71%	35.98%
Maximum for the period	50.60%	46.39%

The Group has in place an emergency plan for liquidity risk management in unusual circumstances, considering various scenarios, which may affect the level of liquidity of the Group. The Group considers the liquidity risk in the recovery plans, in the internal capital adequacy assessment process, setting well-defined limits on its appetite for risk. The Group is confident that its sources of capital can be available at any time.

Maturity gaps for each major currency are calculated and analyzed by the Group on a monthly basis. The tables below show an analysis of the Group's assets and liabilities as of 31 December 2024 and 31 December 2023 according to their remaining maturity.

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48 Risk management (continued)

48.3 Liquidity risk (continued)

Exposure to liquidity risk (continued)

The table shows the liquidity situation of the Group as currently monitored by the Group's management, as at 31 December 2024. It considers the undiscounted cash flows in/out of the Group for on and off financial assets and liabilities, reflecting any earlier repayment or retention history assumptions.

	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
31 December 2024						
ASSETS (Cash flow in)	54,200,011	23,024,368	58,328,236	143,377,992	52,452,459	331,383,066
Cash and cash equivalents	26,523,946	-	-	-	-	26,523,946
Resitified balances with Central Bank	3,035,071	1,738,791	6,864,841	6,258,283	25,376	17,922,364
Loans and advances to banks	551,720	339,827	1,703,139	402,865	-	2,997,551
Reverse repurchase agreement	322,979	-	-	-	-	322,979
Debt securities measured at FVTPL	51,403	-	-	-	-	51,403
Debt securities measured at FVOCI	12,347,673	7,504,619	7,162,075	7,806,139	2,448,390	37,568,696
Debt securities measured at amortised cost	990,891	3,229,607	5,738,406	60,265,545	20,567,851	90,730,300
Units of investment fund	43,115	-	-	-	52,927	96,042
Investments in associates	-	-	-	-	13,348	13,348
Leasing	109,897	180,544	708,846	2,474,860	113,544	3,587,711
Loans and advances to customers	9,396,956	9,730,990	36,152,929	66,170,280	28,231,021	150,682,166
Other assets (debtors)	826,360	-	-	-	-	826,360
LIABILITIES (Cash flow out)	60,821,446	32,605,552	99,535,941	125,997,410	7,012,640	325,972,989
Deposits from bank and customers-Current account	41,408,274	23,401,604	62,688,268	21,940,183	-	149,438,329
Current account with banks	2,142,323	851,241	443,605	-	-	3,437,169
Current account with customers	39,265,951	22,550,363	62,244,662	21,940,184	-	146,001,160
Deposits from banks	3,293,149	70,656	1,687,991	446,486	3,781	5,482,062
Deposits from customers-Time deposits	15,833,462	8,634,937	34,561,973	95,869,346	1,466,873	156,466,591
Debt represented by securities (MREL)	-	23,130	8,659	3,501,599	-	3,533,388
Borrowing	-	7,335	17,206	28,650	1,971	55,162
Subordinated debt	86,024	467,881	491,845	4,211,145	5,540,015	10,796,920
Other liabilities (suppliers)	200,537	-	-	-	-	200,537
TOTAL GAP ON BALANCE SHEET	(6,621,435)	(9,581,184)	(41,207,705)	17,380,582	45,439,819	5,410,077
Off Balance sheet (Cash flow in)	-	-	-	-	-	-
Off Balance sheet (Cash flow out)	(4,840,575)	-	-	-	-	(4,840,575)
TOTAL GAP OFF BALANCE SHEET	(11,462,010)	(9,581,184)	(41,207,705)	17,380,582	45,439,819	569,502
Total GAP 31 December	(11,462,010)	(21,043,194)	(62,250,899)	(44,870,317)	569,502	-
Cumulative GAP 31 December 2024						

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48 Risk management (continued)

48.3 Liquidity risk (continued)

Exposure to liquidity risk (continued)

	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
31 December 2023						
ASSETS (Cash flow in)	69,823,131	19,579,668	55,837,910	113,879,718	49,066,152	308,188,599
Cash and cash equivalents	50,202,509	-	-	-	-	50,202,509
Resitified balances with Central Bank	6,516,153	2,010,133	5,929,613	3,341,817	191,641	17,989,357
Loans and advances to banks	407,500	254,740	1,075,549	391,194	-	2,128,983
Reverse repurchase agreement	1,534,355	-	-	-	-	1,534,355
Financial Assets measured at FVPL	1,361	-	18	61,609	-	62,988
Debt securities measured at FVOCI	989,030	5,923,851	7,087,683	8,060,589	907,089	22,968,242
Debt securities measured at amortised cost	2,897,145	4,706,906	1,620,691	45,090,713	15,333,403	69,748,858
Quoles of investment fund	-	-	-	-	89,033	89,033
Leasing	76,350	139,154	579,336	1,965,381	28,081	2,788,304
Loans and advances to customers	6,219,299	6,544,804	39,545,018	54,968,415	32,518,905	139,796,541
Other assets (debtors)	879,429	-	-	-	-	879,429
LIABILITIES (Cash flow out)	66,932,890	28,393,553	96,496,912	105,631,361	5,884,203	303,338,919
Deposits from bank and customers-Current account	43,917,125	18,640,909	58,982,816	20,292,691	-	141,833,441
Current account with banks	2,370,447	-	-	-	-	2,370,447
Current account with customers	41,546,678	18,640,909	58,982,816	20,292,691	-	139,462,994
Deposits from banks	521,236	189,171	1,426,366	397,244	4,712	2,538,728
Deposits from customers-Time deposits	22,194,831	9,237,480	35,378,434	80,658,402	1,063,161	148,532,288
Borrowing	-	13,568	25,742	52,243	916	92,469
Subordinated debt	87,814	312,445	683,554	4,230,881	4,815,414	10,130,108
Other liabilities (suppliers)	211,885	-	-	-	-	211,885
TOTAL GAP ON BALANCE SHEET	2,890,241	(8,813,865)	(40,659,002)	8,248,357	43,183,949	4,949,680
Off Balance sheet (Cash flow in)	-	-	-	-	-	-
Off Balance sheet (Cash flow out)	(5,060,323)	-	-	-	-	(5,060,323)
TOTAL GAP OFF BALANCE SHEET	(5,060,323)	-	-	-	-	(5,060,323)
Total GAP 31 December	(2,170,082)	(8,813,865)	(40,659,002)	8,248,357	43,183,949	(210,643)
Cumulative GAP 31 December 2023	(2,170,082)	(10,983,947)	(51,642,949)	(43,394,592)	(210,643)	-

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Notes to the consolidated financial statements for the year ended 31 December 2024
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48 Risk management (continued)

48.3 Liquidity risk (continued)

Exposure to liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual discounted payments, and not reflecting any earlier repayment or retention history assumptions.

	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
31 December 2024						
Deposits from bank and customers-Current account	41,408,274	23,401,604	62,688,268	21,940,183	-	149,438,329
Current account with banks	2,142,323	851,241	443,005	-	-	3,437,169
Current account with customers	39,265,951	22,550,364	62,244,862	21,940,183	-	146,001,160
Deposits from banks	3,293,149	70,654	1,667,981	446,486	3,782	5,482,062
Deposits from customers-Time deposits	15,833,462	8,634,937	34,661,973	95,869,346	1,466,873	156,466,591
Borrowing	-	7,335	17,206	28,650	1,971	55,162
Debt represented by securities (MREL)	-	23,130	8,659	3,501,599	-	3,533,388
Subordinated debt	86,024	467,891	491,845	4,211,145	5,640,015	10,796,920
Other liabilities (suppliers)	200,537	-	-	-	-	200,537
	60,821,446	32,685,552	99,535,941	125,997,409	7,012,641	325,972,989
31 December 2023						
Deposits from bank and customers-Current account	43,291,318	18,640,909	58,982,816	20,292,591	-	141,207,634
Current account with banks	2,370,447	-	-	-	-	2,370,447
Current account with customers	40,920,871	18,640,909	58,982,816	20,292,591	-	138,837,187
Deposits from bank	989,154	1,740,515	1,740,515	397,244	4,711	4,414,469
Deposits from customers-Time deposits	20,940,482	9,206,455	34,527,290	81,226,805	1,382,322	147,282,354
Borrowing	-	13,568	25,742	52,243	915	92,468
Subordinated debt	87,814	312,445	683,554	4,230,881	4,815,415	10,130,109
Other liabilities (suppliers)	211,885	-	-	-	-	211,885
	65,620,653	29,456,222	95,959,917	106,196,764	6,203,363	303,338,919

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48 Risk management (continued)

48.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments.

Management of market risks

ALCO is responsible for the overall management of market risks. The risk of foreign exchange positions is measured and reported by the Risk Management Department on a daily basis. The Group manages this risk by closing daily open foreign currency positions and by establishing and monitoring limits on open positions. The Group manages interest rate risk by conducting reprising gap analysis and profit margin analysis for each major currency. The Risk Management Department produces these reports on a monthly basis.

Exposure to foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ALCO has set limits on positions by currency. In accordance with the Group's policy, positions are monitored on a daily basis to ensure positions are maintained within established limits.

The analysis of assets and liabilities as of 31 December 2024 and 31 December 2023 by the foreign currencies in which they were denominated is as follows:

	ALL	USD	EUR	OTHER	TOTAL
31 December 2024					
Cash and Cash equivalent	10,133,141	3,451,884	8,190,350	4,748,771	26,523,946
Restricted balances with Central Bank	5,948,748	996,039	10,977,577	-	17,922,364
Loans and advances to banks	1,793,204	969,696	234,651	-	2,997,551
Reverse repurchase agreement	322,979	-	-	-	322,979
Debt securities measured at FVTPL	51,403	-	-	-	51,403
Debt securities measured at FVOCI	22,565,385	2,960,956	9,705,926	2,336,627	37,568,896
Debt securities measured at amortized cost	43,383,823	2,649,763	44,756,714	-	90,790,300
Units of investment fund	96,042	-	-	-	96,042
Investments in associates	2,677	-	10,671	-	13,348
Leasing	202,221	-	3,385,490	-	3,587,711
Loans and advances to customers	82,144,759	1,969,004	66,568,403	-	150,682,166
Other assets (debtors)	678,446	8,258	137,761	1,895	826,360
Total assets	167,322,828	13,005,400	143,967,545	7,087,293	331,383,066
Due to banks and other financial institutions	3,478,353	780,793	4,601,252	58,833	8,919,231
Due to customers	158,841,261	9,623,139	127,183,925	6,819,426	302,467,751
Borrowings	-	-	55,162	-	55,162
Debt represented by securities (MREL)	1,838,420	40,978	1,653,890	-	3,533,388
Subordinated debt	6,112,372	456,393	4,228,155	-	10,796,920
Other liabilities (suppliers)	156,607	3,301	40,279	350	200,537
Total liabilities	170,427,013	10,904,604	137,762,763	6,878,609	325,972,989
Net position	(3,104,185)	2,100,796	6,204,782	208,684	5,410,077
31 December 2023					
Cash and Cash equivalent	11,965,109	6,594,302	24,633,431	7,009,667	50,202,509
Restricted balances with Central Bank	5,754,137	985,142	11,250,078	-	17,989,357
Loans and advances to banks	1,345,481	540,450	243,052	-	2,128,983
Reverse repurchase agreement	1,534,355	-	-	-	1,534,355
Debt securities measured at FVTPL	62,988	-	-	-	62,988
Debt securities measured at FVOCI	21,221,764	-	1,746,478	-	22,968,242
Debt securities measured at amortized cost	31,118,811	2,613,998	36,016,049	-	69,748,858
Quotas of investment fund	89,033	-	-	-	89,033
Leasing	251,541	-	2,536,763	-	2,788,304
Loans and advances to customers	82,853,111	2,277,353	54,666,077	-	139,796,541
Other assets (debtors)	608,422	86,196	182,116	1,695	879,429
Total assets	156,805,752	13,097,441	131,274,044	7,011,362	308,188,599
Due to banks and other financial institutions	2,589,467	408,679	2,581,129	7,792	5,587,067
Due to customers	151,204,056	10,378,878	118,884,242	6,850,214	287,317,390
Borrowings	-	-	92,468	-	92,468
Subordinated debt	5,731,366	572,412	3,826,331	-	10,130,109
Other liabilities (suppliers)	132,474	6,736	71,097	1,578	211,885
Total liabilities	159,657,363	11,366,705	125,455,267	6,859,584	303,338,919
Net position	(2,851,611)	1,730,736	5,818,777	151,778	4,849,680

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48 Risk management (continued)

48.4 Market risk (continued)

Exposure to foreign exchange risk (continued)

The table below shows the sensitivity analysis on currency risk as at 31 December 2024 and 31 December 2023 for a change of +/- 100 basis points and the respective effect in pretax profit and loss. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Albanian ALL (all other variables being held constant) on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Albanian ALL would have resulted in an equivalent but opposite impact.

Currency	31 December 2024			31 December 2023		
	Increase in basis point	Effect on pretax profit/loss	Effect on equity	Increase in basis point	Effect on pretax profit/loss	Effect on equity
EURO	+/- 100 b.p.	+/- 3,206	+/- 2,725	+/- 100 b.p.	+/- 3,103	+/- 2,638
USD	+/- 100 b.p.	-/+ 404	-/+ 343	+/- 100 b.p.	-/+ 454	-/+ 386
Other	+/- 100 b.p.	+/- 1,125	+/- 956	+/- 100 b.p.	+/- 201	+/- 171

As there are no equity balances denominated in foreign currency (share capital paid in either USD or EUR is translated to ALL using the historical foreign exchange rate at the transaction date), the effect in equity is the same to the effect on the income statement, as at 31 December 2024 and 31 December 2023 and for the year then ended.

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48 Risk management (continued)

48.4 Market risk (continued)

Exposure to interest rate risk

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities and interest rate gap position as at 31 December 2024 and 31 December 2023. The Group's assets and liabilities are included in the carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

31 December 2024	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
Assets							
Cash and cash equivalents	305,346	-	-	-	-	26,218,600	26,523,946
Restricted balances with Central Bank	17,922,364	-	-	-	-	-	17,922,364
Loans and advances to banks	551,720	339,839	1,633,321	402,865	-	69,806	2,997,551
Reverse Repurchase Agreement	322,979	-	-	-	-	-	322,979
Debt securities measured at FVTPL	-	-	-	-	-	51,403	51,403
Debt securities measured at FVOCI	12,347,673	7,805,236	7,162,605	7,604,519	2,448,863	-	37,568,896
Debt securities measured at amortized cost	991,630	3,228,868	5,736,406	60,266,019	20,567,377	-	90,790,300
Quotes in investment fund	-	-	-	-	-	96,042	96,042
Investments in associates	-	-	-	-	-	13,348	13,348
Leasing	109,800	180,550	749,001	2,434,892	113,468	-	3,587,711
Loans and advances to customers	8,947,659	125,020,890	12,690,400	3,670,180	98,046	254,991	150,882,166
Other assets (debtors)	-	-	-	-	-	826,360	826,360
Total assets	41,499,171	136,575,383	27,971,733	74,578,475	23,227,754	27,530,550	331,383,066
Liabilities							
Due to banks and other financial institutions	5,318,568	921,895	2,111,597	446,486	3,782	116,883	8,919,231
Due to customers	24,215,566	16,011,847	57,401,346	107,543,691	1,065,495	96,209,786	302,467,751
Borrowing	-	-	-	-	-	55,162	55,162
Debt represented by securities (MREL)	-	23,130	8,658	3,501,600	-	-	3,533,388
Subordinated debt	-	371,275	383,454	1,376,192	-	8,666,009	10,796,920
Other liabilities (suppliers)	-	-	-	-	-	200,537	200,537
Total liabilities	29,534,174	17,328,147	59,905,055	112,667,959	1,089,277	105,248,377	325,972,989
GAP as at 31 December 2024	11,964,997	119,247,236	(31,933,322)	(38,269,484)	22,138,477	(77,717,827)	5,410,077

The amounts not allocated include exposures that are not sensitive to any interest rates.

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Notes to the consolidated financial statements for the year ended 31 December 2024
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48 Risk management (continued)

48.4 Market risk (continued)

Exposure to interest rate risk (continued)

A summary of the Group's interest rate gap position as of 31 December 2023 is as follows:

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
31 December 2023							
Assets							
Cash and cash equivalents	196,256	-	-	-	-	50,006,253	50,202,509
Restricted balances with Central Bank	17,989,357	-	-	-	-	-	17,989,357
Loans and advances to banks	525,758	126,377	1,028,520	391,194	-	57,134	2,128,963
Reverse Repurchase Agreement	1,534,355	-	-	-	-	-	1,534,355
Debt securities measured at FVTPL	989,031	5,923,951	7,087,682	8,060,589	907,089	62,988	22,988,242
Debt securities measured at FVOCI	2,997,145	4,706,906	1,733,346	45,013,789	15,297,872	-	69,748,858
Guarant in investment fund	0	-	-	-	-	89,033	89,033
Leasing	24,407	10,624	34,247	2,650,925	68,101	-	2,788,304
Loans and advances to customers	8,101,242	119,880,898	2,586,509	9,166,581	27,104	34,207	139,796,541
Other assets (debtors)	-	-	-	-	-	973,100	973,100
Total assets	32,357,551	130,648,656	12,470,304	65,283,078	16,299,966	51,122,715	308,182,270
Liabilities							
Due to banks and other financial institutions	2,089,816	1,282,845	1,740,515	397,244	4,712	71,935	5,587,067
Due to customers	29,622,820	15,568,236	55,919,375	93,696,615	948,120	91,562,224	287,317,390
Borrowing	-	-	-	-	-	92,468	92,468
Subordinated debt	-	248,533	580,895	1,344,440	-	7,956,241	10,130,109
Other liabilities (suppliers)	-	-	-	-	-	211,885	211,885
Total liabilities	31,712,636	17,099,614	58,240,765	95,438,299	952,832	99,894,763	303,338,919
GAP as at 31 December 2023	644,915	113,549,042	(45,770,461)	(30,155,221)	15,347,134	(48,772,038)	4,843,351

The amounts not allocated include exposures that are not sensitive to any interest rates.

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Notes to the consolidated financial statements for the year ended 31 December 2024
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48 Risk management (continued)

48.4 Market risk (continued)

Exposure to interest rate risk (continued)

The following table demonstrates the sensitivity to a possible change in interest rates (all other variables being held constant) of the Group's income statement and equity. The assumptions are for parallel shifts in the yield curve.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the financial assets and financial liabilities held at the end of the year. The sensitivity of equity is calculated by revaluing assets and liabilities, considering the duration gap at 31 December for the effects of the assumed changes in interest rates.

	31 December 2024			31 December 2023	
	Increase/(Decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
ALL	+100/(100)	+/-586,155	+/-230,845	+/-541,837	+/-44,847
USD	+100/(100)	+/-10,329	+/-16,191	+/-6,176	+/-2,145
EURO	+100/(100)	+/-364,836	+/-236,274	+/-280,837	+/-12,614

The average interest rates on assets and liabilities for the period as at 31 December 2024 and 31 December 2023 are as follows:

Currency	31 December 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
ALL	4.94%	1.65%	5.02%	1.56%
USD	2.53%	0.99%	1.69%	0.75%
EUR	3.94%	0.96%	3.38%	0.71%

48.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

48.6 Capital management

Regulatory capital

The Group monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Central Bank ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is 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 Group's regulatory capital is analyzed into two categories:

1. Base capital, comprising ordinary share capital; premiums of emissions and mergers; retained earnings; less unpaid share capital; debit revaluation differences included in equity for regulatory reporting purposes, which reflect the changes of the historical currency exchange rates compared to the year-end exchange rates when the equity is paid in currencies other than the reporting currency; and intangible assets.

2. Additional capital, which includes subordinated liabilities, general reserves and other regulatory adjustments.

Risk-weighted assets and off balance-sheet items are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance-sheet exposures.

The Group recognizes the need to maintain a balance between the higher returns that might be possible with higher risk weighted investments and the requirements for capital adequacy ratio higher than 14% which is the minimum capital adequacy ratio required by the regulator.

The Group's regulatory capital is determined in accordance with regulations and accounting policies of the Central Bank of Albania which are different from IFRS accounting policies. One of the most significant differences relates to regulatory loan provisions that do not take into account any cash flows from execution of collaterals held as security. This policy has the most significant impact over loss provisions and equity.

The banks regulatory capital is calculated based on accounting policies and regulation of the Bank of Albania. The differences between the regulatory capital and IFRS capital are as follows.

The translation reserve arises because capital treated as monetary item by accounting policies of Bank of Albania. Differences in accumulated retaining earnings arise primary due to different loan provision regulations.

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48 Risk management (continued)

48.6 Capital management (continued)

	31 December 2024	31 December 2023
Equity, as per IFRS	24,962,708	20,825,525
Difference in revaluation reserve from FVOCI assets	(339,837)	(62,163)
Translation reserve	(2,636,969)	(2,261,032)
Difference in accumulated retained earnings	3,544,075	3,224,548
Bank of Albania equity	25,529,977	21,726,878

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is also dependent upon the regulatory capital. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by the Group Credit Committee or ALCO as appropriate.

48.7 Fair value disclosures

Fair value estimates are based on the existing statement of financial position financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

Due from banks - Due from banks include inter-bank placements and items in the course of collection. As deposits are short term and at floating rates their fair value is considered to approximate their carrying amount.

Investment securities - Treasury bills and Government bonds are interest-bearing assets available for sale. The fair value has been estimated using a discounted cash flow model based on a current market yield curve appropriate for the remaining term to maturity as per the latest auction price as declared by Bank of Albania for similar investment securities. For the investments is used a level 2 input in the fair value hierarchy.

Loans and advances to customers - Loans and advances are net of allowances for impairment. The majority of the loan portfolio is subject to repricing within a year, by changing the base rate. The fair value is calculated using the cash flow of the payments for their remaining maturity discounted with an average market interest rate. For the loans and advances to customers is used a level 2 input in the fair value hierarchy.

Deposits from banks - The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value.

Deposits from customers and Subordinated liabilities - Because no active market exists for these instruments, the fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity as per the latest market rate for deposits with similar maturity and currency. For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. For the deposits and subordinated liabilities is used a level 3 input in the fair value hierarchy.

Since 2017, the Group considers in its internal capital adequacy assessment the stress scenario in calculating the capital demand for market risk related to its portfolio of investments, majority of which is measured at fair value to other comprehensive income, and it has a direct impact on capital. Unrealized losses can be converted into realized losses, in the case of part or all of the portfolio, will be classified in the tradable portfolio or sold potentially in the market.

This risk, calculated for the tradable book, includes two distinct components:

- The overall risk, which represents the risk of losses caused by a general and unfavorable trend of market capitalization prices (for example, for debt securities this risk is related to unfavorable changes in interest rates, meanwhile that for equity securities is associated with an unfavorable market movement itself); and
- The specific risk, which represents the risk of losses caused by unfavorable price volatility of financial instruments, caused by factors related to the issuer's situation.

The Group assesses that the level of available capital covers the demand for capital that may derive as a result of unfavorable market conditions of the prices of these investments.

The Group in its investment policy stipulates that the Investment portfolio will be managed in order to maximize revenue within certain parameters and limits. The Group has a series of limits "Investment Limits in Securities" to monitor at all times investments in securities. As defined in the policy, the Group diversifies counterparties to make investments and selects counterparties with a high quality of credit.

Credins Bank is following with priority the movements of securities prices and the factors that affect their volatility, such as changes in the ratings of securities and is monitoring any macroeconomic changes, domestic and international, that might have an impact, in order to reduce the negative impact of significant yield growth, by diversifying its portfolio.

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(Amounts in ALL'000, unless otherwise stated)

48 Risk management (continued)

48.7 Fair value disclosures (continued)

	FVPL (mandatory)	FVOCI	Amortized cost	Total carrying amount	Fair value
31 December 2024					
Cash and cash equivalents	-	-	26,523,946	26,523,946	26,523,946
Restricted Balances with Central Bank	-	-	17,922,364	17,922,364	17,922,364
Loans and advances to banks	-	-	2,997,551	2,997,551	2,997,551
Reverse repurchase agreement	-	-	322,979	322,979	322,979
Debt securities measured at FVTPL	51,403	-	-	51,403	51,403
Debt securities measured at FVOCI	-	37,568,896	-	37,568,896	37,628,520
Debt securities measured at amortized cost	-	-	90,790,300	90,790,300	90,548,431
Quotes on investment fund	96,042	-	-	96,042	96,042
Investments in associates	-	-	13,348	13,348	13,348
Leasing	-	-	3,587,711	3,587,711	3,587,711
Loans and advances to customers	-	-	150,682,166	150,682,166	150,682,166
Other assets (debtors)	-	-	826,360	826,360	826,360
Due to banks and other financial institutions	-	-	8,919,231	8,919,231	8,919,231
Due to customers	-	-	302,467,751	302,467,751	302,467,751
Borrowing	-	-	55,162	55,162	55,162
Debt represented by securities (MIREL)	-	-	3,533,388	3,533,388	3,533,388
Subordinated liabilities	-	-	10,796,920	10,796,920	10,796,920
Other liabilities (suppliers)	-	-	200,537	200,537	200,537
31 December 2023					
Cash and cash equivalents	-	-	50,202,509	50,202,509	50,202,509
Restricted Balances with Central Bank	-	-	17,989,357	17,989,357	17,989,357
Loans and advances to banks	-	-	2,128,983	2,128,983	2,128,983
Reverse repurchase agreement	-	-	1,534,355	1,534,355	1,534,355
Debt securities measured at FVTPL	62,988	-	-	62,988	62,988
Debt securities measured at FVOCI	-	22,968,242	-	22,968,242	23,026,466
Debt securities measured at amortized cost	-	-	68,748,858	68,748,858	67,130,128
Quotes on investment fund	89,033	-	-	89,033	89,033
Leasing	-	-	2,788,304	2,788,304	2,788,304
Loans and advances to customers	-	-	138,796,541	138,796,541	138,966,574
Other assets (debtors)	-	-	879,429	879,429	879,429
Due to banks and other financial institutions	-	-	5,587,067	5,587,067	5,587,067
Due to customers	-	-	287,317,390	287,317,390	287,146,212
Borrowing	-	-	92,468	92,468	92,468
Subordinated liabilities	-	-	10,130,109	10,130,109	10,130,109
Other liabilities (suppliers)	-	-	211,865	211,865	211,865

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

48 Risk management (continued)

48.7 Fair value disclosures (continued)

The following tables set out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2024 and 31 December 2023:

	Carrying amount	Level 1	Level 2	Level 3	Total fair value
31 December 2024					
Cash and cash equivalents	26,523,946	(983,927)	917,965	26,589,908	26,523,946
Restricted Balances with Central Bank	17,922,364	-	214,723	17,707,641	17,922,364
Loans and advances to banks	2,997,551	-	192,851	2,804,700	2,997,551
Reverse repurchase agreement	322,979	-	-	322,979	322,979
Debt securities measured at FVTPL	51,403	-	51,403	-	51,403
Debt securities measured at FVOCI	37,568,696	14,240,001	23,388,519	0	37,626,520
Debt securities measured at amortized cost	90,790,300	45,746,680	44,801,751	0	90,548,431
Quotas in investment fund	96,042	-	-	96,042	96,042
Investments in associates	13,348	-	-	13,348	13,348
Leasing	3,587,711	-	-	3,587,711	3,587,711
Loans and advances to customers	150,692,166	-	-	149,917,310	149,917,310
Other assets (debtors)	826,360	10,275	-	816,085	826,360
Due to banks and other financial institutions	8,919,231	-	1,835,571	7,083,660	8,919,231
Due to customers	302,467,751	-	1,482,220	300,784,237	302,266,457
Borrowing	55,162	-	-	55,162	55,162
Debt represented by securities (MREL)	3,533,388	-	-	3,533,388	3,533,388
Subordinated liabilities	10,796,920	-	-	10,796,920	10,796,920
Other liabilities (suppliers)	200,538	6,732	-	193,807	200,539
31 December 2023					
Cash and cash equivalents	50,202,509	50,202,509	-	-	50,202,509
Restricted Balances with Central Bank	17,989,357	17,989,357	-	-	17,989,357
Loans and advances to banks	2,128,983	2,035,168	-	93,815	2,128,983
Reverse repurchase agreement	1,534,355	1,534,355	-	-	1,534,355
Debt securities measured at FVTPL	62,988	-	-	62,988	62,988
Debt securities measured at FVOCI	22,968,242	1,014,617	22,011,849	-	23,026,466
Debt securities measured at amortized cost	69,748,858	36,115,112	31,015,017	-	67,130,129
Quotas in investment fund	88,033	-	-	88,033	88,033
Leasing	2,788,304	-	-	2,788,304	2,788,304
Loans and advances to customers	139,796,541	-	-	138,966,574	138,966,574
Other assets (debtors)	879,429	6,329	-	873,100	879,429
Due to banks and other financial institutions	5,587,067	-	-	5,587,067	5,587,067
Due to customers	287,317,380	1,249,935	-	285,866,277	287,148,212
Borrowing	92,468	-	-	92,468	92,468
Subordinated liabilities	10,130,109	-	-	10,130,109	10,130,109
Other liabilities (suppliers)	211,885	58,394	-	153,491	211,885

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2024
(Amounts in ALL'000, unless otherwise stated)

49 Events after the statement of financial position date

The management of the Group is not aware of any other event after the reporting date that would require either adjustments or additional disclosures in these Financial Statements.

