



'23

ANNUAL  
REPORT



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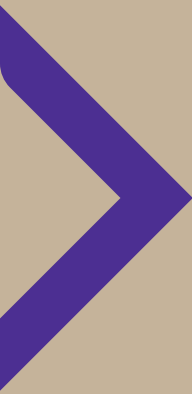
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Message  
from CEO

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# Credins Bank closed another successful year

## Message from CEO

Credins Bank closed another successful year in several aspects, demonstrating once again its professional ability to dominate the banking industry. All financial initiatives embarked upon, coherently traced the strategic trajectory set in 2023. It was a crucial year marked by a variety of events, which accompanied the 20th anniversary of Credins Bank, with a distinguished performance in both the financial and social aspect. Our Bank continues to maintain its solid position ranking first in the market for the loan portfolio and second for total assets and deposits. Credins engaged maximally to adapt to the global trends constantly appearing in the financial market and the banking market, primarily. In this aspect, we market another success: we expanded the client base, making Credins the right choice for their investments.

All the structures of the Bank were engaged to obtain the best achievement of the investment portfolio. The range of processes towards their automation and investing to provide a completely digital infrastructure of the banking services, were only few of the challenges that we faced throughout the year that we are leaving behind.

Credins Bank expanded its financial activity through the launch of the first public bond offering as a debt instrument, which was an accomplishment for the Albanian economic and financial market. It has demonstrated a successful and ambitious vision in further developing the business sector and the domestic economy, not only as a subscriber of bonds but also as the founder of the first Albanian private Stock Exchange.

The banking industry has seen a major development boost operating into a very competitive market. We designed new products and launched a variety of offers tailored to accommodate the needs of customers in all segments. Our objective was to deliver competitive products and services in terms of benefits, efficiency, using various channels, in a timely manner and with streamlined procedures. We based our lending approach on comprehending the potential of both our loyal and new clients, depending on the features of sectors where they operate. Through our partnership with international financial institutions, such as MasterCard, we encouraged the design of special offers to promote



MALTIN KORKUTI  
Chief Executive Officer

the use of prepaid cards, especially for new clients. Credins has continued to launch campaigns that aimed to reward cardholders and incentivize business clients using Credins POSes. In line with its position as one of the banks with the most favorable interest rates for investment products, the launch of special offers for time deposits came naturally as part of our strategy to charge preferential rates to our clients. Our focus was again to support tourism, agriculture, electrical power, etc. aiming at consolidating and developing key sectors of the domestic economy.

If we refer to the situation worldwide, meaning the changes in financial markets, the increase in the base interest rate in the Eurozone, USA, and England, Albania has also managed to follow the market trends in order to ensure effective management of liquidity and long-term investments. The increase in inflation, despite the efforts to keep it at low levels, has affected the interest rates of loans and deposits. The income generated from Money Market and Securities Sector's activity increased by 65% compared to 2022. Our focal objective was to manage liquidity and invest in local and international securities.

Focusing on technological progress, Credins Bank pays particular attention to secure and protect client data and information, by using state-of-the-art security technology. Digital banking has become the key word today and Credins has not spared investments in innovation to satisfy client's needs. The number of clients using the Credins Online platform reached over 61% of the total active individual clients during 2023. POS is another digital channel

that has experienced over 50% growth in the number of transactions compared to 2022, spurred also on by other factors such as the increase in cards penetrations, Government's policy to promote cashless payments and the popularity of e-commerce. The number and volume of transactions in ATMs have increased as well, by 14% compared to 2022.

Credins Bank has upgraded its portfolios, exceeding the market in terms of lending activity and collection of funds, specifically 1.3% in total assets, 5% in the gross loan portfolio, and 8.6% in customer accounts.

Moreover, Credins continued to hold a considerable market share in total assets and total customer accounts, maintaining the pace of market growth and improving its market share compared to the previous year, in more concrete terms, total asset increased by 16.5% and customer accounts by 17.6%

In line with the international standards, we have improved the measurement and monitoring of liquidity risk and interest rate risk, establishing new limits and instruments to manage these risks. We have installed systems for the automation of processes used to calculate the indicators, according to the regulatory and internal requirements. Collateral management and assessments has been an important focus for the Bank, in order to ensure the highest possible coverage of exposures at risk and the inclusion of a wide range of collaterals, including also new financial instruments and insurance products. During 2023, we managed to reduce the non-performing loans and portfolio at risk both in volume and

against the total loan portfolio.

What makes Credins Bank special is our investment in human resources. We are committed to providing financial welfare through numerous benefit packages, which have increased enormously over the years, offering in addition a modern culture in terms of staff socialization. Throughout 2023, which coincided with the 20th anniversary of the Bank, Credins chose to come with an upgraded financial package strategy; the 13th and 14th salary, the performance bonus, loans with preferential terms, seniority and loyalty scheme, cash plan, staff retreat, various trainings, are only few of the benefits provided to each employee. This strategy does not merely aim to ensure a successful business; it also seeks to create a harmony both in the financial and emotional aspect for every employee, through our empathy and vision for a favorable work environment.

To speak about Credins Bank requires a great responsibility due to its status and impact on the social aspect. This is a Bank, which has made considerable investments towards the welfare and progress of the community. We have invested in areas that bring about progress for the country, such as technology, economy, employment, environment, tourism, education, culture, sports, etc. Because of this approach Credins is considered as the number one choice of every Albanian citizen and at the same time enjoys the highest respect for its absolute work towards the progress of the Albanian society. "SDG Business Pioneers' – an award granted by United Nation of Albania in 2023, was the reward for the sacrifices that Credins Bank has made over the past 20 years.

We are proud to be the first Bank to receive such prestigious award, following the 17 development and sustainability objectives set by UNO. The memberships in UN Global Compact and UN Woman show that Credins Bank is committed to pursuing the best models in the world.

To conclude, I would like to add that Credins Bank will increase its focus on the development of new financial products tailored for tourism businesses, such as financing to the service industry, additional benefits for credit card users when traveling (discount for accommodation, restaurants, additional security during travels, bonuses, etc.), or the development of new payment channels.

I feel happy that Credins Bank will continue to be committed to overcoming the challenges, appreciating the opportunities they create even throughout 2024 striving at the same time to be in line with the standards of international markets.

Credins Bank is highly engaged in developing digital channels and based on its strategy, it will continue to focus on offering fully digital products. Offering innovative and customized choices to our clients is our highest professional ambition. We will continue to be your main partner by supporting every demand and need for attractive products, efficient procedures, competitive schemes, and excellent services - this is what Credins has offered in the past 20 years!

**Maltin Korkuti**  
CEO





# 2

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Corporate Social  
Responsibility

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## Corporate Social Responsibility

// Credins in 2023 was receiving the “SDG Business Pioneers” award from the United Nations of Albania.

2023 was a dynamic year marked by significant events for Credins Bank, celebrating 20 years of success.

We focused on managing events that consider both individual and community impacts, guided by business ethics and aligned with Credins Bank’s values, mission, and vision. We aim to maximize our positive community impact and justify every investment coherently. Cooperation with strategic partners such as NGOs, state institutions, and private entities, both national and international, has been crucial in achieving these goals.

Credins Bank has a visible social impact, a result of the consistent work of our internal structures and efforts to cultivate a culture of social responsibility.

A historical moment for our Bank in 2023 was receiving the “SDG Business Pioneers” award from the United Nations of Albania, recognizing our contribution to the community and alignment with the 17 UN Sustainable Development Goals. Credins was the first bank to receive this prestigious award, highlighting our dedication over the years.

Our vision harmonizes continuous community investment, financial performance growth, customer well-being, and advanced technological platforms. Achieving financial stability and generating increased income positions us with a moral obligation to invest even more in community benefits.

Throughout 2023, we continued with the same high work intensity, responding to the needs of the community. Our focus has been on maximizing community inclusiveness by segmenting all target groups, aiming for our voice and contribution to be tangible for everyone. Credins Bank’s investment was based on the financial support of over 150 different events and activities in fields such as education, culture, technology, sports, tourism, ecology, economy, and any other area that directly impacts the improvement and development of community life. The involvement of our



**MONIKA MILO**  
Deputy Chief Executive Officer

bank staff in various voluntary initiatives related to social, environmental projects, or humanitarian aid/donations has been a successful strategy for Credins Bank.

Simultaneously, we have initiated informative and awareness campaigns to increase the use of banking products and services for the benefit of the community, promoting financial independence and freedom. Our communication strategy also included promoting the values of Albanian tourism, natural and historical beauties, which today position Albania as one of the most attractive countries in the world, thus impacting the Albanian economy. The support Credins Bank has provided to competitions involving Albanian youth in employment and education policies aimed to help young generations demonstrate their potential and talent, thus reflecting their best values. On the other hand, Credins Bank continues to be the best example of supporting the employment integration policies for women and girls, considering them the main factor of its success. By signing the Principles of Women's Empowerment and becoming a member of the UN Global Compact and UN Women, Credins follows the best global models for integrating women in the workplace and social life. For us, promoting gender equality is not just a matter of social responsibility in our internal business practices. For Credins, supporting women's economic empowerment through access to finance is a necessary foundation for a peaceful, prosperous, and sustainable world. Our entire final product on community care has increased year after year in perceived



value in the eyes of our customers, who continue to believe in the professional and moral values of Credins Bank.

We began 2024 with new challenges, facing them with the passion and dedication that define us. Credins is now a consolidated brand whose integrity significantly impacts community life improvement.



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Business  
Development Division

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# Business Development Division

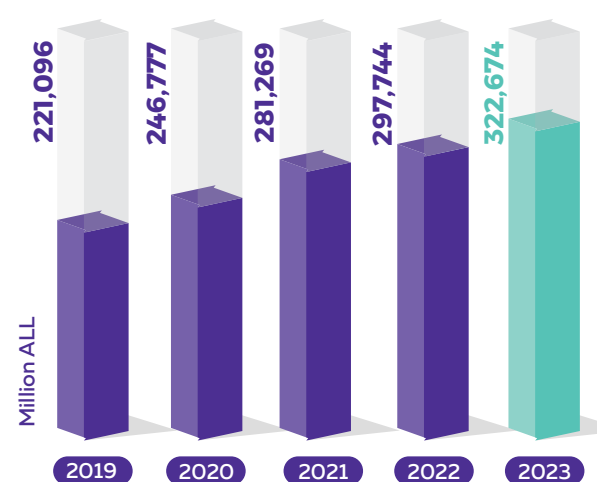
## Branches' Sales Management Department

2023 was a good and positive year for the entire branches network of the Bank, considering also the improvement of the local economy compared to 2022 thanks to the increase in number of tourists, which had a positive impact on the economic situation of our individual and small business clients. An additional positive factor was the increase in the demand for investments in real estate, which was followed by a significant increase in the demand for mortgage and consumer loans, in general. At the same time, this has positively affected the increase in amount of funds of businesses operating in construction, interior design, furniture, etc., and the improvement of liquidity and increase in banking payments. The Albanian market was affected by considerable fluctuations in exchange rate, which dictated new customer needs and demands that were met by the banking sector.

Consequently, the sales in the branches network were within the forecasted levels and for some products, they even exceeded the projections. The objectives

of the Bank for the branches network in 2023 were achieved completely both in terms of volume and evolution of products portfolio. In numbers, the branches network managed to achieve the quantitative and qualitative products objectives by 101%, on average.

### Total Assets



The products on which the branches salesforce focused on continued to be the deposits, loans and the increase in cross-selling without bypassing digital products such as Credins Online - the tremendously successful virtual banking app in terms of sales and usage - through which the client can carry out online all the transactions available through the counter.

The deposits portfolio at the end of 2023 increased by 5% compared to 2022, despite the significant impact of the exchange rate on the devaluation of the EU currency. The loan portfolio generated by the branches network continued to increase for the retail segment, particularly loans to small businesses. The retail loan portfolio in 2023 increased by approximately 10% compared to 2022. The Leasing product was subject to considerable increase in 2023; this portfolio grew by 59% compared to 2022, thus increasing the market share of Credins Leasing against the competition from 15.47% in 2022 to 17.9% in 2023.

The fees generated by banking transactions in 2023 increased by around 18 % compared to the previous year. These incomes are mostly generated by fees from POS transactions, banking cards, conversions, etc.

The development and expansion of the branches network and ATMs throughout 2023 continued intensively as pertains to branches remodeling and upgrade and innovative and flexible services provided through the Mobile Branch.

Four branches were remodeled and upgraded during 2023: Kamëz, Burrel Tirana no. 4 (Rruga e Kosovarëve), and Tirana no. 9 (near Shkolla e Bashkuar) branches. Furthermore, the network expanded with a new branch at Blloku area and a second branch in Shkodra, which has been forecast to be operational during the first quarter of 2024. The ATMs network was expanded with 6 new ATMs in 2023, in Ksamil, Golem, Sukth, Elbasan (near the city hospital), Tirana (Astir area and Rruga e Kavajës.)

During 2024, the Bank aims to reconstruct and remodel all the branches into the new image, in order to bring a new spirit of better and upgraded services for our clients. In addition, the development of digital products, which allows clients to complete the entire process via the e-banking app, without needing to be physically present at the Bank, shall be the key word of the year. This aims to steer the clients towards the use of digital channels for the purchase of products and services, considering the increased interest in the use of other communication channels with the Bank, such as the generation of product requirements, which is now possible even through Credins Online.

## Marketing Department

Throughout 2023, Marketing Department played once again a crucial role in promoting the values and vision of the Bank. Setting clear objectives, in line with the Bank's business plan and strategy, the mission to represent Credins Bank with dignity in the national arena, and now in the international arena as well, was accomplished quite successfully. As a significant year of historical value, Credins' 20th anniversary required considerable efforts to host many dynamic events. With amazing experiences, challenges and important decisions made during the year that we left behind, 2023 was undoubtedly the most productive year. All the launched projects were designed in complete correlation with the Bank's anniversary, based on a very specific marketing strategy, thus accomplishing a dignified and historic performance.

The organizational structure of the Marketing Department followed-up the projects, which were classified according to classes that are included in various communication channels...

### Campaigns

The many campaigns that were launched in 2023 highlighted once again the potential of the quality and dimensional products and services offered by Credins Bank. We enabled real-time communication of all the Bank's most important events, providing complete

information and transparency to our customers. The Marketing Department has already established a communication standard, which reflects the Bank's values at all times. In addition to the artistic and professional style, all the campaigns have had a very positive impact in terms of the achieved sales results of products and services to new and existing customers. The marketing field is constantly evolving within the bank industry. Thus, through the approach of a modern communication, Credins Bank is considered a dynamic and technological brand, which continues to revolutionize marketing communication, unlike any of its competitors. The campaigns launched massively in all communication channels, which had a unique interactive and cooperative tactic with the client, complied with the strategy set for 2023. Partnerships with international or local companies proved to be successful again, enabling diverse and rewarding special offers for various Credins customer segments. MasterCard and Visa were again a strategic part of Credins customer loyalty scheme, focusing on further increasing awareness on bank card usage. Special campaigns directed to students, retirees, women, small and large businesses, gender-based startups, as well as awareness campaigns that aimed to educate the youth on the use of banking services and products were another focus of the Marketing Department, in order to reflect the business strategy of Credins Bank.

## The brand

Credins anniversary was accompanied by a brand curated in every detail to proudly represent the 20th anniversary of the Bank. A new beautiful logo was designed to reflect the entire journey of Credins Bank. With the purpose of painting the full picture of a history that now features a powerful and consolidated brand in the banking industry, the Marketing Department launched a corporate campaign - the first of its kind in the banking industry -, thus introducing an innovation not only in communication, but also in the artistic conceptual strategy. This campaign was accompanied by a song dedicated to the Bank by the popular singer and song writer, Alban Skenderaj, with the same titles as the slogan, "Here I am, with you." Credins' brand is absolutely prestigious and this is visible in the cooperation with various local and international partners, who chose to work with our Bank. Consequently, the preservation and curation of the brand identity has involved the careful design of each visual, communication, promotional, and other elements versus the entire guideline content.

### Events

Events are another important element followed-up by Marketing Department. Numerous events took place in 2023, extending in many fields. The purpose of these events was to share with the general audience the unique experience

that Credins Bank provides through its products or services, or the important messages we wanted to convey to the community during awareness campaigns for various humanitarian causes, etc. Divided into two groups, "internal" and "external," their strategy was also to raise awareness and increase socialization of the Bank's staff, and to strengthen the relationship with customers. Staff socialization policies were implemented as a new idea of several internal events dedicated to the Bank's staff, called "Happy Hours" with themes such as Latin day, fun zone, pizza day, ice-cream day, "wine tasting day," etc. In addition, Credins has upgraded the standard of "outdoor" event organization, displaying professionalism and differentiating itself from the competition. The marathon event hosted for the first time by Credins Bank for its 20th anniversary was magnificent. Conceived as mini sports activities, interactive games and a gala event, we had the pleasure to celebrate Credins' jubilee together.

## Going digital

One of Credins' goals is to standardize products and services digitization. Informing and guiding customers towards digital channels, as imposed by global developments and trends, has been a consistent focal point of all campaigns. Simultaneously, educating the audience about the online use of banking products or services through awareness messages and specific campaigns has also been part of the communication priorities and conception

of each campaign. In a world of digital lifestyle, our campaigns were segmented focusing on each target group through various channels such as Instagram, Facebook ads, LinkedIn, SMS, e-mail marketing, and so on. Google Ads campaigns focused on increasing the number of banking product applications on our website, mainly credit offers, thus producing fruitful results in the form of thousands of clicks and hundreds of applications. Credins' official social networks are the most followed today, as it is the first bank present in several digital communication channels. Using a well-conceived digital strategy, Credins reached the most dynamic and modern audience and achieved the goal of being the leader of digital channels in the banking sector. Digital channels, which are at the constant focus of investments and monitoring, have also impacted the success of various campaigns, by increasing interactivity with the audience. Quizzes and lotteries that reward our loyal customers proved to be successful again. Credins chose again to use the most prominent and influential figures of the art industry and civil society in many awareness activities, etc.

## Public relations and social responsibility

The PR and Social Responsibility Sector has brought a different dynamic to the whole range of different projects handled by Marketing Department. Credins Bank has been one of the most important and influential actors in the growth

of the community through motivational and development projects. Throughout 2023, more than 155 projects and events were sponsored in fields such as education, culture, sports, technology, tourism, economy, and any other fields that directly improve life in community. Our focus has been the highest inclusion of the community by segmenting all target groups, so that our voice and contribution is tangible for everyone. Based on the special strategy that was implemented for the Bank's 20th anniversary, Credins conveyed a very modern spirit of communication as both host and sponsor.

Partnership with reputable international companies such as MasterCard and Visa or local entities extended even to this year. "Kape Bitin" (Get into the Beat) campaign - accompanied by a spectacular concert of Elvana Gjata - was implemented as a successful cooperation with MasterCard, rewarding loyal customers on the 20th anniversary of Credins Bank. This campaign was communicated through every communication and event channel, setting European communication standards. Events of similar multi-dimensional format in terms of communication and performance were also Ricky Martin show, Elsa Lila, DJ Zven Zvath, and many others.

On the other hand, activities focused on environment included the construction of a park in downtown Tirana, with trees, benches and free Wi-Fi, among others. Tirana Marathon, Run Petrela, as well as many other activities reiterated the importance of protecting and investing

for the nature and environment in general. Gender equality was again one of Credins' priorities, as the main topic of many awareness activities supported by the Bank. As the official sponsor of NOC Albania, Credins supported all local and international activities, where young Albanians represented our country with dignity in different disciplines. Job fairs or various cooperation with our partners at Tirana Faculties built bridges and provided job opportunities for young people. The beautiful tradition of opening art exhibitions at Credins Head Office welcomed talented artists again accompanied by special ceremonies, according to the Bank's communication strategy on its 20th anniversary.

We chose to support humanitarian activities focusing on vulnerable groups, finding the right ways and tools to help financially but also to raise awareness among the Albanian society and our staff on various important causes.

SDG Business Pioneers Award granted by the United Nation of Albania in October 2023 was the reward for the extraordinary efforts and sacrifice of Credins Bank in these 20 years, with Marketing Department contributing maximally to reflect through all corporate responsibility activities the values and image of Credins Bank and the outstanding job of its structures. Credins is the first bank to receive this prestigious award for implementing and following the 17 development and sustainability goals set by the UN.

The objectives in 2024 are even more challenging; we are taking a very

important step towards launching Credins' new image in full compliance with the strategy and policies set by the management. Many innovation activities and events will be hosted through dynamic communication with the completely new line in conformity with the launch of the new brand. All of this is done to convey the visionary mission of Credins Bank.

## Products and Institutions Management Department

This Department operates within the Business Development Division and is composed of the Products Management Sector and Institutions Management Sector.

**1. The Product Management Sector** is the unit responsible for managing Credins products and services, proposing and designing new products in compliance with the legal and regulatory acts, designing offers for different customer segments in line with the strategic development objectives of the Bank, aiming to provide dedicated products and services, according to the main customer segments, as well as training the existing or new staff on the Bank's products and services. In 2023, the main objective continued to be the design of competitive products or services both in terms of products, efficiency of their provision, and expansion of the channels through which these services are offered.

Some of the main products/services/offers launched during 2023 are:

- Offer for teachers during March: Credins targeted all teachers salaried through Credins Bank, who

were offered a free life insurance policy and health card issued by an insurance company. The offer involved a discount of up to 40% on check-ups in private hospitals in Albania. The offer was received very well by the teachers, 1,300 of which received this benefit and will continue to benefit the service even next year.

- During May, the "Fast Micro" loan product was launched for the Micro Segment customers, in order to meet their small business or personal needs. The product is a small loan of up to 1 million ALL disbursed within 48 hours. The product has a simplified credit and documentation process. In December 2023, the portfolio of this product amounted to ALL 180 million.
- Custody and financial brokerage - During May 2023, Noa sh.a issued bonds distributed for the first time in Albania with a public offer and were listed for trading on the ALSE Stock Exchange. Credins has been selected as the custodian bank in this process and plays the role of financial broker, thus marking a new achievement in the local financing market.
- Promotion of cards and offers for new customers equipped

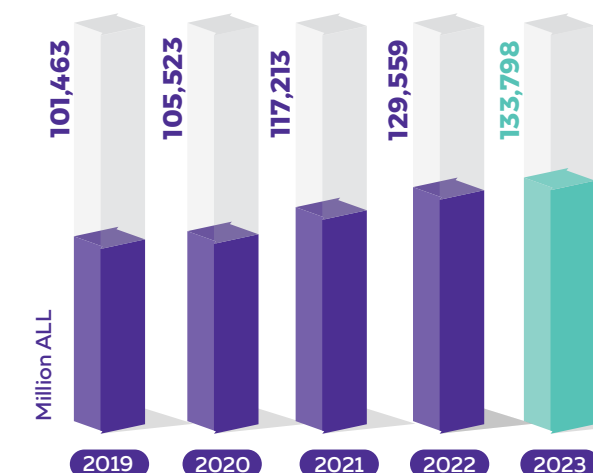
with MasterCard General Prepaid cards. As sponsor of one of the biggest events held during 2023 - Elvana Gjata's concert, Credins in cooperation with MasterCard launched the campaign:

"Get a free MasterCard prepaid from the Bank. Get 30% discount on the concert ticket price by paying it online."

"Purchase the ticket online with MasterCard Credins and get 30% discount."

- Multipurpose Consumer Loan: The product was launched for the first time as an offer from June 2022 to December 2022 and given its good performance and considerable interest by customers, it was offered again during 2023, making up 35% of the new disbursement of consumer loans for Individual Consumers.
- Safety Deposit Box for the Business Segment is the product offered since June 2023 even to the business segment clients, who have a historic relationship with the Bank, outlining the same conditions as those for the individual segment and by offering a customized services for all interest clients.
- In its positions as one of the Banks offering the best interests for investment products, during December 2023, Credins launched the offer for term deposits. The offer was applied for 3-year Flexi Deposit with higher interest rates,

## Loan Portfolio



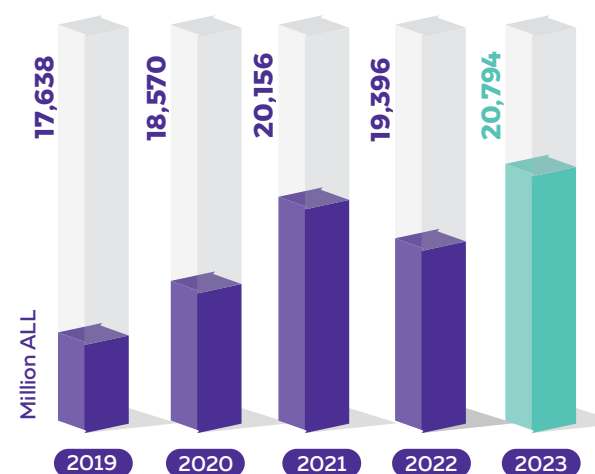
which was combined with another credit card product (Visa Classic).

- During 2023, Credins proceeded with the campaign of reimbursing MasterCard world cardholders and incentivizing the business clients equipped with POS.

## 2. Institutional Relationship Management Sector

2023 was filled with challenges and successes for this sector, because, we not only achieved the management of the relationship with the institutions we cooperate with, but we also established and furthered the relationships with other national institutions, ranking as one of the leading banks in this

## Shareholder capital



sector, which has an important impact at Credins Bank.

These institutions are distinguished by a high volume of transactions and considerable number of employees.

Due to the constant follow-up of the increasing demands of this segment, the customized relationships, the satisfactory service offered at every Credins branch or online services, the number of institutions, which have established a cooperation with our Bank reached 755 in 2023 with an increase of 4.3% of the total number of salaried employees compared to the previous year.

Offering the Salary Packages to customers, such as Basic Package and Plus Package, has brought more customers to the bank, mainly payroll customers. From the total

payroll customers 58% have chosen one of these packages, out of which 55% have chosen the Basic Package and 45%, the Plus Package. The latter is preferred by customers who are also borrowers at our Bank, who get preferential interest rates of overdrafts and loans.

The total number of products increased by 5% compared to the same period of 2022.

- Loan products increased by 9%
- Non-loan products increased by 12%
- Deposits increased by 19%.

This increase in products led to a 3% increase in income from fees, of which 71% were from loan products and 21% from Non-Loan Products.

There was a universal increase of funds in accounts and deposits during 2023 compared to the same period of the previous year, leading to a 22% increase in the volume of deposits and 0.4% in the volume of current accounts. Profitability from national institutions in 2023 increased by 15% compared to the same period of the previous year.

## Alternative Business Department

Year 2023 was the most successful for this Department since its establishment in 2018. The expertise gained in these 5 years in the field of insurance market, collective investment enterprises, and capital markets has produced its positive effects on both the efficient management of these activities and on the adaption and better positioning of the Bank in these new markets.

The income realized by the ABD during 2023 (66.3 Mil/ALL) increased by 37% compared to the previous year, while the weighted annual rate of income growth for the last 3 years was 58.64% (CAGR). On the other hand, the department's staff expanded to include 2 new employees and the staff has been trained year after year to support the potential of alternative businesses and further business growth.

ABD's activity focuses on managing atypical banking activities offered to customers and others at each Credins branch, thus increasing the variety of products that a customer can obtain and transforming our branches into a "one stop shop" for any financial service.

**1. Insurance Brokerage** is an activity carried out based on two licenses issued to Credins bank. It remains the most profitable activity of ABD. 2023 closed with ALL 57 Million

income from insurance policy brokerage, with the brokerage of borrowers' insurance policies (97% of income) making the greatest contribution.

The income generated from insurance policy brokerage in 2023 increased by 19.7% compared to 2022. The fees from life insurance brokerage products increased by 24.8%, while those from the brokerage of non-life insurance products increased by 10% compared to 2022.

Throughout 2023, insurance products of all types have been mediated in every Credins branch, such as: Life and Health Insurance, Voluntary Property Insurance, Travel Life Insurance, Vehicle Insurance, Liability Insurance, etc., and the requests for these products did not stem from credit relationships. 14% more such insurance policies were negotiated in 2023 compared to the previous year.

The objectives for 2024 are even more ambitious, with a forecast for further growth in insurance brokerage income, an increase in the share of voluntary insurance brokerage (not related to borrowers) and an improvement in the Bank's role in the financial education of

clients regarding the necessity of insurance for individuals and businesses.

## 2. Investment Banking (Securities Underwriting and Ancillary Services)

After successfully obtaining the license in 2022 for securities underwriting services and launching financial instruments in the market without sales commitment, as well as the respective ancillary services, Credins Bank concluded the first securities underwriting contract with an Albanian private banking entity.

The conclusion of the first contract of this type in the Republic of Albania was of particular importance not only for Credins, but also for the Albanian capital market, as the service provided by our Bank enabled the successful completion of the first public offering of bonds by a business entity in Albania.

## Leasing Sales and Support Department

Year 2023 marked a record growth in tourism, which led to a steep increase in the demand from the leasing market. The demand consisted mainly in financing operational lease fleets. Leasing financing involved businesses more and individuals less.

3. **The Activity of the Depositary for Collective Investment Enterprises (CIE)**, which is conducted pursuant to the license issued by the Financial Supervision Authority, has continued at a pace similar to that of 2022. The Bank, in capacity of depositary, controls how a CIE management company manages funds collected from the public in the form of an investment fund. Since 2021, Credins offers this service for "ABI EIA" fund, which is administered by ABI Invest sh.a.

During 2023, the Depositary Unit successfully negotiated the acquisition of two new clients: investment funds in foreign currency for which it will offer depositary services starting from 2024, which will affect the income generated by this activity significantly.

The financing amount increased significantly marking an absolute record since its establishment. Today, the position of Credins Bank in terms of leasing product is strong and continues to grow year after year. During 2023, 21 million euros were disbursed, which

is 257% compared to the plan and the projected outstanding increase was 8% compared to 2022, with a total achievement of 149%.

The main portion (80%) of the financing portfolio is made up by the automotive sector. With an already accumulated experience over the years and the professionalism that distinguishes us from the competitors, the main inclination and focus has been to provide the quickest service to meet customer demands. Credins leasing continues to be the main choice for both businesses and individuals who request financings for machinery, equipment, freight vehicles, and cars. The diverse products, flexibility, partnership, and so on ensured not only an increase in the amount of financings, but also a rather high increase in the number of disbursements, marking a record in cases handling.

The entire leasing portfolio in Albania reaches 184 million euros, with Credins rating second in the market, with 17.9%, which was accompanied by a 60% increase in the outstanding portfolio in 2023 compared to 2022, while the market average was 38%. Income from interests was achieved 144% compared to 2022. During 2023, the effective coordination with all Credins branches network staff led to a very high participation of the branches in financing this product, at a level of 65%, which is highly positive in terms of branches network involvement. The number of contracts at end-year increased by 22% compared to the previous year.

The loan portfolio also maintained a good quality, with a low level of non-performing loans. The quality of the leasing portfolio at the end of 2023 resulted in NPL at 1.48% and PAR > 30 days at 1.67%.

The objectives and forecasts for 2024 continue to remain aggressive and their fulfillment will be enabled through a broad involvement and support of the entire network of branches in terms of new sales. Maintaining very good relations with concessionaires by adapting to market movements through attractive financing schemes in accordance with the needs of customers remains a key element in this process. The Bank will work to constantly improve existing products in terms of deadlines or processing time and it will focus on further increasing financing for equipment and machinery, according to various industries.

Keeping NPLs at acceptable levels will be another objective in 2024. Financing vehicles for operational lease will be a focal point, including the increase in demand for financing of electric vehicles and photovoltaic energy. This product was the result of a growing customer demand and the market's willingness to provide it. Several concentrated concessionaires have been established and the Bank will play an active role in providing them with leasing financing.

## Risk Division

During 2023, the Risk structures and Risk Committees, Audit Committee, ALCO and the Board of Directors have ensured a prudential management that complied with the regulatory framework and aimed to improve the risk methodologies as a whole. Every initiative undertaken aimed at consolidating the Bank's position in the market, both in reputational and financial terms.

The investment policy at Credins Bank defines the main criteria for the responsible management of the Bank's financial investments, in accordance with its business strategy. Through this policy, the Bank determines the allowed investments considering their potential risk, which correlate to other investment-related and limit-related risk management policies. This policy is highly focused on increasing the efficiency of capital engagement that each of these investments brings.

Even throughout 2023, Credins Bank continued to apply a prudent policy, in accordance with the regulatory and strategic needs regarding the assessment and control of a number of main risks such as credit, credit concentration, operational, liquidity, and market risk. This policy is reviewed periodically, in accordance with the Bank's strategy. Credins reviews its "Risk Appetite" policy on an annual basis in order to ensure at all times the control of its main risks, such as

credit risk concentration, liquidity risk, etc., in accordance with the strategy and business model. During 2023, the Bank revised its risk limits, aiming to further reduce concentration in certain sectors and segments. Some elements of the credit risk assessment models have also been reviewed, with the aim to constantly improve the relevant assessment and process. The Bank's commitment to the automation of processes has been one of the main items towards which it has worked during 2023. This objective will continue to be strategic throughout 2024 as well.

In accordance with the regulatory requirements of the Bank of Albania (BoA), during 2022 all measures were taken to comply with the Regulation "On the net stable funding ratio of banks" and to report this indicator in full compliance, on 31.03.2023.

During the period, 2021-2022, a task force was established and engaged in implementing the "Internal Liquidity Assessment Process," according to BoA's request, which was reported to this authority for the first time in the first quarter of 2023. This process will ensure the incorporation of these results into the Bank's risk appetite and the regulatory framework on liquidity risk management.

During 2023 significant challenges were faced in various aspects for the banking system. The already stabilized

pandemic risk, the consequences of the conflict between Russia and Ukraine, and exchange rate fluctuations increased the pressures, presenting a challenge for risk management in terms of lending, regulatory changes, liquidity management, operations, investments, financial results and human resources. In the role of one of the market developers for the establishment and operation of the secondary market of government securities through issuances and daily quotations for the prices of reference securities, Credins Bank has significantly contributed to the increase in transactions and efficiency of this major project. In relation to investment diversification, we have focused on finding and monitoring investments with low exposure to risk. The focus has also been on the diversification of exposures to the main counterparties of investments in debt securities, particularly according to the countries that make up the total investment portfolio, accompanied by the diversification of this portfolio for risk indicators according to financial duration and expected return.

The objectives and limits for market risks and liquidity risk have been observed, while the Bank's needs for liquidity in each currency have been met. Despite the challenges of the interbank and securities market, in cooperation with the Treasury Department, we have maintained a prudent approach to



## Consolidating the bank's reputation in the market



liquidity management, translating it into a good performance in terms of strong fluctuations of the financial markets at the beginning of the pandemic and the subsequent Russia-Ukraine conflict. In accordance with international standards, the Bank has revised and improved the measurement and monitoring of liquidity and interest rate risk, defining limits and new instruments for the management of these risks. Measures have been taken to implement systems for the automation of the processes that calculate the indicators according to regulatory and internal requirements.

Risk management focused primarily on assessing, measuring, and diversifying capital need based on specific asset classes and their risk exposure. The Bank assesses the internal need for capital, including a number of specific risks, which are not included in the regulatory framework of capital adequacy ratio such as credit concentration risk, country risk, residual market risk, owned properties risk, reputational and strategic

risk. Stress scenarios are designed and implemented for each key risk. Inventorying the risks to which the Bank may be exposed enables us to perform a wider assessment of the risk exposure, not only of available assets, but also of the entire activity and operations, assessing the need for additional capital.

Collateral management and assessments has been an important focus for the Bank, in order to ensure the highest possible coverage of exposures at risk and the inclusion of a wide range of collaterals, including also new financial instruments and insurance products. In addition to improvements in the quality of collaterals accepted as guarantee for risk exposures, the Bank is committed to improving the coverage ratios of exposures through instruments for financed credit protection.

The Bank is focused on improving and increasing investment efficiency, in accordance with the objectives for the volume of funds and expenses for provisions throughout the year and for medium-term budgeting.

In order to protect itself from operational risk, the Bank has designed an internal operational risk regulatory framework, which contains clear definitions on operational risk and a self-assessment approach of risk exposure towards the business processes, involving all Bank structures. In addition, Credins has

## // Managed to reduce the ratio of nonperforming loans //

also developed and improved a set of internal key risk indicators by proactively monitoring their performance, in accordance with established limits. Operational risk events and factors are carefully analyzed and monitored, in order to ensure their most proactive management. During 2023, the self-assessment process has been expanded even further in quantitative and qualitative terms and the follow-up of critical situations.

Lending in 2023 was based on a better knowledge of customers and the characteristics of the sectors where they operate. The focus this year was the support of sectors such as tourism, various social services, and individuals. The renewable energy sector has also been at the attention of Credins Bank.

Credins Bank aimed to achieve a balance between the absorption of funds in various currencies and their investment through lending in these currencies.

During 2023, the Bank focused on the consequences of exchange rate fluctuations, managing this risk both in terms of currency positions and indirectly in credit risk. The policy of mitigating exposure to indirect credit risk was applied in lending due to the exchange rate, recommending the customers to get loans in the same currency as their income.

Although 2023 was considered a difficult year for the economy due to inflation and interest rates pressures, the banks managed to reduce the ratio of non-performing loans again. This year was accompanied by a significant reduction in the level of NPLs in line with the banking system as well due to a more prudent lending and effective management of the portfolio in arrears.

Credins has a special structure for the management of NPLs at departmental level, which is part of the Risk Division. The Debt Recovery Department has been upgraded over the years both in structural and operational terms.

During 2023, the Bank managed to reduce the NPLs and portfolio at risk both in volume and versus the total loan portfolio. The NPL ratio of Credins Bank at the end of 2023 was 5.9%, dropping by 0.9% compared to 2022. This result is a good guarantee that the Albanian banking sector will continue to improve its activity in order to face all the complex

challenges and always stay in the vanguard.

Credins Bank closed 2023 with a satisfactory financial performance, in line with the established strategic objectives. The challenges remain the same for 2024, but developments in the market will be closely monitored to reflect the measures that we will take to successfully manage any situation with an already completed structure of professionals.

## Treasury Department

Compared to previous years, 2023 was a challenging year for the Treasury Department, which managed to achieve successfully the annual objectives and make the projections for the coming year. Based on the changes in financial markets and the increase in basic interest rate in the Eurozone, America, England and Albania, we have managed to follow the market trends with the purpose of ensuring effective management of liquidity and long-term investments. The increase in inflation even after the efforts to maintain it at low levels, has affected the interest rates of loans and deposits and every aspect of the world's economic balances.

The Treasury Department successfully fulfilled the objectives such as effective management of liquidity, optimization of work processes, support of Bank's key activities, increase in income from main activities, support the activity of ALSE Stock Exchange, reduction of risk according to indicators defined in the Bank's policies.

The income from Money Market and Securities Sector activity increased by 65% compared to 2022. The main objective was liquidity management and investment in domestic and foreign securities based on the Department's Investment Policy. Investments in securities was the focus for 2023 and the same trend will continue in 2024. The increase in profitability for individual

investors and entities has led to high flows in securities trading. Credins has held the leading position in terms of liquidity in the local market, and has held the role of the Market Maker in auctions of benchmark securities and trading in the secondary market.

The growth of transactions with Credins has created the need to establish relations with two new banks in 2023: Aktif Bank (Turkey) and Landesbank Baden-Württemberg (Germany), expanding thus further the activity and benefiting good rates for liquidity investments in foreign currency.

Treasury Department cooperates with reputable international financial institutions/ brokers, offering clients the best prices for securities and further diversifying partnerships with foreign institutions.

In addition, through the dedicated position of a "Broker", acting as consultant for investment and trading, we have had a successful activity in trading securities from Bank's clients. The expansion of the brokerage activity is one of the focal points in future; more and more individuals are approaching and trading securities given the growing rates in the market and the variety of tradable securities. The branches have been highly supported in terms of information on auctions, securities market, any request to attract and serve

the customer as quickly as possible, and on the provision of accurate and efficient information. The customer finds at Credins both a wide range of products and opportunities to invest in various financial products.

For the first time in 2023, the public issue of corporate bonds was carried out by NOA sh.a, listed on the ALSE Stock Exchange in the amount of ALL 500 million. This activity was also supported by the Treasury Department as buyer of securities since the initial issuance and trading on Stock Exchange during the second semester of 2023, which reaches high values of over 60 million ALL.

The Forex sector has successfully managed high volumes of currency trading in the local market, with participation in every Forward auction organized by the Bank of Albania, in the amount of EUR 15 million. Cooperation in fx trading with foreign banks, which support us with the most competitive exchange rates on the fx international market, has significantly increased. The bank has also managed to increase the volume of fx transactions through digital channels on the e-banking platform to remotely support customers. The high volatility of exchange rates has generated significant profits for the Bank.

Credins' new bond issues in 2023 through the private offer proved



## Management of liquidity and optimization of work processes



successful, getting the approval for three bond issues in the total amount of EUR 36 million and the demand was high. The Custody Unit on the other hand has fulfilled the clients' requests for sale/purchase of bonds in the secondary market. Credins continues to successfully perform the role of custodian for bonds issued by domestic banks, financial institutions and corporations during 2023.

The Treasury Department deals also with interest rates for term deposits; through the Progressive Flexi Deposit, customer demands were served by providing them with the opportunity to profit from increasing interest rates and flexible liquidity.

In 2023, the Treasury Department refocused on staff training aiming to increase the support and collaboration with colleagues and clients, while providing them with the best opportunities to profit from investment in securities by monitoring closely the day-to-day changes in the Financial markets.

## Cards Department



### Number of POS increased by 24%



In 2023 the Cards Department completed successfully numerous projects related to card payments and initiated new projects focused on digitizing and implementing cutting-edge technologies, in accordance with best practices in Albania, the region, and beyond. The goal remains to expand the range of products and services, providing the most satisfactory experience to our customer users. Maintaining the standards, improving quality and enhancing security elements, are also key objectives aimed at delivering the best for our customers.

Our ongoing challenge is to offer each client the best and most suitable options from our extensive portfolio

of card products and services, meeting their demands and needs. Throughout 2023, the card activity indicators, as issuers and receivers of the prestigious brands like Visa and MasterCard, have shown stable growth in both quality and quantity.

Card payments through POS terminals have continued to trend upward, peaking during the 2023 tourist season. The number of POS terminals increased by 24% compared to 2022 and the volume of transactions grew by 38%. POS terminals accept payments in ALL and Euro providing customers the flexibility to choose the currency, depending on the card type and preferences. In order to adapt to the business demands, especially during summer, we upgraded POS terminal functionalities to include standard features, manual data entry, pre-authorization, and more. This dynamic growth in 2023 highlighted the need for ongoing investment in fast, quality, and sustainable solutions, leveraging competitive technology and standards.

The internal procedures related to analysis, decision-making, processing, installation, etc. have been streamlined

to meet traders' demands quickly and qualitatively. In 2023, the Bank successfully met the unprecedented demand for POS terminals, adopting solutions to fit the nature of the businesses, geographical location, and other specifics. The standard and flexibility of our services have made it easier for traders to understand and implement this payment form. Credins trains traders, monitors their activity, and provides real-time support, leading to a natural acceptance of the service and increased numbers in both quality and quantity.

The number of virtual e-Commerce terminals increased by 15% compared to the previous year and the migration to the new VPOS platform of all existing traders was completed. This platform simplifies implementation for customers and offers multiple options for managing and controlling transactions on their sites. The Bank provides technical support at all stages, from the approval of the trader by the task force to the integration of the payment interface provided by Credins in the "Production Environment."

The e-Commerce service is available in ALL and EUR. The integration forms of the payment interface vary depending on the trader's site requirement and the design, offering multiple functionalities, in line with the business nature and specifics. Through the Credins VPOS platform, customers can book, refund payments, refund offers, monitor transactions in real time and more. There are several ongoing projects aimed at upgrading functionalities and facilitating

the product purchase and online service process. Convenience, speed and ease, combined with advanced security elements increasingly guide consumers and traders towards this service.

The wide and comprehensive portfolio of cards offered by the Bank meets the needs of every individual, business, and public institution. Credins' prepaid cards, the first in the Albanian market, continue to be a success story with growing numbers. These cards, designed for specific segments and functions, remain highly demanded. Customers can choose business, debit, or credit cards in ALL, Euro, or other currencies.

Our successful cooperation with the Public Institutions continued even throughout 2023, with Credins providing Visa cards tailored to the needs and features of this category of clients, supporting their activities and payment needs.

As with many other products and services, customers continue to find in Credins a reliable, stable business partner who adapts to their evolving needs.

## Project Management Department

In line with the Bank's medium-term strategies, the Projects Department concentrated its work during 2023 on activities, which focus on improving the effectiveness of the organization and efficiency of internal operations. Improving the service model and efficiency of branch operations and increasing digital capacities are some of the commitments of this department this year.

The digital transformation program, which was initiated years ago, was a strategic priority even during 2023. Many initiatives undertaken within this program progressed satisfactorily. In addition to continuous upgrades of the digital platform and sales channels and modernization of their format to meet customer demands, continuous investments have also been made towards the automation and digitization of many internal processes in order to increase their efficiency.



Digital transformation is bank's strategic priority



As part of the digital transformation program, the project of creating an electronic archive and digitizing historical documentation has continued during 2023. A considerable number of documents have been digitized and an electronic archive has been created, which will provide many facilities in the management of customer documentation and reduction of physical storage capacities.

Good progress has been made to improve operations efficiency and the Bank's internal processes, through

several initiatives aimed at creating a more effective service model. A large number of processes have been standardized, simplified, and automated, significantly increasing efficiency, reducing HR and material costs. At the same time, this affects the improvement of customer service and experience.

At the end of 2023, the Board of Directors approved the new medium-term strategy of the Bank for the period 2024 to 2026, with 4 strategic objectives:

- > Credins Bank, the first choice of every

customer. Providing the best banking experience with a portfolio of flexible products and services, at any time;

- > Optimization of processes, potential ability to automate and digitize all processes to respond in real time to the needs and demands of customers;

- > Continuous investment on innovations to create value for Credins customers

Consistent investment to increase the professional and personal qualification of every employee



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Board  
of Directors

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## 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



5

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Human Resources  
Department

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# Human Resources Department

**4.6%**  
more employees  
than 2022

**2023**



In addition to quality recruitment and further development of employees, the work of the Human Resources Department during 2023 aimed at increasing benefits and creating an inclusive and motivating culture through the organization of various activities on the occasion of the Company's 20th anniversary.

The increase in wages, enrichment of benefits, as well as the focus on other motivational factors such as career and professional skills development have been the focus of the HR policies. Finding a work-life balance is considered very important for us and our staff.

An innovation among Tier 2 banks, Credins will give to all its actual employees the 14th salary as a bonus. This salary will be paid in June of the following year. Another benefit to reward the loyalty of employees with more than 7 years experience in our Bank is the additional paid vacation days. Each employee will benefit up to 5 additional paid days throughout the year. Employee benefits from membership in the Voluntary Retirement Fund have been increased, benefiting the Bank from a contribution of up to 5% of the gross salary, and the Bank's contribution to the "Life with Savings" package, a combination of life insurance and savings, has been increased.

In the same line of growth, salaries have also been reviewed so that our employees are always valued professionally and financially.

The number of employees at the end of 2023 was 1086 or 4.6% more than 2022, ranking us among the leading corporations in the country in terms of employment, talent development, promotion, and continuous training of our employees. Employee turnover during 2023 was 13.4%, significantly lower than the banking system, which had an average of 18.9% of the turnover.

The average age of the staff is 36.1 years and the breakdown according to different generations is:

- > Gen Z, under 30 years old **26.3%**
- > Gen Y, 30 to 44 years old **55.2%**
- > Gen X, 45 to 59 years old **14.7%**
- > Baby Boomers, over 60 years old **3.8%**

Gender equality is at the heart of our policies, which is also reflected in the female/male ratio, which was 76% to 24% in favor of women in 2023. The number of employees at managerial level was 20%, among which 73% are female managers. Credins Bank values the continuous promotion of employees, ensuring an increase in their professional career and during 2023, 177 employees were promoted, of which 26 in management positions.

Rewarding the best employees based on results has always been at the center of our strategy. Throughout 2023, 603 employees were evaluated and financially rewarded, benefiting at least one bonus. 123 employees, who received the bonus, work in the Head Office and 480 in the Branches network.

During 2023, attention has been paid to staff training, particularly branch staff. A total of 57,176 hours of training were conducted, of which:

- > 11.976 hours training for existing staff;
- > 28.720 hours training for new employees;
- > 16.480 hours training for promoted staff or employees who changed positions

A summary of the training statistics is presented below:

**57**

total  
training hours

**9.5**

total  
training days

**8.8**

average days of  
training for 1 employee

**838**

no. of trained  
employees

The objectives in 2024 will continue to focus on quality recruitment of new employees, the growth and professional development of existing employees through development training and increased benefits, continuous promotions and more activities that lead to the creation of a more cooperative environment.



# 6

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Corporate  
Governance

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# Corporate Governance

The Bank operates in accordance with the legal and regulatory framework for the Banking system in Albania, various internal acts designed for better governance based on best international practices in corporate governance.

The foundation of trust among shareholders, directors and managers consists of four pillars of corporate governance:

- **Transparency:** The Bank shall ensure that the public and interested third parties are provided with a timely and accurate information on all material matters regarding the corporate, including the financial situation, performance, ownership and governance of the Bank.

- **Accountability:** Directors shall be held accountable for their decisions and actions to shareholders, and, in certain cases, to key stakeholders.

- **Fairness:** The Bank is obliged to protect shareholders' rights and ensure equitable treatment of all shareholders, including minority shareholders.

- **Responsibility:** Directors carry out their duties with honesty, impartiality and integrity. The Bank recognizes the rights of other stakeholders as provided for in laws and regulations, and encourages co-operation between the Bank and stakeholders in establishing sustainable and financially sound enterprises.

# Structure of General Governance of the Bank

**The General Assembly of Shareholders** is represented and composed by all the voting shareholders of the Bank. It is the highest decision-making body that takes decisions of the simple or qualified majority about any issue as stipulated in the Articles of Association or the law No. 9901 "On Entrepreneurs and companies". The decisions of this body, taken in accordance with the law, are binding on all shareholders, the Board of Directors, Senior Management and employees, or representatives of the Bank.

**The Board of Directors** is a decision-making body, responsible for the strategic management of the Bank, and it is composed of 7 (seven) members (executive and non-executive managers), who exercise their functions for a period not longer than four years, but may be re-elected without limitation. The Board of Directors exercises its powers in accordance with the provisions of the laws and regulations of the Bank of Albania and the Bank's Articles of Association.

The Board of Directors held 5 (five) meetings in 2023 according to the annual plan. The meetings were held with a quorum of at least 5 (five) members, the necessary quorum to take decisions.

The Board of Directors, through the periodic reporting of the Bank's main

units, supervises the financial situation of the Bank; operation of the organizational structures and the activity of Senior Management; implementation of the Bank's policies and strategies related to business plan, risk management, annual budget by setting out and monitoring achievement of long-term objectives and the efficiency of the Bank's management practices. The preliminary financial result for 2023, the budget and business plan for the next year, as well as the mid-term strategy for 2024-2026, were discussed in the December meeting.

The Board of Directors approves by 2/3 of the votes all the Bank's actions, which increase the Bank's exposure to clients with an exposure over 10% of the regulatory capital and to persons having a special relation with the Bank. This body has regularly monitored and addressed potential conflicts of interest of Managers, members of the Board of Directors and shareholders, including potential conflicts of interest that may arise from misuse of the Bank's funds and actions with related parties.

In addition, the Board of Directors has revised and approved throughout the year a large number of internal regulatory acts, amended or designed for the first time, based on the internal needs of the company and requirements of the Regulatory.

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	September 2017 - October 2025
Raimonda Duka	Member	May 2020 - May 2024
Jonas Hasselrot	Member	February 2020 - February 2024

The majority of the members of the Board of Directors are individuals who, when appointed and throughout the duration of their term, are not related to the Bank through private interests, to the shareholders who are considered to have control over the Bank pursuant to the Law, nor to its executive directors. Members of the Board of Directors, while performing their duties, comply with the highest ethical standards. Based on sufficient and adequate information, they act in good faith and in the best interest of the Bank, prudently and responsibly, fully committed to their responsibilities, to protect the safety and sustainability of the Banking and financial activity of the Bank.

Senior Management is composed of the Chief Executive Officer and one Deputy Chief Executive Officer.

**Senior Management** organizes and manages on a regular basis the Bank's business, supervises execution of the delegated responsibilities in accordance with the approved policies and procedures, and in line with the approved strategies, takes the necessary actions to monitor and manage all risks to which the Bank is exposed; implements the approved policies and strategies, and ensures that risk management processes comply constantly with the risk profile of the Bank and the approved business plan.

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

The Chief Executive Officer is also the Chairman of the Shareholders' Assembly. He/she shall be appointed for a period not longer than 3 (three) years and can be re-elected. He/she shall legally represent the Bank. The Board of Directors may authorize two members of Senior Management to jointly represent the Bank for specific matters.

Senior Management shall inform duly, timely and regularly the Board of Directors, about important issues related

to the Bank operations, in particular related to the risk management, implementation of strategies and policies, as well as any deviation from the approved objectives. It is responsible for keeping adequately the Bank's accounts and preparing the financial statements in conformity with the law. Senior Management shall present to the Board of Directors the annual financial statements at least three months after the closure of the financial year.

#### Committees at Board of Directors and Bank level

According to the Articles of Association, the Board of Directors has approved establishment of the following

Committees. All the Committees are formalized in the internal regulatory acts.

	Committees of the Board of Directors				Committees at bank level				
	Audit Committee	Risk Committee	Remuneration Committee	ALCO Committee	IT and Projects Steering Committee	Strategy Implementation Committee	Policies and Procedures Review Committee	Products and Services Committee	Cyber Security Committee
Chairman	Elton Toro	Jonas Hasselrot	Raimonda Duka	CEO	CEO	Head of Project Management Department	CEO	CEO	CEO

Member	Vacant	Maltin Korkuti	Clive Moody	Deputy CEO	Deputy CEO	Chief Risk Administration Officer	Deputy CEO	Deputy CEO	Deputy CEO
Member	Eva Pango	Saimir Sallaku	Jonas Hasselrot	Chief Finance Officer	Chief Risk Administration Officer	Chief Finance Officer	Head of Legal Department	Chief Finance Officer	Chief Operational Officer
Member				Chief Operational Officer	Head of Project Management Department	Head of IT Department	Head of Compliance and AML Department	Chief Operational Officer	Head of Information Infrastructure and Technology
Member				Chief Risk Administration Officer	Chief Operational Officer	Head of Branches' Sales Management Department		Chief Risk Administration Officer	Head of IT Department
Member				Chief Business Development Officer	Chief Business Development Officer	Head of Marketing Department		Chief Business Development Officer	Head of IT Department
Member				Head of Treasury Department	Head of IT Department	Head of HR Department		Head of Legal Department	
Member					Chief Finance Officer			Head of Marketing Department	
Member					Head of Information Security Department				
Member					Head of HR Department				

**The Audit Committee** is composed of three members appointed by the Shareholders' Assembly, but in 2023 the position of one of the Members of the Audit Committee has been vacant. This Committee audits and supervises implementation of the Bank's internal audit procedures; including the procedures defined by the Bank of Albania; informs the Board of Directors about the main deficiencies and issues found in the internal audit system and recommends how they can be improved; revises the annual audit plan, as needed, and proposes it to the Board of Directors for approval; examines internal audit reports and monitors the way conclusions from such reports are dealt with; proposes the authorized statutory auditor and enables communication between him/her and the internal audit of the Bank; evaluates the financial situation of the Bank based on the report of the authorized statutory auditor; controls compliance of the Bank's activity with the laws and by-laws and notifies the Board of Directors of the Bank of the conclusions; provides an opinion to the Bank's Board of Directors, if requested by the latter, in relation to various issues; approves the financial reports and statements prepared by the Bank and which the Bank intends to publish; monitors implementation of recommendations of the authorized statutory auditor following the annual legal audit; reviews the findings and monitors the implementation status of the recommendations given by the supervisory examination authorities, etc.

In 2023, the Audit Committee held four ordinary meetings. The main

activity focused on revising the Annual Internal Audit Report for 2022; revising and approving the Annual Audit Plan for 2023. It supervised quarterly the activity of the Internal Audit Department; reviewed the Bank's Financial Statements on a quarterly basis; proposed the legal auditor for the year 2023, and reviewed the Management letter and Financial Statements for the previous year; followed up, every 3-months, the status of the recommendations of the inspection group of the Bank of Albania, the recommendations of the external auditor as well as completion of the recommendations given by the Internal Audit Department in previous years.

**The Risk Committee** is composed of three voting members. Two members of this Committee are non-executive managers and one is an executive manager. The chairperson of this Committee is an independent manager. All the Committee members are directors selected for their competence and experience and at least two of the members should have experience in the Banking system and risk management.

This Committee held four meetings in 2023. It assessed and reviewed the information provided by CRO for all the risks to which the Bank was exposed at every quarter: credit, market, liquidity, reputational, operational risk, fraud, etc. This Committee, based on the reporting to the Board of Directors, has advised and assisted the latter in fulfilling the responsibilities related to the current profile and future risk strategy of the

Bank taking into account the current and future financial and macroeconomic environment; harmonization of the Bank's internal activity with the external legal and regulatory framework; data security and business continuity, as well as review and recommendation for approval by the Board of Directors of the general credit risk appetite and risk governance framework. The Risk Committee has actively examined and monitored, throughout the year, the performance of large exposures making up over 10% of the regulatory capital and of the people with a special relation to the Bank, advising the risk unit, case by case. It has given the relevant recommendations to the Board of Directors, so that sound decisions can be taken in accordance with the Risk Strategy of the Bank.

**The Board Remuneration and Nomination Committee** is composed of three members, who are non-executive directors entitled to vote. The Chairman is an independent non-executive director. This Committee supervises the nominations and remuneration system; revises, assesses and recommends to the Board for approval nomination and remuneration policies and practices; examines the nominations of Executive and Non-Executive Managers and their remuneration, ensuring that compensation is appropriate, consistent and in line with: the strategic objectives of the Bank, long term business and risk strategies, performance and control environment, expectations and requirements of regulations.

The Committee convened four times in 2023, and reviewed the activity of the Human Resources Department on a quarterly basis; reviewed also the annual objectives set for the Heads of Divisions and the Head of Internal Audit Department, as well as achievement of the objectives of the previous year. This Committee also managed the performance and suitability self-assessment process for the members of the Board of Directors, individually and collectively. In addition, it also examined the performance and salary review process based on the budget, and took in consideration the performance and remuneration of the Senior Management.

**Loan approving Committees** are ranked from the Risk Division as per the amounts and the risk profile of the borrower and relevant segment. These Committees review and approve credit exposures and any lending issues.

**Asset/Liability Management Committee (ALCO):** The members and the Chairman of the Committee are appointed by the Board of Directors for an indefinite term.

The main objective of ALCO is to protect the Bank's capital and its investment, aiming at balancing the assets and the liabilities of the Bank considering the pricing and maturity structure in compliance with the relevant laws and internal regulations in force. ALCO Committee is convened at least once a month and whenever it is required by the

internal regulatory acts. The Chairperson of the Committee may convene extraordinary meetings if deemed necessary.

**The Products & Services Committee (PSC)** is established with the Decision of the Board of Directors of the Bank. The Board of Directors appoints the Members and the Chairman of the Committee for an indefinite term.

The main purpose of PSC is to approve products and services that will generate incomes for the Bank, in compliance with the business development strategy and plan approved by the Board of Directors of the Bank, the market developments and demands, and targeted clients, as well as to modify the existing products and services.

The purpose of the **IT and Projects Steering Committee (ITPSC)** is to manage, review, monitor and prioritize projects as well as IT initiatives of Credins Bank from a cross-functional perspective.

It ensures and advises the Management of the Bank on the successful implementation of IT projects and strategic initiatives in line with the approved Strategy of the Bank.

The role of the IT and Projects Steering Committee is to supervise the progress of projects, ensure the necessary support and orientation to achieve their objectives and compliance with the Bank's strategy. Another role of this

Committee is to monitor the activity of the IT Department.

The ITPSC is established with the decision of the Board of Directors of the Bank. The Chairman is appointed by the Board of Directors. The Deputy Chairman and the members of the Committee are appointed by the Chairman. The ITPSC shall meet whenever it is necessary and when it is required by the Chairman and/or Members.

**Policy and Procedure Review Committee (PPRC)** is established with the Decision of the Board of Directors of the Bank. The Committee Members and the Chairman are appointed by the Board of Directors for an indefinite period.

The main purpose of PPRC is to create, approve or amend, in compliance with the legal framework and the internal regulatory framework, the policies, procedures, regulations, instructions, manuals and methodologies as well as other regulatory acts in the Bank, ensuring that the internal activity of the Bank is regulated in all aspects and is in compliance with the applicable regulatory framework.

The Chairman of the PPC has the casting vote in case of equality of votes. The PPRC is convened upon the request of the Chairman of the Committee, whenever deemed necessary by the bank and required by the Board of Directors and the legislators.

The objective of the **Cyber Security**

**Committee** is to administer, review, supervise and set priorities related to IT activity and initiatives at Credins Bank, from a technical and cyber security point of view, as well as to provide and advise the Bank's Management on all initiatives undertaken by the bank for information security. The Cyber Security Committee coordinates and communicates the

information technology and security governance and program.

This Committee ensures and advises the Bank's Management on the successful implementation of information security initiatives in line with the Bank's objectives.

## Selection and Nomination Criteria for Administrators

The Bank has developed a special policy for the selection, evaluation and remuneration of its Administrators, based on the legal and regulatory framework in force, as well as the best practices of Corporate Governance.

The Board of Directors assesses and ensures at all times that the new candidate or the candidate being promoted as Administrator is suitable and meets all legal and regulatory criteria and requirements.

The interviews with new candidates shall also take into account the behaviors that the candidates for non-executive director are likely to show in order to ensure that the Board of Directors maintains an a proper environment where challenges are expected and overcome. The objective of the Board of Directors is to ensure that the majority of its members are independent non-executive directors, including its

Chairperson and the Chairmen of the Board Committees, who must have experience in the Banking and/or financial sector.

Some of the factors important for establishing the inherent and perceived independence of the BD member are:

- He/she has not been an employee of the company in the last years;
- He/she has no material relationship with the company;
- He/she does not get (other) salary from the company during his/her term as a Board member (other than honorarium as such);
- Has no close family ties to any of the advisors, Board members or key employees of the company;
- He/she is not a Board member or has no significant affiliation to other Board

members through involvement in companies or other bodies;

- Does not represent a significant shareholder.
- Is not a member of the Board for a long period.

The review of the Board's composition shall consider the advantages of diversity, including gender ratio of the Board and shall also seek to ensure diversity in terms of geography and experience in various sectors of the

industry. All nominees must have the financial knowledge required to understand properly the Bank's operations and their related risks.

When selecting candidates for members of the BD or when re-evaluating or re-electing current members, the Board of Directors shall ensure that their knowledge, experiences and qualifications are combined with those of other members, in order to provide an appropriate and balanced collective qualification.

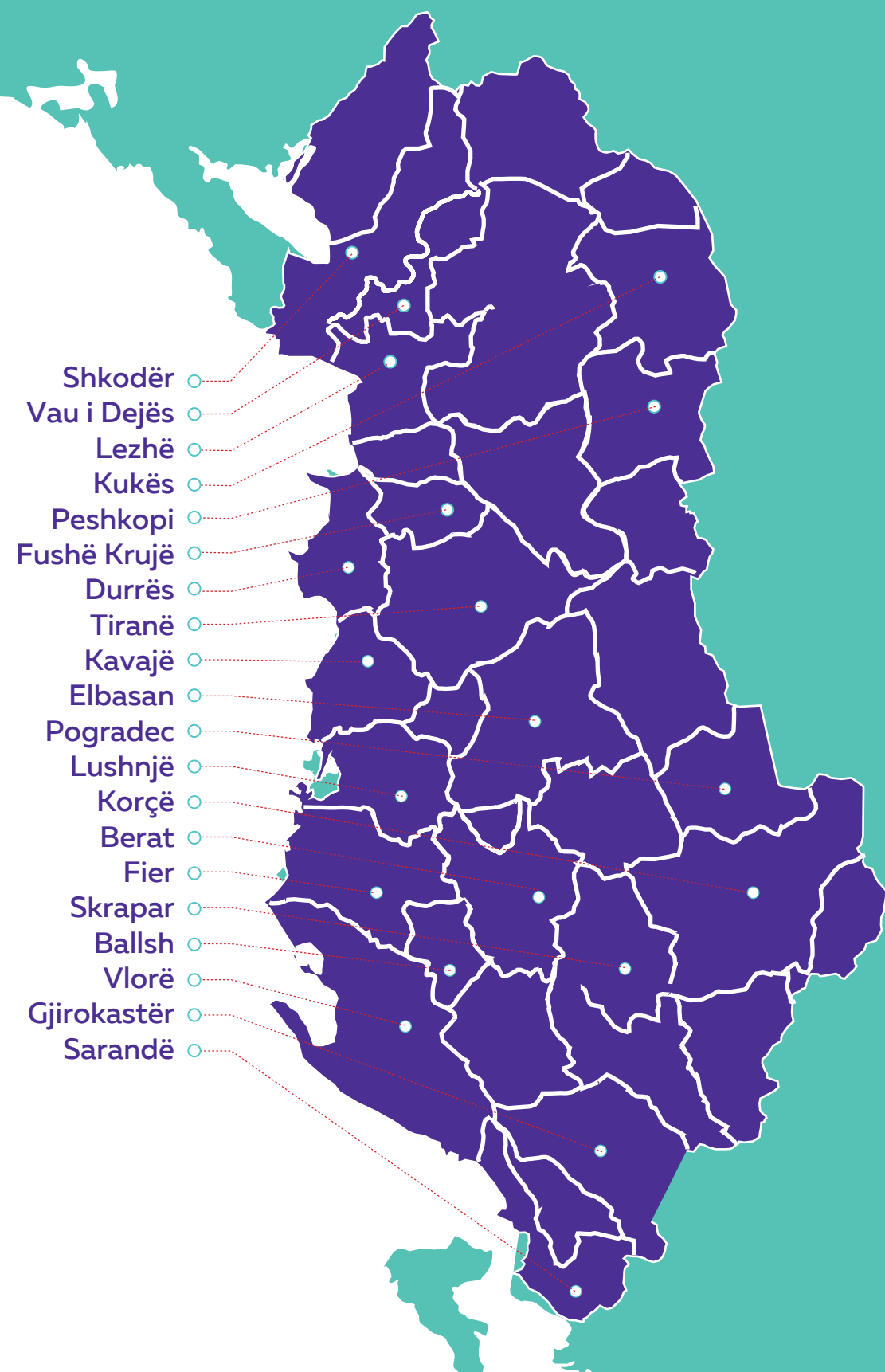
## Internal Audit and Risk Management System in relation to financial reporting

The Board of Directors and Senior Management are responsible for establishing and setting an adequate internal audit and risk management system that includes the entire financial reporting process while observing the requirements of the company.

The Bank and its governing bodies are committed to ensure that the internal audit system provides reasonable assurance for the integrity and reliability of the consolidated financial statements, protection of assets against unauthorized use or disposal, and prevention and disclosure of false financial statements.

The Board of Directors through the Audit Committee has evaluated the internal audit system of the company according to the criteria for an effective internal audit. These criteria consist of five interrelated components, such as: control environment, risk assessment, audit activities, information and communication, and monitoring.

## Branch Network



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Auditors'  
Report

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# Auditors' Report

**BANKA CREDINS SHA**

**Consolidated Financial Statements for the year ended on**

**31 December 2023**

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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 "Group") which comprise the consolidated statement of financial position as at 31 December 2023 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 significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, 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.

**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.

*This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

- 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.

Grant Thornton sh.p.k.

Tirana, Albania

*Kledion Koshka, FCA*  


*This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## Banka Credins sh.a.

### Consolidated statement of profit or loss for the year ended 31 December 2023<sup>1</sup>

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
		ALL '000	ALL '000
Interest income	9	14,533,734	11,805,479
Interest expense	9	(3,063,274)	(2,262,538)
<b>Net interest income</b>	9	<b>11,470,460</b>	<b>9,542,941</b>
Fee and commission income	10	2,291,320	1,859,592
Fee and commission expense	10	(274,764)	(214,260)
<b>Net fee and commission income</b>	10	<b>2,016,556</b>	<b>1,645,332</b>
Other expenses	11	(592,276)	(393,048)
Other income	11	658,728	954,866
(Loss)/profit from foreign exchange transactions		(357,864)	78,430
<b>Net other income</b>		<b>(291,412)</b>	<b>640,248</b>
Net impairment loss on financial assets	12	(3,284,785)	(3,899,631)
Depreciation of property and equipment	23	(469,286)	(456,961)
Amortization of intangible assets	24	(76,342)	(91,001)
Depreciation of right-of-use assets	25	(589,615)	(444,909)
Personnel expenses	13	(2,314,548)	(2,002,019)
Administrative expenses	14	(4,221,883)	(3,394,005)
		<b>(10,956,459)</b>	<b>(10,288,526)</b>
Share of loss of associates	18	(2,621)	(3,071)
<b>Profit before taxes</b>		<b>2,236,524</b>	<b>1,536,924</b>
Income tax expense	15	(490,344)	(452,904)
<b>Profit for the year</b>		<b>1,746,180</b>	<b>1,084,020</b>

<sup>1</sup>The notes 1 to 48 in pages 6 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 2023<sup>2</sup>

	Notes	Year ended	Year ended
		31 December 2023	31 December 2022
		Lek '000	Lek '000
<b>Profit for the year</b>		<b>1,746,180</b>	<b>1,084,020</b>
<b>Other comprehensive income</b>			
<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	81,967	(157,462)
Income tax effect		(12,816)	23,721
<b>Net gains/(loss) on debt instruments at fair value through other comprehensive income</b>		<b>69,151</b>	<b>(133,741)</b>
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		<b>69,151</b>	<b>(133,741)</b>
<b>Other comprehensive income for the year, net of income tax</b>		<b>69,151</b>	<b>(133,741)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>1,815,331</b>	<b>950,279</b>
<b>Attributable to:</b>			
Equity holders of the parent		1,814,247	1,021,891
Non-controlling interests		1,084	(71,612)
		<b>1,815,331</b>	<b>950,279</b>

The consolidated financial statements have been approved by the Board of Directors of Banka Credins Sh.a on 30 Mars 2024 and signed on its behalf:

Mr. Maltin KORKUTI  
Chief Executive Officer



Mrs. Valentina PRODANI  
Head of Accounting and Finance Department

## Banka Credins sh.a.

### Consolidated statement of financial position as at 31 December 2023<sup>1</sup>

	Notes	31 December 2023	31 December 2022
		ALL '000	ALL '000
<b>Assets</b>			
Cash and cash equivalents	16	50,202,509	41,112,315
Restricted balances with Central Bank	17	17,989,357	19,353,410
Loans and advances to banks	18	2,128,983	339,291
Reverse repurchase agreement	19	1,534,355	968,294
Debt securities measured at FVTPL	20	62,988	-
Debt securities measured at FVOCI	21	22,968,242	17,333,177
Debt instruments at amortised cost	22	69,748,858	70,789,612
Quota in investment funds		89,033	47,850
Investments in associates	24	8,163	11,268
Goodwill	23	43,371	43,371
Leasing	25	2,788,304	1,874,722
Loans and advances to customers	26	139,796,541	133,552,337
Repossessed properties	27	7,133,500	4,703,470
Investment property	28	4,968,799	4,600,220
Property and equipment	29	3,610,962	3,450,443
Intangible assets	30	460,910	459,434
Right-of-use assets	31	3,641,522	3,174,670
Other assets	32	2,113,806	2,354,628
<b>Total assets</b>		<b>329,290,203</b>	<b>304,168,512</b>
<b>Liabilities</b>			
Due to banks and other financial institutions	34	5,587,067	3,577,558
Due to customers	35	287,317,390	265,608,932
Borrowing	36	92,468	157,685
Subordinated debt	37	10,130,109	7,924,658
Current tax liabilities		49,617	12,259
Deferred tax liabilities	33	159,148	23,779
Lease liability	38	3,841,493	3,330,299
Other liabilities	39	712,878	3,534,501
Provisions	40	82,879	75,843
<b>Total liabilities</b>		<b>307,973,049</b>	<b>284,245,513</b>
<b>Equity</b>			
Share capital	41	12,480,211	11,503,786
Share premium	42	3,855,876	3,855,876
General reserve	43	3,725,946	3,341,663
Revaluation reserve of investment securities	21	62,163	(9,443)
Retained earnings		701,329	776,368
<b>Total equity attributable to equity holders of the parent</b>		<b>20,825,525</b>	<b>19,468,250</b>
Non-controlling interest ("NCI")		491,629	454,749
<b>Total equity</b>		<b>21,317,154</b>	<b>19,922,999</b>
<b>Total liabilities and equity</b>		<b>329,290,203</b>	<b>304,168,512</b>

<sup>2</sup>The notes 1 to 48 in pages 6 to 73 are an integral part of these consolidated financial statements.

<sup>1</sup>The notes 1 to 48 in pages 6 to 73 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity  
for the year ended 31 December 2023<sup>1</sup>

	Share capital ALL '000	Share premium ALL '000	General reserve ALL '000	Revaluation reserve of investment securities ALL '000	Retained earnings ALL '000	Total ALL '000	NCI ALL '000	Total equity ALL '000
<b>Balance at 1 January 2022</b>	10,717,161	3,833,794	2,834,923	1,203,789	1,606,584	20,196,251	371,523	20,567,774
Profit of the year	-	-	-	-	1,157,867	1,157,867	(73,847)	1,084,020
Other comprehensive income	-	-	-	(135,976)	-	(135,976)	2,235	(133,741)
<b>Total comprehensive income</b>	-	-	-	(135,976)	1,157,867	1,021,891	(71,612)	950,279
Foreign exchange rate differences	-	-	-	407	38,879	39,286	(45,650)	(6,364)
Change in business model	-	-	-	(1,077,663)	-	(1,077,663)	-	(1,077,663)
Appropriation of retained earnings (note 41, 43)	760,111	-	506,740	-	(1,266,851)	(760,111)	(1,054)	(761,165)
Dividends	26,514	22,082	-	-	-	48,596	-	48,596
Issue of share capital (note 41)	-	-	-	-	-	-	201,542	201,542
Increase in the capital from NCI	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2022</b>	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
<b>Total comprehensive income</b>	-	-	-	72,783	1,741,464	1,814,247	1,084	1,815,331
Foreign exchange rate differences	-	-	-	(1,177)	44,205	43,028	(49,199)	(6,171)
Appropriation of retained earnings (note 41, 43)	976,425	-	384,283	-	(1,360,708)	-	-	-
Dividends	-	-	-	-	(500,000)	(500,000)	(643)	(500,643)
Issue of share capital (note 41)	-	-	-	-	-	-	-	-
Increase in the capital from NCI	-	-	-	-	-	-	85,638	85,638
<b>Balance at 31 December 2023</b>	12,480,211	3,855,876	3,725,946	62,163	701,329	20,825,525	491,629	21,317,154

<sup>1</sup>The notes 1 to 48 in pages 6 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 2023<sup>1</sup>

	Notes	Year ended 31 December 2023 ALL '000	Year ended 31 December 2022 ALL '000
<b>Cash flows from operating activities</b>			
<b>Profit before income tax</b>		<b>2,236,524</b>	<b>1,536,924</b>
<i>Adjustments for:</i>			
Depreciation and amortization	29,30	545,628	547,962
Disposed fixed assets	29	(67,855)	(244,000)
Right-of-use assets	31	(466,852)	(580,082)
Net impairment loss on financial assets	12	1,837,765	612,772
Share of loss from associate	24	2,621	3,071
Fair value of investment properties and securities		(41,183)	40,776
Impairment on repossessed properties	27	162,532	99,016
Net interest income	9	(11,470,460)	(9,542,941)
Foreign exchange effect		3,674,772	2,141,667
<b>Cash flows (used in) operating activities before changes in working capital</b>		<b>(3,586,508)</b>	<b>(5,384,835)</b>
Change in loans and advances to banks	18	(1,789,692)	3,585,881
Change in Repo/Reverse Repo	19	(566,061)	(968,294)
Change in loans and advances to customers	26	(8,133,703)	(15,640,712)
Change in leasing	25	(861,848)	(364,447)
Change in restricted balances with Central bank	17	1,364,053	(1,094,767)
Change in repossessed properties	27	(2,592,562)	(570,884)
Change in investment properties	28	(368,579)	(394,826)
Change in other assets	32	186,012	164,923
Change in due to banks and financial institutions	34	2,009,509	164,898
Change in due to customers	35	21,708,458	16,555,938
Change in lease liability	38	511,194	604,478
Change in other liabilities	39,40	(2,692,034)	2,987,132
Interest received		14,533,734	11,805,479
Interest paid		(3,356,293)	(2,301,924)
Income tax paid		(452,986)	(499,631)
<b>Net cash from operating activities</b>		<b>15,912,694</b>	<b>8,648,409</b>
<b>Cash flows used in investing activities</b>			
Purchase of investment securities	20,21,22	(35,907,650)	(19,124,231)
Sales of investment securities	20,21,22	20,566,053	1,082,996
Investment securities matured	20,21,22	7,083,961	18,890,822
Investment in subsidiaries and associates	24	-	-
Purchase of quotas in investment funds		-	-
Purchase of property and equipment	29	(545,567)	(398,445)
Purchase of intangible assets	30	(53,182)	(54,338)
<b>Net cash used in investing activities</b>		<b>(8,856,385)</b>	<b>396,804</b>
<b>Cash flows from financing activities</b>			
Proceeds from issued subordinated liabilities	39	4,034,355	1,181,314
Repayments of subordinated debt	40	(1,520,248)	(418,218)
Repayments of borrowings	36	(65,217)	(667,639)
Dividend payment		(500,643)	(761,165)
Issue of share capital		85,638	250,138
<b>Net cash from financing activities</b>		<b>2,033,885</b>	<b>(415,570)</b>
<b>Net increase, in cash and cash equivalents</b>		<b>9,090,194</b>	<b>8,629,643</b>
Cash and cash equivalents at 1 January	16	41,112,315	32,482,672
<b>Cash and cash equivalents at 31 December</b>	16	<b>50,202,509</b>	<b>41,112,315</b>

<sup>1</sup>The notes 1 to 48 in pages 6 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 2023

(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 2023 the Group had 1,224 employees (31 December 2022: 1,162 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. - Shoqeri administruese e Fondeve te Pensionit dhe Siperarrjeve te Investimeve Kolektive" (former "Shoqeria Administruese e Fondit te Pensionit "SiCRED" sh.a.") from "SiCRED sh.a." and registered with the National Registration Center on 10 June 2015 (2022: 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. In 2022 the bank holds 52.50% of the shareholding in ALREG (2022: 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 2023 the Bank holds 45.59% of its shares (2022: 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 since October 2020 and as at 31 December 2023 the Bank holds 62.11% of its shares (2022: 66.35%).

#### Accounting Policies

### 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 Leke (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 44.

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.

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## Notes to the consolidated financial statements for the year ended 31 December 2023

(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/impaired 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.

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## Notes to the consolidated financial statements for the year ended 31 December 2023

(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 2023 (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 2023 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:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

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## Notes to the consolidated financial statements for the year ended 31 December 2023

(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 2023

(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 2023 and 31 December 2022 were as follows:

	31 December 2023	31 December 2022
USD	93.94	107.05
EUR	103.88	114.23
GBP	119.47	128.92
CHF	112.10	116.13
CAD	70.85	79.04
XAU	6,232.03	6,247.70

#### 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 2023

(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 POCI.

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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Notes to the consolidated financial statements for the year ended 31 December 2023

(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 47.7 (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 2023

(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 2023

(Amounts in ALL'000, unless otherwise stated)

## 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 36 and Note 37.

#### 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 45.

#### 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 2023

(Amounts in ALL'000, unless otherwise stated)

## 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 47.2.

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 47.2.

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 41.2. 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 45.

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Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

## 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 de-recognition 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 47.2.

### 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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Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

## 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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Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

## 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 2023

(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 2023

(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 2023

(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 8.15 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 2023

(Amounts in ALL'000, unless otherwise stated)

### 9. Net Interest income

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Interest income</b>		
Loans and advances to customers	10,926,903	9,573,973
Net trading income	18,536	19,800
Investment securities	2,467,674	1,960,547
Cash and cash equivalents	885,364	136,417
Loans and advances to banks	71,777	48,625
Restricted cash with Central Bank	163,480	66,117
<i>Total interest income</i>	<b>14,533,734</b>	<b>11,805,479</b>
<b>Interest expense</b>		
Deposits from banks	(113,319)	(77,102)
Deposits from customers	(2,325,214)	(1,661,520)
Subordinated liabilities	(466,209)	(369,749)
Interest expense on lease liabilities	(138,437)	(150,641)
Reverse Repo	(20,095)	(3,526)
<i>Total interest expense</i>	<b>(3,063,274)</b>	<b>(2,262,538)</b>
<b>Net interest income</b>	<b>11,470,460</b>	<b>9,542,941</b>

### 10. Net Fee and commission income and expense

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Fee and commission income</b>		
Grouping customer fees	2,224,435	1,780,374
Fee and commissions from lending services	66,885	79,218
<i>Total fee and commission income</i>	<b>2,291,320</b>	<b>1,859,592</b>
<b>Fee and commission expense</b>		
Inter bank transaction fees	(62,884)	(61,289)
Treasury operations	(165,567)	(110,921)
Other	(46,313)	(42,050)
<i>Total fee and commission expense</i>	<b>(274,764)</b>	<b>(214,260)</b>
<b>Net fee and commission income</b>	<b>2,016,556</b>	<b>1,645,332</b>

### 11. Net other income/(expense)

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Other income</b>		
Reversals from written of loans	224,346	496,718
Other income (see note 28)	434,382	458,148
<i>Total other income</i>	<b>658,728</b>	<b>954,866</b>
<b>Other expenses</b>		
Other expenses related to the Grouping activity	(592,276)	(393,048)
<i>Total other expenses</i>	<b>(592,276)</b>	<b>(393,048)</b>
<b>Net other income/(expense)</b>	<b>66,452</b>	<b>561,818</b>

Other expenses related to banking activity include expenses for impairment on repossessed properties, which for the year ended on 31 December 2023 amounts to ALL 162,532 thousand (31 December 2022: ALL 99,015 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 2023

(Amounts in ALL'000, unless otherwise stated)

### 12. Net impairment loss on financial assets

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Charges for ECL on cash and cash equivalents	16	10,716	49,752
Charges for ECL on restricted balances with Central Bank	17	(3,704)	8,919
Charges for ECL on loans and advances to banks	18	15,366	(9,631)
Charges for ECL on investment securities	21,22	32,600	18,735
Charges for ECL on loans and advances to customer and leasing	25,26	3,222,366	3,794,877
Impairment charges on other financial assets (debtors)	32	1,817	-
Charges for ECL on guaranties and letter of credits	45	5,624	36,979
		<b>3,284,785</b>	<b>3,899,631</b>

### 13. Personnel expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Salaries	1,823,951	1,598,716
Social insurance	232,887	195,430
Life insurance premium	48,161	36,738
Other	209,549	171,135
	<b>2,314,548</b>	<b>2,002,019</b>

### 14. Administrative expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Insurance and surveillance	975,397	835,961
Third parties fees	990,201	780,317
Rent	64,769	32,083
Marketing and subscriptions	897,674	578,392
Maintenance	836,903	720,626
Utilities	163,208	148,303
Supplies	124,134	115,532
Other	79,827	82,324
Local and other taxes	31,052	31,657
Transport and travel	58,718	68,810
	<b>4,221,883</b>	<b>3,394,005</b>

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 2023	Year ended 31 December 2022
Current tax expense	439,753	391,250
Income tax expense from subsidiary's profit	2,506	1,021
Deferred tax income (note 33)	48,085	60,633
<b>Income tax expense</b>	<b>490,344</b>	<b>452,904</b>

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 2023 is 15% (31 December 2022: 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 2023

(Amounts in ALL'000, unless otherwise stated)

### 15. Income tax expense net, ( continued )

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Profit before tax in income statement</b>	2,236,524	<b>1,536,924</b>
Prima facie tax calculated at 15%	335,479	230,539
Adjustment for unrecognized loss of associate	393	461
Adjustment for non-taxable profit/(loss) of subsidiary	3,073	2,411
Non tax deductible expenses	100,808	157,839
<b>Income tax expense</b>	<b>439,753</b>	<b>391,250</b>

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 2023	31 December 2022
Current accounts with banks	2,186,816	4,577,790
<i>ECL impairment for CA balances with banks</i>	(12,568)	(917)
Money market placements	6,659,681	7,693,689
<i>ECL impairment for placements with banks</i>	(16,691)	(38,890)
Cash on hand	4,846,211	4,216,379
Unrestricted balances with central bank	38,159,319	26,231,791
<i>ECL impairment for balances with central bank</i>	(92,604)	(70,953)
In transit	(1,527,655)	(1,496,574)
	<b>50,202,509</b>	<b>41,112,315</b>

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

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>110,760</b>	-	-	<b>110,760</b>
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	-	-	-	-
<b>Balance 31 December</b>	<b>121,863</b>	-	-	<b>121,863</b>
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>60,984</b>	-	-	<b>60,984</b>
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	49,776	-	-	49,776
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>110,760</b>	-	-	<b>110,760</b>

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 2023 and settled with the current account at the Central Bank within the first days in January 2024. 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 2023

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### 17. Restricted balances with Central Bank

	31 December 2023	31 December 2022
Restricted balances with Central Bank	18,041,291	19,409,048
<i>ECL impairment</i>	(51,934)	(55,638)
<b>Balances with Central Bank, net</b>	<b>17,989,357</b>	<b>19,353,410</b>

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 2023 only ALL is remunerated by 3.25% (31 December 2022: 2.75%). 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 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>55,638</b>	-	-	<b>55,638</b>
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	-	-	-	-
<b>Balance 31 December</b>	<b>51,934</b>	-	-	<b>51,934</b>

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Notes to the consolidated financial statements for the year ended 31 December 2023  
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### 17.1 Impairment allowance for restricted cash with Central Bank (continued)

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>46,720</b>	-	-	<b>46,720</b>
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	8,918	-	-	8,918
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>55,638</b>	-	-	<b>55,638</b>

### 18. Loans and advances to banks

	31 December 2023	31 December 2022
Non- Resident banks and financial institutions	<b>653,827</b>	<b>230,957</b>
<i>In foreign currency</i>	653,827	230,957
Resident banks and financial institutions	<b>1,491,506</b>	<b>109,825</b>
<i>In ALL</i>	1,357,489	72,133
<i>In foreign currency</i>	134,017	37,692
<b>Total balances for loans and advances to banks, gross</b>	<b>2,145,333</b>	<b>340,782</b>
<i>ECL impairment</i>	(16,350)	(1,491)
<b>Loans and advances to banks, net</b>	<b>2,128,983</b>	<b>339,291</b>

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to banks</b>				
Low- fair risk	340,782	-	-	340,782
Less: allowance	(1,491)	-	-	(1,491)
<b>Carrying amount</b>	<b>339,291</b>	-	-	<b>339,291</b>

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>1,491</b>	-	-	<b>1,491</b>
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	-	-	-	-
<b>Balance 31 December</b>	<b>16,350</b>	-	-	<b>16,350</b>

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### 18 Loans and advances to banks (continued)

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>11,099</b>	-	-	<b>11,099</b>
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	-	-	-	-
De-recognition of financial assets	(9,608)	-	-	(9,608)
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>1,491</b>	-	-	<b>1,491</b>

### 19. Reverse repurchase agreement

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

	31 December 2023				
	Interest rates	Nominal value	Premium to be amortized	Accrued Interest	Book value
	<i>Min</i>	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
		<b>1,533,790</b>	-	<b>565</b>	<b>1,534,355</b>

	31 December 2022				
	Interest rates	Nominal value	Premium to be	Interest rates	Nominal value
	<i>Min</i>	ALL '000	ALL '000	ALL '000	ALL '000
6 days	2.80%	458,372	-	35	458,407
5 days	2.80%	509,848	-	39	509,887
		<b>968,220</b>	-	<b>74</b>	<b>968,294</b>

### 20. Debt securities measured at FVTPL

Debt securities measured at FVTPL as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Government bonds	52,586	-
Corporate bonds	10,402	-
<b>Total</b>	<b>62,988</b>	<b>-</b>

#### Corporate bonds

As at 31 December 2023 the Group had a portfolio of 5-years corporate bonds held to trading, denominated in ALL. Interest is received semi-annually at a respective coupon rate to 8.0%.

	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
	<b>60,000</b>	<b>314</b>	-	<b>1,379</b>	<b>61,693</b>	<b>1,295</b>	<b>62,988</b>

### 21. Debt securities measured at FVOCI

Debt instruments measured at FVOCI as at 31 December 2023 and as at 31 December 2022 are as follows:

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	31 December 2023	31 December 2022
Treasury Bills	12,731,083	10,915,483
Government bonds	10,024,951	6,168,232
Corporate bonds	272,917	284,295
<b>Total investment securities at FVOCI</b>	<b>23,028,951</b>	<b>17,368,010</b>
<i>ECL impairment</i>	<i>(60,709)</i>	<i>(34,833)</i>
<b>Total, net of impairment</b>	<b>22,968,242</b>	<b>17,333,177</b>

### 21 Debt securities measured at FVOCI (continued)

#### Treasury bills

The effective interest rates on treasury bills for the year ended 31 December 2023 fluctuated between 3.08% and 5.45% (31 December 2022: 1.57% and 6.40%). Details of treasury bills as at 31 December 2023 and 31 December 2022, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

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
	<b>12,893,140</b>	<b>(469,646)</b>	<b>302,004</b>	<b>12,725,498</b>	<b>5,584</b>	<b>12,731,083</b>
31 December 2022						
	Nominal value	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
3 months	1,231,180	(9,275)	4,154	1,226,059	105	1,226,164
6 months	1,586,390	(24,443)	12,615	1,574,562	358	1,574,920
12 months	8,256,360	(220,562)	100,763	8,136,561	(22,162)	8,114,399
	<b>11,073,930</b>	<b>(254,280)</b>	<b>117,532</b>	<b>10,937,182</b>	<b>(21,699)</b>	<b>10,915,483</b>

#### Albanian and Foreign Government bonds

As at 31 December 2023, the Bank had a portfolio of 2-years, 3-years, 5-years 7-years and 10 years government bonds, denominated in the local currency, Euro and US dollar. Interest is received semi-annually at a respective coupon rate of 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) (31 December 2022: 1.90% to 2.65% (2-years), 2.12% to 6.60% (3-years), 1.81% to 5.45% (5-years), 3.00% to 5.50% (7-years)).

Details of government bonds as at 31 December 2023 and 31 December 2022, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

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	539,283	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
	<b>9,747,163</b>	<b>100,983</b>	<b>(50,898)</b>	<b>159,839</b>	<b>9,957,087</b>	<b>67,864</b>	<b>10,024,951</b>
31 December 2022							
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost	Revaluation difference	Fair value
24 months	1,902,800	1,292	-	16,053	1,920,145	(3,351)	1,916,794
36 months	1,738,515	224	(949)	18,580	1,756,370	(1,360)	1,755,010
60 months	223,653	287	(612)	2,510	225,838	1,402	227,239
84 months	1,959,214	699	(1,113)	26,466	1,985,266	6,495	1,991,761
120 months	267,298	477	(3,210)	1,701	266,266	11,162	277,428
	<b>6,091,480</b>	<b>2,979</b>	<b>(5,884)</b>	<b>65,310</b>	<b>6,153,885</b>	<b>14,348</b>	<b>6,168,232</b>

#### Corporate bonds

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	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
	<b>267,113</b>	<b>685</b>	<b>-</b>	<b>5,159</b>	<b>272,957</b>	<b>(40)</b>	<b>272,917</b>

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## 21 Debt securities measured at FVOCI (continued)

### 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 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>				
AAA	-	-	-	-
AA+ to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	22,402,176	-	-	22,402,176
Lower than BBB-	-	-	-	-
Unrated	626,775	-	-	626,775
<b>Exposure before impairment</b>	<b>23,028,951</b>	-	-	<b>23,028,951</b>
Loss allowance	(60,709)	-	-	(60,709)
<b>Carrying amount</b>	<b>22,968,242</b>	-	-	<b>22,968,242</b>
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>				
AAA	-	-	-	-
AA+ to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	16,668,037	-	-	16,668,037
Lower than BBB-	-	-	-	-
Unrated	699,973	-	-	699,973
<b>Exposure before impairment</b>	<b>17,368,010</b>	-	-	<b>17,368,010</b>
Loss allowance	(34,833)	-	-	(34,833)
<b>Carrying amount</b>	<b>17,333,177</b>	-	-	<b>17,333,177</b>

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

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>--Balance at 1 January</b>	<b>17,368,010</b>	-	-	<b>17,368,010</b>
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	-	-	-	-
<b>Balance 31 December</b>	<b>23,028,951</b>	-	-	<b>23,028,951</b>
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>65,650,648</b>	-	-	<b>65,650,648</b>
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	16,790,017	-	-	16,790,017
De-recognition of financial assets	(16,396,435)	-	-	(16,396,435)
Change in fair value	(1,425,500)	-	-	(1,425,500)
Write-offs	-	-	-	-
Changes in models/risk parameters	(47,218,582)	-	-	(47,218,582)
Foreign exchange and other movements	(32,138)	-	-	(32,138)
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>17,368,010</b>	-	-	<b>17,368,010</b>

# Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

## 21 Debt securities at FVOCI (continued)

### 21.1 Impairment allowance for debt securities at FVOCI (continued)

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

ECL	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>34,833</b>	-	-	<b>34,833</b>
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	-	-	-	-
<b>Balance 31 December</b>	<b>60,709</b>	-	-	<b>60,709</b>
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>108,294</b>	-	-	<b>108,294</b>
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	3,755	-	-	3,755
De-recognition of financial assets	(33,399)	-	-	(33,399)
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	(43,817)	-	-	(43,817)
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>34,833</b>	-	-	<b>34,833</b>

## 22. Debt securities measured at amortized cost

Debt instruments measured at amortized cost as at 31 December 2023 and as at 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Government bonds	69,878,786	70,912,816
<b>Total investment securities</b>	<b>69,878,786</b>	<b>70,912,816</b>
ECL impairment	(129,928)	(123,204)
<b>Total, net of impairment</b>	<b>69,748,858</b>	<b>70,789,612</b>

As at 31 December 2023, 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 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) (31 December 2022: 2% to 4.2% (2-years), 2.40% to 6.60% (3 years), 2.70% to 7.50% (5-years), 3.24% to 7.90% (7-years), 2.90% to 7.90% (10-years) and 3.24% to 7.98% (15 years)). Details of government bonds as at 31 December 2023 and 2022, showing their initial maturity, their book value and respective fair value as at the reporting date, by type, are presented as follows:

	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	9,744,718
72 months	2,856,700	3,228	-	0	2,859,928
84 months	15,817,751	263,939	(42,230)	196,194	16,235,655
120 months	31,513,640	691,880	(134,031)	387,104	32,458,592
184 months	325,000	1,127	(881)	2,720	327,966
	<b>68,135,211</b>	<b>1,142,978</b>	<b>(226,499)</b>	<b>827,096</b>	<b>69,878,786</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 22 Debt securities measured at amortized cost (continued)

	31 December 2022				
	Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Amortized cost
24 months	3,201,600	-	(22,001)	25,442	3,205,041
36 months	2,748,700	-	(56,263)	26,396	2,718,833
60 months	11,616,315	76,132	(124,723)	101,066	11,668,790
72 months	3,141,325	18,791	(15,188)	-	3,144,928
84 months	14,340,854	382,780	(78,248)	186,465	14,831,851
120 months	33,494,903	1,236,604	(92,677)	382,751	35,021,581
184 months	318,000	1,143	-	2,649	321,792
	<b>68,861,697</b>	<b>1,715,450</b>	<b>(389,100)</b>	<b>724,769</b>	<b>70,912,816</b>

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 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>				
AAA	8,205,884	-	-	8,205,884
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	-	-	-	-
<b>Exposure before impairment</b>	<b>69,878,787</b>	-	-	<b>69,878,787</b>
Loss allowance	(129,928)	-	-	(129,928)
<b>Carrying amount</b>	<b>69,748,859</b>	-	-	<b>69,748,859</b>
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>				
AAA	59,784,114	-	-	59,784,114
AA+ to AA-	585,318	-	-	585,318
A+ to A-	576,612	-	-	576,612
BBB+ to BBB-	4,122,487	-	-	4,122,487
Lower than BBB-	5,844,285	-	-	5,844,285
Unrated	-	-	-	-
<b>Exposure before impairment</b>	<b>70,912,816</b>	-	-	<b>70,912,816</b>
Loss allowance	(123,204)	-	-	(123,204)
<b>Carrying amount</b>	<b>70,789,612</b>	-	-	<b>70,789,612</b>

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

ECL	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>123,204</b>	-	-	<b>123,204</b>
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	-	-	-	-
<b>Balance 31 December</b>	<b>129,928</b>	-	-	<b>129,928</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 22 Debt securities measured at amortized cost (continued)

ECL	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>31,009</b>	-	-	<b>31,009</b>
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	92,195	-	-	92,195
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	-	-	-	-
<b>Balance 31 December</b>	<b>123,204</b>	-	-	<b>123,204</b>

### 23. Equity investments and goodwill

The Group's Shareholders acquired 76% of the shares of "CREDINS INVEST sh.a. - Shoqeri administruese e Fondëve të Pensionit dhe Sipermarreve të Investimeve Kolektive" (former "Shoqeria Administruese e Fondit të 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 të 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 years, the Group has injected additional capital in "Credins Invest". During the year ended 31 December 2023 and 31 December 2022 no additional capital is injected by the Group. Credins Invest is an investment management company administering four separate funds: a voluntary private pension fund, an investment fund denominated in ALL and two alternative investment funds in Albania.

### 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 2023 the group holds 42.59% of its shares (2022: 42.59%). No additional capital is injected during the year ending 31 December 2023 and 2022.

The share of loss in the associate for the year ended 31 December 2023 added a loss of ALL 2,621 thousand (31 December 2022: ALL 3,071 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.

	31 December 2023	31 December 2022
Net investment in ALSE	3,317	5,939
Cost of investment in Swift SCR	4,846	5,329
<b>Total</b>	<b>8,163</b>	<b>11,268</b>

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Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

## 25. Leasing

	31 December 2023	31 December 2022
<b>Gross investment in finance leases, receivable</b>		
- Not later than 1 year	847,892	684,890
- Later than 1 year and not later than 5 years	1,985,323	1,294,861
- More than 5 years	22,094	-
	2,855,309	1,979,751
Less: Unearned finance income	(42,239)	(28,530)
<b>Net investment in finance leases</b>	2,813,070	1,951,221
Less allowances for impairment	(24,766)	(76,499)
<b>Total</b>	<b>2,788,304</b>	<b>1,874,722</b>

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

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Balance at the beginning of the year</b>	76,499	88,079
Allowance for loss impairment	1,999	11,586
Recoveries	(50,886)	(21,587)
Effect of foreign currency movements	(2,847)	(1,579)
<b>Balance at the end of the year</b>	<b>24,765</b>	<b>76,499</b>
	<b>31 December 2023</b>	<b>31 December 2022</b>
Collective impairment	24,765	76,499
	<b>24,765</b>	<b>76,499</b>

## ECL

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	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)	(7,697)	(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	-	-	-	-
<b>Balance 31 December</b>	<b>1,895</b>	<b>58</b>	<b>22,813</b>	<b>24,766</b>

## ECL

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	15,174	10,862	62,043	88,079
Transfer to Stage 1 (from 2 or 3)	2	(2)	-	-
Transfer to Stage 2 (from 1 or 3)	(4,068)	4,068	-	-
Transfer to Stage 3 (from 1 or 2)	(1,058)	(12,042)	13,100	-
Net re-measurement of loss allowance	-	4,442	1,008	5,450
New financial assets originated or purchased	-	3,333	-	3,333
De-recognition of financial assets	-	-	-	-
Write-offs	(1,471)	(2,964)	(1,008)	(5,443)
Changes in models/risk parameters	(6,716)	-	-	(6,716)
Foreign exchange and other movements	-	-	(8,204)	(8,204)
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>1,863</b>	<b>7,697</b>	<b>66,939</b>	<b>76,499</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023  
(Amounts in ALL'000, unless otherwise stated)

### 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 2023						Total	
	Stage 1		Stage 2		Stage 3			POCI
	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due		
<b>Gross carrying amount</b>								
Leasing	2,339,160	416,736	-	5,415	1,246	50,513	2,813,070	
<b>Total</b>	<b>2,339,160</b>	<b>416,736</b>	<b>-</b>	<b>5,415</b>	<b>1,246</b>	<b>50,513</b>	<b>2,813,070</b>	
<b>ECL allowance</b>								
Leasing	(1,683)	(213)	-	(58)	-	(22,812)	(24,766)	
<b>Total</b>	<b>(1,683)</b>	<b>(213)</b>	<b>-</b>	<b>(58)</b>	<b>-</b>	<b>(22,812)</b>	<b>(24,766)</b>	
<b>Net carrying amount</b>	<b>2,337,477</b>	<b>416,523</b>	<b>-</b>	<b>5,357</b>	<b>1,246</b>	<b>27,701</b>	<b>2,788,304</b>	
<b>Gross carrying amount</b>								
Leasing	928,554	725,093	3,458	156,120	1,712	136,284	1,951,221	
<b>Total</b>	<b>928,554</b>	<b>725,093</b>	<b>3,458</b>	<b>156,120</b>	<b>1,712</b>	<b>136,284</b>	<b>1,951,221</b>	
<b>ECL allowance</b>								
Leasing	(1,057)	(806)	(58)	(7,640)	(162)	(66,776)	(76,499)	
<b>Total</b>	<b>(1,057)</b>	<b>(806)</b>	<b>(58)</b>	<b>(7,640)</b>	<b>(162)</b>	<b>(66,776)</b>	<b>(76,499)</b>	
<b>Net carrying amount</b>	<b>927,497</b>	<b>724,287</b>	<b>3,400</b>	<b>148,480</b>	<b>1,550</b>	<b>69,508</b>	<b>1,874,722</b>	

# Banka Credins sh.a.

## Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 26. Loans and advances to customers

Loans and advances to customers consisted of the following:

	31 December 2023	31 December 2022
Loans and advances to customers at amortized cost	150,570,271	142,436,567
Loan loss allowances for impairment	(10,773,730)	(8,884,230)
<b>Total</b>	<b>139,796,541</b>	<b>133,552,337</b>

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

	31 December 2023	31 December 2022
Corporate lending	118,211,683	118,258,333
Mortgage lending	19,248,606	13,423,319
Private individuals lending	1,981,557	2,303,812
Other secured lending	11,128,425	8,451,103
<b>Total gross</b>	<b>150,570,271</b>	<b>142,436,567</b>
Impairment allowance	(10,773,730)	(8,884,230)
<b>Total</b>	<b>139,796,541</b>	<b>133,552,337</b>

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

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Balance at the beginning of the year</b>	<b>8,884,230</b>	<b>9,483,844</b>
Allowance for loan loss impairment	3,463,734	3,823,517
Writte offs	(1,422,371)	(4,379,884)
Effect of foreign currency movements	(151,863)	(43,247)
<b>Balance at the end of the year</b>	<b>10,773,730</b>	<b>8,884,230</b>

### 26.1 Impairment allowance for loans and advances to customers

ECL	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	661,693	1,386,079	6,836,458	<b>8,884,230</b>
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	674,761	384,756	322,151	1,381,668
De-recognition of financial assets	(141,657)	(587)	(1,077,899)	(1,220,143)
Write-offs	-	(8)	(664,264)	(664,272)
Changes in models/risk parameters	354,103	132,760	1,914,591	2,401,454
Foreign exchange and other movements	(8,678)	(58)	(471)	(9,207)
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>2,047,963</b>	<b>1,401,731</b>	<b>7,324,036</b>	<b>10,773,730</b>

ECL	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>1,961,347</b>	<b>773,026</b>	<b>6,751,050</b>	<b>9,485,423</b>
Transfer to Stage 1 (from 2 or 3)	53,127	(19,543)	(33,584)	-
Transfer to Stage 2 (from 1 or 3)	(305,785)	334,993	(28,572)	638
Transfer to Stage 3 (from 1 or 2)	(112,073)	(466,946)	580,499	1,480
Net re-measurement of loss allowance	(383,517)	(135,836)	3,050,124	2,530,771
New financial assets originated or purchased	123,373	81,421	121,977	326,771
De-recognition of financial assets	(55,185)	3,718	-	(51,467)
Write-offs	-	-	(4,042,130)	(4,042,130)
Changes in models/risk parameters	(618,018)	815,033	-	197,015
Foreign exchange and other movements	(1,577)	213	437,095	435,731
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>661,692</b>	<b>1,386,079</b>	<b>6,836,459</b>	<b>8,884,230</b>

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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	Stage 1		Stage 2		Stage 3		POCI		31 December 2023	
	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Total	Total
<b>Retail lending</b>	<b>24,236,833</b>	<b>3,908,362</b>	<b>58,038</b>	<b>253,714</b>	<b>268,460</b>	<b>235,727</b>	<b>9,590</b>	<b>-</b>	<b>28,970,724</b>	<b>28,970,724</b>
Mortgage	15,778,002	2,963,062	44,093	169,376	180,223	113,850	-	-	19,248,606	19,248,606
Consumer	1,555,443	34,401	-	3,536	15,793	19,810	3,360	-	1,632,343	1,632,343
Credit cards	324,078	10,561	-	258	5,290	9,028	-	-	349,215	349,215
Other (incl. SBL)	6,579,310	900,338	13,945	80,544	67,154	93,039	6,230	-	7,740,560	7,740,560
<b>Corporate lending</b>	<b>65,992,724</b>	<b>38,244,417</b>	<b>3,160,969</b>	<b>5,067,424</b>	<b>1,476,661</b>	<b>7,629,049</b>	<b>28,303</b>	<b>-</b>	<b>121,599,547</b>	<b>121,599,547</b>
Large	45,517,322	34,480,811	3,038,913	4,967,946	1,290,021	7,003,978	-	-	96,298,991	96,298,991
SME's	20,475,402	3,763,606	122,056	99,478	186,640	625,071	28,303	-	25,300,556	25,300,556
Public sector	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>90,229,557</b>	<b>42,152,779</b>	<b>3,219,007</b>	<b>5,321,138</b>	<b>1,745,121</b>	<b>7,864,776</b>	<b>37,893</b>	<b>-</b>	<b>150,570,271</b>	<b>150,570,271</b>
<b>ECL allowance</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Retail lending</b>	<b>(92,067)</b>	<b>(11,382)</b>	<b>(2,567)</b>	<b>(10,264)</b>	<b>(82,626)</b>	<b>(78,815)</b>	<b>(82,626)</b>	<b>(1,880)</b>	<b>(1,880)</b>	<b>(279,601)</b>
Mortgage	(40,428)	(6,015)	(839)	(4,610)	(33,902)	(40,806)	(33,902)	-	-	(126,600)
Consumer	(14,454)	(319)	-	(191)	(10,145)	(8,803)	(10,145)	(1,395)	(1,395)	(35,307)
Credit cards	(5,945)	(102)	-	(8)	(6,175)	(3,018)	(6,175)	-	-	(15,248)
Other (incl. SBL)	(31,240)	(4,946)	(1,728)	(5,455)	(32,404)	(26,188)	(32,404)	(485)	(485)	(102,446)
<b>Corporate lending</b>	<b>(1,088,126)</b>	<b>(856,386)</b>	<b>(564,990)</b>	<b>(818,848)</b>	<b>(5,865,270)</b>	<b>(1,293,068)</b>	<b>(5,865,270)</b>	<b>(7,441)</b>	<b>(7,441)</b>	<b>(10,494,129)</b>
Large	(921,348)	(817,066)	(551,900)	(814,864)	(5,555,468)	(1,153,987)	(5,555,468)	-	-	(9,814,633)
SME's	(166,778)	(39,320)	(13,090)	(3,984)	(309,802)	(139,081)	(309,802)	(7,441)	(7,441)	(679,496)
Public sector	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(1,180,193)</b>	<b>(867,768)</b>	<b>(567,557)</b>	<b>(829,112)</b>	<b>(5,947,896)</b>	<b>(1,371,883)</b>	<b>(5,947,896)</b>	<b>(9,321)</b>	<b>(9,321)</b>	<b>(10,773,730)</b>
<b>Net carrying amount</b>	<b>89,049,364</b>	<b>41,285,011</b>	<b>2,651,450</b>	<b>4,492,026</b>	<b>1,916,880</b>	<b>373,238</b>	<b>1,916,880</b>	<b>28,572</b>	<b>28,572</b>	<b>139,796,541</b>

## Banka Credins Sh.a.

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

	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	
	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due		Non Past Due	Past due
<b>26 Loans and advances to customers (continued)</b>																	
<b>26.1 Impairment allowance for loans and advances to customers (continued)</b>																	
<b>Gross carrying amount</b>																	
<b>Retail lending</b>	<b>15,401,369</b>	<b>3,721,278</b>	<b>728,129</b>	<b>388,052</b>	<b>783,890</b>	<b>517,654</b>	<b>21,540,372</b>										
Mortgage	9,707,933	2,502,921	272,590	204,752	453,547	281,576	13,423,319										
Consumer	789,625	16,581	158,954	9,181	74,792	93,810	1,142,943										
Credit cards	224,005	4,409	45,752	2,777	17,735	7,912	302,590										
Other (incl. SBL)	4,679,806	1,197,367	250,833	171,342	237,816	134,356	6,671,520										
<b>Corporate lending</b>	<b>60,634,716</b>	<b>35,801,541</b>	<b>5,410,701</b>	<b>9,420,506</b>	<b>804,825</b>	<b>8,823,906</b>	<b>120,896,195</b>										
Large	41,832,835	30,678,985	5,109,371	8,669,012	744,705	7,481,966	94,516,874										
SME's	18,801,881	5,122,556	301,330	751,494	60,120	1,341,940	26,379,321										
Public sector																	
<b>Total</b>	<b>76,036,085</b>	<b>39,522,819</b>	<b>6,138,830</b>	<b>9,808,558</b>	<b>1,588,715</b>	<b>9,341,560</b>	<b>142,436,567</b>										
<b>ECL allowance</b>																	
<b>Retail lending</b>	<b>(49,723)</b>	<b>(7,875)</b>	<b>(23,594)</b>	<b>(9,856)</b>	<b>(257,033)</b>	<b>(195,460)</b>	<b>(543,541)</b>										
Mortgage	(14,104)	(2,365)	(4,094)	(2,990)	(110,794)	(62,991)	(197,338)										
Consumer	(10,213)	(206)	(4,684)	(823)	(40,519)	(85,091)	(141,536)										
Credit cards	(3,511)	(55)	(1,649)	(47)	(10,660)	(5,905)	(21,827)										
Other (incl. SBL)	(21,895)	(5,249)	(13,167)	(5,996)	(95,060)	(41,473)	(182,840)										
<b>Corporate lending</b>	<b>(335,944)</b>	<b>(268,150)</b>	<b>(307,865)</b>	<b>(1,044,763)</b>	<b>(475,764)</b>	<b>(5,908,203)</b>	<b>(8,340,689)</b>										
Large	(199,337)	(227,007)	(294,142)	(951,917)	(468,065)	(5,300,264)	(7,440,732)										
SME's	(136,607)	(41,143)	(13,723)	(92,846)	(7,699)	(607,939)	(899,957)										
Public sector																	
<b>Total</b>	<b>(385,667)</b>	<b>(276,025)</b>	<b>(331,459)</b>	<b>(1,054,619)</b>	<b>(732,797)</b>	<b>(6,103,663)</b>	<b>(8,884,230)</b>										
<b>Net carrying amount</b>	<b>75,650,418</b>	<b>39,246,794</b>	<b>5,807,371</b>	<b>8,753,939</b>	<b>855,918</b>	<b>3,237,897</b>	<b>133,552,337</b>										

## Banka Credins sh.a.

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 27. Repossessed properties

The Group management classified those properties possessed as result of foreclosures on loans that were in default. The carrying amount of the repossessed properties is the fair market value existing as at 31 December 2023 and 31 December 2022.

Repossessed assets by type as at 31 December 2023 and 31 December 2022 are presented as following:

	31 December 2023	31 December 2022
Land	6,391,592	4,102,806
Residential building	279,179	117,139
Commercial Building	440,476	457,649
Production line	22,253	25,876
<b>Total</b>	<b>7,133,500</b>	<b>4,703,470</b>

Movements in repossessed assets as at 31 December 2023 and 31 December 2022 are as following:

	31 December 2023	31 December 2022
<b>Opening balance at 1 January</b>	<b>4,703,470</b>	<b>4,231,602</b>
Additions	2,706,044	933,228
Disposals	(113,482)	(362,344)
Net loss from a fair value adjustment	(162,532)	(99,016)
<b>Closing balance at 31 December</b>	<b>7,133,500</b>	<b>4,703,470</b>

The repossessed properties are measured at the lower of the auction value and fair value and where deemed necessary reduced for any net realizable cost variation. As at 31 December 2023, repossessed properties include land, buildings, residential apartments, and commercial and/or business premises. It is the Bank intention to sell the repossessed properties as soon as it is feasible. For the year ended as at 31 December 2023 the Bank sold ALL 113,482 thousand (31 December 2022: ALL 362,344 thousands sold), from the repossessed properties portfolio, from which the Bank recognized ALL 46,982 thousand as loss on their sale (31 December 2022: ALL 95,851 thousands).

#### 28. Investment properties

On December 2020, Credins Bank's Shareholders invested in Sea Land alternative investment fund – SIK a pool of repossessed assets located south of Albania with solid potential for tourism development. Initially the assets invested were measured at the fair value at the date of the investment, valued by an independent valuator on 25 November 2020. On 20 December 2023 (2022: 15 December 2022), an independent valuer assessed the fair value of the investment property, which resulted in a higher fair value of ALL 204,948 (2022: ALL 224,736). Such revaluation effect for investment property of the Sea Land alternative investment fund – SIK is recognised in Other Income, Note 11.

On December 2021, the Bank's Shareholders invested in Green View alternative investment fund – SIK a pool of repossessed assets located south of Albania with solid potential for agritourism development. The assets invested were initially measured at their fair value at the date of the investment, valued by an independent valuator on 1 October 2021. On 20 December 2023 (2022: 15 December 2022), an independent valuer assessed the fair value of the investment property, which resulted in a higher fair value of ALL 115,622 (2022: ALL 170,091). Such revaluation effect for investment property of the Green View alternative investment fund – SIK is recognised in Other Income, Note 11.

	31 December 2023	31 December 2022
Sea Land alternative investment fund – development property	3,034,504	2,800,752
Green View alternative investment fund – development property	1,934,295	1,799,468
<b>Total</b>	<b>4,968,799</b>	<b>4,600,220</b>

## Banka Credins sh.a.

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

#### 29. Property and equipment

	Buildings	Electronic and office equipment	Vehicles, Furniture & Fittings	Leasehold improvements	Prepayment	Total
<b>Cost</b>						
<b>Balance at 1 January</b>	<b>1,637,730</b>	<b>1,658,550</b>	<b>759,492</b>	<b>1,710,586</b>	<b>416,411</b>	<b>6,182,769</b>
Acquisitions	-	76,917	49,035	191,516	80,977	398,445
Transfers	-	64,771	30,429	65,335	(104,510)	56,025
Transfers to inventory warehouse	-	(28,071)	(4,613)	(27,284)	(19,948)	(79,916)
Disposals	-	(205,106)	(25,615)	-	(12,950)	(243,671)
Effect of foreign currency movements	-	(3,887)	(2,958)	(9,130)	(3,890)	(19,865)
<b>Balance at 31 December 2022</b>	<b>1,637,730</b>	<b>1,563,174</b>	<b>805,770</b>	<b>1,931,023</b>	<b>356,090</b>	<b>6,293,787</b>
Acquisitions	-	181,389	113,628	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	10,492	91,086
Disposals	-	(9,514)	(35,345)	(7,586)	(11,994)	(64,439)
Effect of foreign currency movements	-	(8,990)	(6,718)	(20,803)	(3,693)	(40,204)
<b>Balance at 31 December 2023</b>	<b>1,637,730</b>	<b>1,704,064</b>	<b>896,032</b>	<b>2,238,705</b>	<b>349,266</b>	<b>6,825,797</b>
<b>Depreciation</b>						
<b>Balance at 1 January</b>	<b>(574,236)</b>	<b>(949,431)</b>	<b>(374,779)</b>	<b>(663,382)</b>	-	<b>(2,561,828)</b>
Depreciation for the period	(81,873)	(165,007)	(77,850)	(132,231)	-	(456,961)
Transfers to inventory warehouse	-	63,941	14,112	(3,662)	-	74,391
Disposals	-	93,477	5,324	-	-	98,801
Effect of foreign currency movements	-	802	543	908	-	2,253
<b>Balance at 31 December 2022</b>	<b>(656,109)</b>	<b>(956,218)</b>	<b>(432,650)</b>	<b>(798,367)</b>	-	<b>(2,843,344)</b>
Depreciation for the period	(81,873)	(161,330)	(78,814)	(147,269)	-	(469,286)
Transfers to inventory warehouse	-	58,340	-	-	-	58,340
Disposals	-	6,351	24,723	72	-	31,146
Effect of foreign currency movements	2,848	2,100	3,361	-	-	8,309
<b>Balance at 31 December 2023</b>	<b>(735,134)</b>	<b>(1,050,757)</b>	<b>(483,380)</b>	<b>(945,564)</b>	-	<b>(3,214,835)</b>
<b>Net Book Value</b>						
<b>Balance at 31 December 2022</b>	<b>981,621</b>	<b>606,956</b>	<b>373,120</b>	<b>1,132,656</b>	<b>356,090</b>	<b>3,450,443</b>
<b>Balance at 31 December 2023</b>	<b>902,596</b>	<b>653,307</b>	<b>412,652</b>	<b>1,293,141</b>	<b>349,266</b>	<b>3,610,962</b>

## Banka Credins sh.a.

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

#### 30. Intangible assets

Cost	Software	Patents and licenses	Total
<b>Balance at 1 January</b>	<b>936,375</b>	<b>80,447</b>	<b>1,016,822</b>
Additions	54,338	-	54,338
Transfers	(169)	-	(169)
Disposals	(329)	-	(329)
Effect of foreign currency movements	(3,029)	(289)	(3,318)
<b>Balance at 31 December 2022</b>	<b>987,186</b>	<b>80,158</b>	<b>1,067,344</b>
Additions	53,182	-	53,182
Transfers	32,809	-	32,809
Disposals	(3,416)	-	(3,416)
Effect of foreign currency movements	(6,460)	(458)	(6,918)
<b>Balance at 31 December 2023</b>	<b>1,063,301</b>	<b>79,700</b>	<b>1,143,001</b>
<b>Amortization</b>			
<b>Balance at 1 January</b>	<b>(451,776)</b>	<b>(65,720)</b>	<b>(517,496)</b>
Amortization charge for the year	(90,359)	(642)	(91,001)
Disposals	532	1	533
Effect of foreign currency movements	49	5	54
<b>Balance at 31 December 2022</b>	<b>(541,554)</b>	<b>(66,356)</b>	<b>(607,910)</b>
Amortization charge for the year	(75,723)	(619)	(76,342)
Disposals	1,631	-	1,631
Effect of foreign currency movements	500	30	530
<b>Balance at 31 December 2023</b>	<b>(615,146)</b>	<b>(66,945)</b>	<b>(682,091)</b>
<b>Carrying amounts</b>			
<b>Balance at 31 December 2022</b>	<b>445,632</b>	<b>13,802</b>	<b>459,434</b>
<b>Balance at 31 December 2023</b>	<b>448,155</b>	<b>12,755</b>	<b>460,910</b>

#### 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:

Cost	Right of use asset	Total
<b>Balance at 1 January 2022</b>	<b>3,646,914</b>	<b>3,646,914</b>
Additions	1,123,602	1,123,602
Disposals	(87,114)	(87,114)
Effect of foreign currency changes	(12,980)	(12,980)
<b>Balance at 31 December 2022</b>	<b>4,670,422</b>	<b>4,670,422</b>
Additions	1,439,205	1,439,205
Disposals	(360,419)	(360,419)
Effect of foreign currency changes	(27,285)	(27,285)
<b>Balance at 31 December 2023</b>	<b>5,721,923</b>	<b>5,721,923</b>
<b>Amortization</b>		
<b>Balance at 1 January</b>	<b>(1,052,326)</b>	<b>(1,052,326)</b>
Amortization charge for the year	(444,909)	(444,909)
Effect of foreign currency changes	1,483	1,483
<b>Balance at 31 December 2022</b>	<b>(1,495,752)</b>	<b>(1,495,752)</b>
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
<b>Balance at 31 December 2023</b>	<b>(2,080,401)</b>	<b>(2,080,401)</b>
<b>Carrying amounts</b>		
<b>Balance at 31 December 2022</b>	<b>3,174,670</b>	<b>3,174,670</b>
<b>Balance at 31 December 2023</b>	<b>3,641,522</b>	<b>3,641,522</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 31 Right of use assets (continued)

The following are the amounts recognized in profit or loss:

	31 December 2023	31 December 2022
Depreciation expense of right-of-use assets	(602,911)	(444,909)
Interest expense on lease liabilities	(119,832)	(147,666)
Expense relating to short-term leases	(28,263)	(15,299)
Expense relating to leases of low-value assets	(665)	(186)
<b>Total amount recognized in profit or loss</b>	<b>(751,671)</b>	<b>(608,060)</b>

### 32. Other assets

	31 December 2023	31 December 2022
Debtors	879,429	836,648
Inventory warehouse	110,034	114,040
Prepaid expenses	1,124,343	1,403,940
	<b>2,113,806</b>	<b>2,354,628</b>

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

	31 December 2023	31 December 2022
Debtors, gross	1,046,031	1,007,902
ECL/Impairment	(166,602)	(171,254)
	<b>879,429</b>	<b>836,648</b>
	31 December 2023	31 December 2022
Impairment allowance as at 1 January	171,254	174,809
Impairment charge for the year (ECL) (note 12)	(4,652)	(3,555)
<b>Total impairment losses as at 31 December</b>	<b>166,602</b>	<b>171,254</b>

### 33. Deferred tax assets/liabilities

Deferred tax is attributable to the following:

	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Repossessed properties	-	-	-	74,604	-	74,604
Debt instruments at FVOCI	-	(10,972)	(10,972)	2,966	(1,233)	1,733
Investment properties	-	(148,024)	(148,024)	-	(99,939)	(99,939)
Property and equipment	-	(152)	(152)	-	(177)	(177)
<b>Net deferred tax liability</b>	<b>-</b>	<b>(159,148)</b>	<b>(159,148)</b>	<b>77,570</b>	<b>(101,289)</b>	<b>(23,779)</b>

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, whose fluctuations in their fair value are recorded in the revaluation reserve in Equity, going through other comprehensive income, revaluation of investment property going through profit or loss and as well as from the impairment of the repossessed properties going through profit and loss.

### 34. Due to banks and other financial institutions

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

	31 December 2023	31 December 2022
Current accounts – resident	1,659,582	1,421,406
Money market deposits – resident	3,343,446	1,966,570
Repo – resident	512,104	-
Interbank loans – resident	71,935	189,582
	<b>5,587,067</b>	<b>3,577,558</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 35. Due to customers

	31 December 2023	31 December 2022
Private individuals	210,429,751	197,000,137
Sovereign governments	30,022,857	24,349,180
Corporate	43,465,974	40,956,569
Other customers	3,398,808	3,303,046
	<b>287,317,390</b>	<b>265,608,932</b>

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

	31 December 2023	31 December 2022
Current accounts		
Local currency	51,725,313	43,537,812
Foreign currency	36,383,932	31,113,636
Saving accounts		
Local currency	13,975,067	14,173,234
Foreign currency	33,661,535	36,232,206
Term deposits		
Local currency	84,047,042	80,064,364
Foreign currency	63,039,208	55,586,218
Other customers accounts		
Local currency	1,456,633	1,481,136
Foreign currency	3,028,660	3,420,326
	<b>287,317,390</b>	<b>265,608,932</b>

### 36. Borrowing

Borrowing as at 31 December 2023 and 31 December 2022 are composed of the following items:

	31 December 2023	31 December 2022
Ministry of Economic Development, Trade and Entrepreneurship (ex-METE)	92,468	157,685
Other borrowing	-	-
	<b>92,468</b>	<b>157,685</b>

#### 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 Energy, 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 2023, the outstanding amount of borrowings is ALL 92,468 thousands (31 December 2022: ALL 157,685 thousand), and there are no balances in default related to this borrowing either at 31 December 2023 or at 31 December 2022.

### 37. Subordinated debt

The general assembly of shareholders approved the issuance of subordinated instruments in ALL, Euro and USD to private individuals. As of 31 December 2023, and 31 December 2022 the instruments are detailed as follows:

Currency	Units of Instruments	31 December 2023	31 December 2022
ALL	5,622	5,731,366	4,466,464
EUR	3,637	3,826,331	2,873,745
USD	602	572,412	584,449
	<b>9,861</b>	<b>10,130,109</b>	<b>7,924,658</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 37. Subordinated debt (continued)

Tranches	Issue date	Maturity date	Units of Instruments	31 December 2023	31 December 2022
11	25.08.2016	25.08.2023	-	-	447,331
12	07.02.2017	07.02.2024	253	259,791	509,240
13	02.06.2017	02.06.2024	325	329,522	681,488
14	03.11.2017	03.11.2024	337	340,246	664,585
15	08.03.2018	08.03.2025	500	511,373	533,750
16	28.12.2018	28.12.2025	550	546,117	564,407
17	17.10.2019	17.10.2026	598	607,707	629,387
18	26.06.2020	26.06.2027	502	506,229	522,521
19	02.03.2021	02.03.2028	735	759,007	794,055
20	26.08.2021	26.08.2028	1317	1,348,812	1,394,635
21	03.02.2022	03.02.2029	576	593,319	626,216
22	05.10.2022	05.10.2029	520	534,490	557,043
23	26.01.2023	26.01.2030	883	929,117	-
24	05.07.2023	05.07.2030	1983	2,061,931	-
25	20.12.2023	20.12.2030	782	802,448	-
<b>Total</b>			<b>9,861</b>	<b>10,130,109</b>	<b>7,924,658</b>

### 38. Lease liability

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

	31 December 2023	31 December 2022
<b>As at 1 January</b>	<b>3,330,299</b>	<b>2,725,358</b>
Additions	1,015,062	1,069,487
Accretion of interest	119,531	147,665
Disposals	57,116	(42,457)
Payments	(680,515)	(569,754)
<b>Balance as at 31 December</b>	<b>3,841,493</b>	<b>3,330,299</b>

The maturity analysis of lease liabilities are disclosed in Note 38. The Group had total cash outflows for leases of ALL 680,515 thousand (2022 ALL 569,754 thousand) . Minimal lease payments related to lease contracts for buildings of the branches' operations are analyzed as follows:

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)	
<b>Total</b>	<b>277,993</b>	<b>279,612</b>	<b>309,088</b>	<b>275,012</b>	<b>304,841</b>	<b>2,394,947</b>	<b>3,841,493</b>	

31 December 2022	Within the year	Minimal lease payments						Total
		1-2 years	2-3 years	3-4 years	4 - 5 years	After 5 years		
Lease payments	446,066	531,855	421,097	402,544	469,980	2,400,862	4,672,404	
Finance charges	(112,912)	(123,093)	(82,813)	(101,609)	(103,514)	(818,164)	(1,342,105)	
<b>Total</b>	<b>333,154</b>	<b>408,762</b>	<b>338,284</b>	<b>300,935</b>	<b>366,466</b>	<b>1,582,698</b>	<b>3,330,299</b>	

### 39. Other liabilities

Other liabilities are comprised of the following:

	31 December 2023	31 December 2022
Transactions as agents	500,993	3,392,742
Suppliers and accrued payables	211,885	141,759
<b>Total</b>	<b>712,878</b>	<b>3,534,501</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 40. Provisions

Provisions as at 31 December 2023 and 31 December 2022 are composed of the following:

	31 December 2023	31 December 2022
Provisions for litigations	8,486	8,766
ECL impairment for off balance sheet items	67,940	62,477
Other provisions	4,600	4,600
ECL on other financial assets (debtors)	1,853	-
<b>Total</b>	<b>82,879</b>	<b>75,843</b>

In the table below are presented the movements in provisions occurred during the year ended 31 December 2023 and 31 December 2022.

	31 December 2023	31 December 2022
Balance 1 January	75,844	37,861
ECL charge/(recovery) for off balance sheet items	7,476	38,038
Legal provisions	-	4,634
Recovery of other provisions	-	(4,555)
Foreign exchange rate effect	(441)	(135)
<b>Balance 31 December</b>	<b>82,879</b>	<b>75,843</b>

During the year ended 31 December 2023 the provisions amount of ALL 82,879 thousand (31 December 2022: ALL 75,843 thousand) for off balance sheet items and also other provision recoveries of an amount of ALL 7,476 thousand (31 December 2022: ALL 38,038 thousand,). Provisions for other litigations amount to nil (31 December 2022: ALL 4,499).

### 41. 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 2023 the subscribed share capital amounts to USD 18,665 thousand, EUR 37,760 thousand and ALL 5,365,175 thousand, (2022 USD 18,665 thousand, EUR 37,760 thousand and ALL 4,388,750 thousand ). Shares are ranked as normal and type A and are owned by the following shareholders:

Share Capital	31 December 2023 (%)	31 December 2022 (%)
Renis Tershana	13.091%	18.116%
Aleksander Pilo	7.666%	7.666%
B.F.S.E Holding BV	15.099%	15.099%
Bank Executive Directors	6.880%	6.880%
ARMAAR GROUP	5.689%	5.689%
Other (less than 5% of shareholding)	51.575%	46.551%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

The paid up capital of the Parent as of 31 December 2023 is ALL 12,480,211 thousand translated at the historical rate of exchange (31 December 2022: ALL 11,503,786 thousand) with a nominal value of USD 1 each. During the year 2022 were subscribed, paid and registered with the National Business Center shares in the amount EUR 232 thousand.

On 23 June 2022, the Assembly decided to issue new shares in the amount of EUR 5,000 thousand, valid until 30 June 2023. During the year 2023 were subscribed, paid and registered with the National Business Center shares in the amount EUR 170 thousand (2022: EUR 232 thousand). On 29 June 2023, the Assembly decided for the issuance of a new capital to the amount of EUR 15 million with a deadline for subscription 30<sup>th</sup> June 2024.

The shares of the Parent have a nominal value and are indivisible. Each share gives its owner the right to one vote. The Parent 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 at all times 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 2023	31 December 2022	31 December 2023	31 December 2022
<b>As at 1 January</b>	89,194,129	83,235,158	15,862,028	14,842,180
Increase in number of shares:	8,476,462	5,958,971	1,507,430	1,019,848
<b>As at 31 December</b>	<b>97,670,591</b>	<b>89,194,129</b>	<b>17,369,458</b>	<b>15,862,028</b>

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### Notes to the consolidated financial statements for the year ended 31 December 2023

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On 29 June 2023 the shareholders' assembly decided on the distribution of 2022 net profits by allocating ALL 976,425 thousand as capital increase, while as of 26 May 2022, the shareholders' assembly decided on the distribution of the result of 2021 profit, out of which ALL 760,111 thousand allocated to capital increase.

#### 42. Share Premium

During the year ended 31 December 2023 there are no new shares acquired. (31 December 2022: EUR 183 thousand registered as premium).

#### 43. 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 2023	31 December 2022
General reserve	3,051,950	2,784,524
Statutory reserve	673,996	557,139
<b>Total</b>	<b>3,725,946</b>	<b>3,341,663</b>

#### 44. Maturity analysis of assets and liabilities

31 December 2023	< 12 months	> 12 months	Total
<b>Assets</b>			
Cash and cash equivalent	50,202,509	-	50,202,509
Restricted balances with Central Bank	14,455,898	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	7,865	3,603,096	3,610,961
Intangible assets	10,673	450,238	460,911
Right-of-use assets	7,975	3,633,547	3,641,522
Other assets	1,789,486	324,320	2,113,806
<b>Total</b>	<b>146,228,069</b>	<b>183,062,134</b>	<b>329,290,203</b>
<b>Liabilities</b>			
Due to banks and other financial institutions	5,185,111	401,956	5,587,067
Due to customers	185,418,256	101,899,133	287,317,389
Borrowing	39,310	53,159	92,469
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
<b>Total</b>	<b>192,502,465</b>	<b>115,470,584</b>	<b>307,973,049</b>
<b>Net</b>	<b>(46,274,396)</b>	<b>67,591,550</b>	<b>21,317,154</b>

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

#### 44 Maturity analysis of assets and liabilities (continued)

31 December 2022	< 12 months	> 12 months	Total
<b>Assets</b>			
Cash and cash equivalent	41,112,315	-	41,112,315
Restricted balances with Central Bank	15,438,033	3,915,377	19,353,410
Loans and advances to banks	268,466	70,825	339,291
Reverse repurchase agreement	968,294	-	968,294
Debt securities measured at FVTPL	-	-	-
Debt instruments at fair value through other comprehensive income	16,365,260	967,917	17,333,177
Debt instruments at amortised cost	7,952,104	62,837,508	70,789,612
Quotas in Investment Funds	-	47,850	47,850
Investment in associates	-	11,268	11,268
Goodwill	-	43,371	43,371
Leasing	63,324	1,811,398	1,874,722
Loans and advances to customers	39,695,253	93,857,084	133,552,337
Repossessed properties	-	4,703,470	4,703,470
Investment properties	-	4,600,220	4,600,220
Property and equipment	5,081	3,445,361	3,450,442
Intangible assets	13,172	446,263	459,435
Right-of-use assets	12,234	3,162,436	3,174,670
Other assets	749,828	1,604,800	2,354,628
<b>Total</b>	<b>122,643,364</b>	<b>181,525,148</b>	<b>304,168,512</b>
<b>Liabilities</b>			
Due to banks and other financial institutions	3,171,354	406,203	3,577,557
Due to customers	205,358,657	60,250,275	265,608,932
Borrowing	73,129	84,556	157,685
Subordinated debt	534,813	7,389,845	7,924,658
Current tax liabilities	12,259	-	12,259
Deferred tax liabilities	1,233	22,546	23,779
Lease liability	-	3,330,299	3,330,299
Other liabilities	3,531,560	2,941	3,534,501
Provisions	1,781	74,062	75,843
<b>Total</b>	<b>212,684,786</b>	<b>71,560,727</b>	<b>284,245,513</b>
<b>Net</b>	<b>(90,041,422)</b>	<b>109,964,421</b>	<b>19,922,999</b>

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.

#### 45. 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 2023

(Amounts in ALL'000, unless otherwise stated)

#### 45 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 2023	31 December 2022
Guarantees in favour of customers	5,791,170	5,152,180
Commitments in favour of customers	5,071,736	4,617,233
ECL impairment	(67,283)	(60,696)
<b>Net of impairment</b>	<b>10,795,623</b>	<b>9,708,717</b>
Guarantees pledged from credit customers	5,170,835	4,017,899
Guarantees received from credit customers	504,212,423	513,922,659
Commitments on securities	283,545	420,705
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 2023 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 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>60,696</b>	-	-	<b>60,696</b>
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	-	-	-	-
<b>Balance 31 December</b>	<b>67,283</b>	-	-	<b>67,283</b>

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January</b>	<b>24,439</b>	-	-	<b>24,439</b>
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	36,257	-	-	36,257
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
<b>Balance 31 December</b>	<b>60,696</b>	-	-	<b>60,696</b>

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### Notes to the consolidated financial statements for the year ended 31 December 2023

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#### 45 Contingent liabilities and commitments (continued)

##### Operating Lease commitments – Group as lessee

The Group leases office premises in Tirana, Durrës, 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, and Prizren through its subsidiary in Kosovo. Below is presented information on future commitments for the years ended 31 December 2023 and 31 December 2022:

	Year ended 31 December 2023	Year ended 31 December 2022
Not later than 1 year	686,325	530,461
Later than 1 year and not later than 5 years	2,393,693	1,884,104
Later than 5 years	1,542,568	1,582,677
<b>Total</b>	<b>4,622,586</b>	<b>3,997,242</b>

##### Lease commitments – Group as lessor

The Group has issued financial leases to its customers, amounting ALL 3,226,791 thousand (31 December 2022: ALL 2,228,246 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 2023 and 31 December 2022 are detailed as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Not later than 1 year	993,855	790,042
Later than 1 year and not later than 5 years	2,208,817	1,438,204
Later than 5 years	24,119	-
<b>Total</b>	<b>3,226,791</b>	<b>2,228,246</b>

##### 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 34, has been made in these Financial Statements.

#### 46. 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 2023 and 31 December 2022.

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 2023		31 December 2022	
	Key Management Personnel	Other related parties	Key Management Personnel	Other related parties
Lease expense	-	29,054	-	31,995
Income	214	195,570	2,301	127,274
Expenses	70,709	191,252	79,471	187,784

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Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

### 46 Related party disclosures

Type of transaction	31 December 2023		31 December 2022	
	Key Management Personnel	Other related parties	Key Management Personnel	Other related parties
	ALL '000	ALL '000	ALL '000	ALL '000
Credit Line	-	560,337	-	575,324
Overdrafts	78	825,489	598	1,526,900
Term Loans	37,390	2,856,346	89,191	3,707,207
Leasing	-	47,727	723	14,154
LCs + LGs	-	208,300	-	9,571
Current accounts	38,139	1,624,449	19,949	1,407,354
Term deposits	253,004	319,385	193,767	261,198
Collateral placed in favour of the Group	73,932	17,207,868	128,910	20,590,116

Type of transaction	Interest rates (in %)	
	31 December 2023	31 December 2022
	Credit Line	5.50%
Overdrafts	1.89%-24%	1.89%-24%
Term Loans	1%-9.73%	1%-10.47%
Leasing	4%-7.3%	4%-6.5%
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 2023 and 31 December 2022:

	Salaries	Bonuses
<b>Year ended 31 December 2023</b>		
Key management remuneration	64,910	23,371
Board of Directors remuneration	7,878	11,686
<b>Year ended 31 December 2022</b>		
Key management remuneration	66,576	20,270
Board of Directors remuneration	4,703	2,895

### 47. Risk management

#### 47.1 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.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

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### 47 Risk management (continued)

#### 47.1 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.

#### 47.2 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.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 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 2023 and 31 December 2022 is as follows:

Group's Credit Rating	31 December	% to Total	31 December	% to Total
	2023	Gross	2022	Gross
A+	525,197	0.34%	1,776,455	1.23%
A	16,899,660	11.02%	15,629,630	10.82%
A-	27,733,998	18.08%	20,249,232	14.02%
B+	18,382,131	11.98%	15,391,583	10.66%
B	41,944,546	27.35%	48,733,940	33.75%
B-	3,388,055	2.21%	1,454,949	1.01%
C+	405,404	0.26%	457,643	0.32%
C	101,781	0.07%	247,815	0.17%
D+	353,909	0.23%	-	0.00%
D	3,356,911	2.19%	1,304,465	0.90%
E+	644,069	0.42%	4,707,488	3.26%
E	1,077,742	0.70%	345,814	0.24%
E-	1,164	-	833,529	0.58%
<b>Loans with a credit rating</b>	<b>114,814,567</b>	<b>74.86%</b>	<b>111,132,543</b>	<b>76.97%</b>
Loans with no rating	11,688,079	7.62%	7,695,282	5.33%
Loans with credit score	25,625,863	16.71%	24,411,233	16.91%
<b>Total Gross Loan portfolio</b>	<b>152,128,509</b>	<b>99.18%</b>	<b>143,239,058</b>	<b>99.20%</b>
Leasing with no rating	1,254,833	0.82%	1,148,730	0.80%
<b>Total Gross Loan &amp; Leasing portfolio</b>	<b>153,383,342</b>	<b>100.00%</b>	<b>144,387,788</b>	<b>100.00%</b>

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 2023		31 December 2022	
	Default rates in %	Total	Default rates in %	Total
<b>High grade</b>		<b>50,368,218</b>		<b>44,768,278</b>
Risk rating class 1	2.02%	3,091,835	3.42%	4,939,672
Risk rating class 2	10.21%	15,654,849	10.95%	15,813,870
Risk rating class 3	20.62%	31,621,534	16.63%	24,014,736
<b>Standard grade</b>		<b>77,558,818</b>		<b>77,412,777</b>
Risk rating class 4	20.68%	31,720,300	16.99%	24,535,917
Risk rating class 5	29.88%	45,838,518	36.62%	52,876,860
<b>Sub-standard grade</b>		<b>12,513,394</b>		<b>13,362,721</b>
Risk rating class 6 and lower	8.16%	12,513,394	9.25%	13,362,721
<b>No rating</b>				
Risk rating class 7	7.62%	11,688,079	5.33%	7,695,282
<b>Leasing with no rating</b>				
Risk rating class 8	0.82%	1,254,833	0.80%	1,148,730
<b>Total</b>		<b>153,383,342</b>		<b>144,387,788</b>

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).

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 Credit risk (continued)

##### Exposure to credit risk

	Gross maximum exposure	
	31 December 2023	31 December 2022
Cash and cash equivalent (excluding cash on hand)	45,356,298	36,895,936
Restricted balances with Central Bank	17,989,357	19,353,410
Loans and advances to banks	2,128,983	339,291
Debt securities measured at FVTPL	62,988	-
Debt instruments at fair value through other comprehensive income	22,968,242	17,333,177
Debt instruments at amortised cost	69,748,859	70,789,612
Quotas on investment fund	89,033	47,850
Leasing (gross)	2,813,070	1,951,221
Loans and advances to customers (gross)	150,570,270	142,436,567
Other assets (Debtors)	879,429	836,648
<b>Total</b>	<b>312,606,529</b>	<b>289,983,712</b>
Undrawn credit commitments	5,060,323	4,631,348
Letters of credit	11,413	196,647
Guarantees in favor of customers	5,791,170	5,152,180
<b>Total Credit related commitments</b>	<b>10,862,906</b>	<b>9,980,175</b>
<b>Total Credit Risk Exposure</b>	<b>323,469,435</b>	<b>299,963,887</b>

The aging of past due and not impaired exposures for loans and advances to customers as at 31 December 2023 and 31 December 2022 is presented in the following table:

	31 December 2023	31 December 2022
<b>Past due but not individually impaired</b>		
0-30 days	-	111,122
31- 60 days	-	20,611
61 - 90 days	3,771	-
over 90 days	-	565,923
<b>Total</b>	<b>3,771</b>	<b>697,656</b>

## Banka Credins sh.a.

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.2 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 2023 and 31 December 2022, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

31 December 2023	Neither past due nor impaired			Past due but not impaired	Individually impaired	Total
	Investment grade	Standard grade	Sub standard grade			
Corporate lending	9,769,899	50,699,900	3,861,249	23,673,944	74,021	8,219,978
Small business lending	3,844,690	11,851,307	996,251	8,912,489	47,596	652,345
Consumer lending	2,955,023	3,778,375	1,120,685	827,435	5,170	31,308
Residential mortgage	5,432,196	9,256,629	1,663,334	2,738,290	-	158,157
<b>Total</b>	<b>22,001,808</b>	<b>75,586,211</b>	<b>7,641,519</b>	<b>36,152,158</b>	<b>126,787</b>	<b>9,061,788</b>
	(263,492)	(2,123,906)	(119,713)	(1,039,912)	(14,381)	(7,212,326)
<b>Loan exposure, net of allowances</b>	<b>21,738,316</b>	<b>73,462,305</b>	<b>7,521,806</b>	<b>35,112,246</b>	<b>112,406</b>	<b>1,849,462</b>

##### 31 December 2022

31 December 2022	Neither past due nor impaired			Past due but not impaired	Individually impaired	Total
	Investment grade	Standard grade	Sub standard grade			
Corporate lending	26,397,901	54,090,360	1,837,841	3,951,785	492,089	7,734,582
Small business lending	11,319,561	10,442,670	542,719	2,845,539	68,709	1,172,439
Consumer lending	2,367,474	3,981,781	1,444,913	173,527	25,366	123,992
Residential mortgage	3,025,688	7,393,521	1,992,778	512,622	120,003	378,707
<b>Total</b>	<b>43,110,624</b>	<b>75,908,332</b>	<b>5,818,251</b>	<b>7,483,473</b>	<b>706,167</b>	<b>9,409,720</b>
	(348,811)	(1,465,528)	(329,076)	(122,782)	(5,836)	(6,612,197)
<b>Loan exposure, net of allowances</b>	<b>42,761,813</b>	<b>74,442,804</b>	<b>5,489,175</b>	<b>7,360,691</b>	<b>700,331</b>	<b>2,797,523</b>

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.

## Banka Credins sh.a.

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.2 Credit risk (continued)

##### Exposure to credit risk (continued)

The table below shows the credit quality for leasing for the year as at 31 December 2023 and 31 December 2022, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

31 December 2023	Neither past due nor impaired			Individually impaired	Total
	High grade	Standard grade	Sub standard grade		
Corporate	40,819	233,827	24,661	381,271	5,680
Small business	74,415	566,954	59,750	957,521	31,142
Consumer	63,184	94,421	10,375	269,050	-
Residential mortgage	-	-	-	-	437,030
<b>Total</b>	<b>178,418</b>	<b>895,202</b>	<b>94,786</b>	<b>1,607,842</b>	<b>36,822</b>
	(66)	(2,914)	(48)	(1,578)	(20,160)
<b>Leasing exposure, net of allowances</b>	<b>178,352</b>	<b>892,288</b>	<b>94,738</b>	<b>1,606,264</b>	<b>16,662</b>

31 December 2022	Neither past due nor impaired			Individually impaired	Total
	High grade	Standard grade	Sub standard grade		
Corporate	98,595	580,080	36,641	212,737	115,677
Small business	63,007	103,154	5,979	401,084	-
Consumer	61,973	77,432	4,128	190,148	586
Residential mortgage	-	-	-	-	-
<b>Total</b>	<b>223,575</b>	<b>760,666</b>	<b>46,748</b>	<b>803,969</b>	<b>116,263</b>
	(2,827)	(8,153)	(203)	(2,905)	(62,411)
<b>Leasing exposure, net of allowances</b>	<b>220,748</b>	<b>752,513</b>	<b>46,545</b>	<b>801,064</b>	<b>53,852</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 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 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Cash and Cash equivalents</b>				
<b>Current accounts with banks</b>				
Low- fair risk	2,186,842	-	-	2,186,842
Less: allowance	(12,568)	-	-	(12,568)
<b>Carrying amount</b>	<b>2,174,274</b>	<b>-</b>	<b>-</b>	<b>2,174,274</b>
Money market placements				
Low- fair risk	6,659,681	-	-	6,659,681
Less: allowance	(16,691)	-	-	(16,691)
<b>Carrying amount</b>	<b>6,642,990</b>	<b>-</b>	<b>-</b>	<b>6,642,990</b>
<b>Unrestricted balances with central bank</b>				
Low- fair risk	38,159,319	-	-	38,159,319
Less: allowance	(92,604)	-	-	(92,604)
<b>Carrying amount</b>	<b>38,066,715</b>	<b>-</b>	<b>-</b>	<b>38,066,715</b>
<b>Total</b>	<b>46,883,979</b>	<b>-</b>	<b>-</b>	<b>46,883,979</b>

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Cash and Cash equivalents</b>				
<b>Current accounts with banks</b>				
Low- fair risk	4,502,346	-	-	4,502,346
Less: allowance	(871)	-	-	(871)
<b>Carrying amount</b>	<b>4,501,475</b>	<b>-</b>	<b>-</b>	<b>4,501,475</b>
Money market placements				
Low- fair risk	7,693,690	-	-	7,693,690
Less: allowance	(38,890)	-	-	(38,890)
<b>Carrying amount</b>	<b>7,654,800</b>	<b>-</b>	<b>-</b>	<b>7,654,800</b>
<b>Unrestricted balances with central bank</b>				
Low- fair risk	26,805,492	-	-	26,805,492
Less: allowance	(70,953)	-	-	(70,953)
<b>Carrying amount</b>	<b>26,734,539</b>	<b>-</b>	<b>-</b>	<b>26,734,539</b>
<b>Total</b>	<b>38,890,814</b>	<b>-</b>	<b>-</b>	<b>38,890,814</b>

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Restricted cash at Central Bank</b>				
Low- fair risk	19,409,048	-	-	19,409,048
Less: allowance	(55,638)	-	-	(55,638)
<b>Carrying amount</b>	<b>19,353,410</b>	<b>-</b>	<b>-</b>	<b>19,353,410</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 Credit risk (continued)

##### Exposure to credit risk (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Debt instruments at fair value through other comprehensive income</b>				
Low- fair risk	23,028,951	-	-	23,028,951
Less: allowance	(60,709)	-	-	(60,709)
<b>Carrying amount</b>	<b>22,968,242</b>	<b>-</b>	<b>-</b>	<b>22,968,242</b>

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Investment securities</b>				
Low- fair risk	17,368,010	-	-	17,368,010
Less: allowance	(34,833)	-	-	(34,833)
<b>Carrying amount</b>	<b>17,333,177</b>	<b>-</b>	<b>-</b>	<b>17,333,177</b>

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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Debt instruments at amortized cost</b>				
Low- fair risk	70,912,816	-	-	70,912,816
Less: allowance	(123,204)	-	-	(123,204)
<b>Carrying amount</b>	<b>70,789,612</b>	<b>-</b>	<b>-</b>	<b>70,789,612</b>

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Leasing</b>				
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)
<b>Carrying amount</b>	<b>2,753,999</b>	<b>5,358</b>	<b>28,947</b>	<b>2,788,304</b>

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Leasing</b>				
Low- fair risk	1,651,397	136,709	1,712	1,789,818
Monitoring	1,062	22,535	12,006	35,603
Substandard	1,192	335	2,168	3,695
Doubtful	(4)	-	74,739	74,735
Lost	-	-	47,371	47,371
Less: allowance	(1,863)	(7,699)	(66,938)	(76,500)
<b>Carrying amount</b>	<b>1,651,784</b>	<b>151,880</b>	<b>71,058</b>	<b>1,874,722</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 Credit risk (continued)

##### Exposure to credit risk (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers</b>				
Low- fair risk	5,968,315	32,265	2,501,940	8,502,520
Monitoring	5,537,473	4,113,234	26,848	9,677,556
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)
<b>Carrying amount</b>	<b>130,334,374</b>	<b>7,227,309</b>	<b>2,234,858</b>	<b>139,796,541</b>
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers</b>				
Low- fair risk	109,807,801	10,757,086	1,281,439	121,846,326
Monitoring	5,646,772	3,686,361	1,457,392	10,790,525
Substandard	66,028	858,169	1,965,765	2,889,962
Doubtful	35,640	644,644	4,035,643	4,715,927
Lost	2,663	1,129	2,190,034	2,193,826
Less: allowance	(661,692)	(1,386,078)	(6,836,460)	(8,884,230)
<b>Carrying amount</b>	<b>114,897,212</b>	<b>14,561,311</b>	<b>4,093,813</b>	<b>133,552,336</b>
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Financial guarantees and other commitments</b>				
Low- fair risk	10,862,906	-	-	10,862,906
Less: allowance	(67,283)	-	-	(67,283)
<b>Carrying amount</b>	<b>10,795,623</b>	<b>-</b>	<b>-</b>	<b>10,795,623</b>
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Financial guarantees and other commitments</b>				
Low- fair risk	9,980,175	-	-	9,980,175
Less: allowance	(60,696)	-	-	(60,696)
<b>Carrying amount</b>	<b>9,919,479</b>	<b>-</b>	<b>-</b>	<b>9,919,479</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 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 2023 and 31 December 2022, categorized as per individual and collective impaired portfolio:

	Net exposure to Loans and advances to customers and leases	
	31 December 2023	31 December 2022
<i>Individually impaired</i>		
Past due and impaired	9,205,307	10,223,640
Allowance for impairment	(7,246,867)	(6,674,608)
<b>Carrying amount</b>	<b>1,958,440</b>	<b>3,549,032</b>
<i>Collectively assessed for impaired</i>		
Past due but not impaired	144,178,033	134,164,148
Allowance for impairment	(3,551,628)	(2,286,121)
<b>Carrying amount</b>	<b>140,626,405</b>	<b>131,878,027</b>
<b>Total carrying amount on loans and advances to customers</b>	<b>142,584,845</b>	<b>135,427,059</b>

##### 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 2023 or 31 December 2022. 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 2023	31 December 2022
Against individually impaired:	<b>3,961,111</b>	<b>12,406,964</b>
Property	2,983,823	10,758,729
Other	977,288	1,648,235
Against collectively impaired:	<b>256,251,069</b>	<b>275,630,808</b>
Property	193,747,208	182,811,256
Other	62,503,861	92,819,552
	<b>260,212,180</b>	<b>288,037,772</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 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 2023	31 December 2022
Gross amount of loans	153,383,341	144,387,788
Provisions if no collateral would be considered	(15,202,293)	(19,985,125)
<b>Total carrying amount on loans and advances to customers</b>	<b>138,181,048</b>	<b>124,402,663</b>

##### 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 2023			31 December 2022		
	Albania	Others	Total	Albania	Others	Total
Construction	17,016,600	9,263,210	26,279,810	17,391,872	8,453,968	25,845,840
Commerce	36,535,416	4,663,669	41,199,085	39,516,004	3,419,645	42,935,649
Consumer loans	8,660,251	1,080,752	9,741,003	8,241,333	648,507	8,889,840
Public, social and personal services	22,440,713	3,701,707	26,142,420	19,727,462	2,167,571	21,895,033
Processing industry	4,364,765	2,767,678	7,132,443	5,077,920	1,856,737	6,934,657
Hotels and restaurants	6,659,413	240,788	6,900,201	5,277,162	222,350	5,499,512
Production and distribution of electricity/water	5,017,993	20,578	5,038,571	5,660,416	86,283	5,746,699
Real estate	1,208,106	173,743	1,381,849	1,236,712	203,893	1,440,605
Transport and telecommunication	3,704,662	717,803	4,422,465	2,986,779	1,018,064	4,004,843
Agriculture	1,792,803	487,007	2,279,810	1,789,621	562,307	2,351,928
Mining	291,130	682,925	974,055	380,813	577,370	958,183
Health and social activities	1,101,476	127,263	1,228,739	1,034,526	131,483	1,166,009
Fishery	16,267	-	16,267	29,390	-	29,390
Other	19,518,224	1,128,401	20,646,625	16,219,352	470,248	16,689,600
	<b>128,327,819</b>	<b>25,055,524</b>	<b>153,383,343</b>	<b>124,569,362</b>	<b>19,818,426</b>	<b>144,387,788</b>

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

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	4,957,217	-	-	41,199,084
Manufacturing	8,491,102	3,659,333	-	-	12,150,435
Construction	20,793,623	5,486,204	-	-	26,279,827
Services	19,983,828	4,773,317	-	-	24,757,145
Others	11,335,606	8,123,554	-	-	19,459,160
<b>Total</b>	<b>96,985,250</b>	<b>30,471,662</b>	<b>9,154,411</b>	<b>16,772,019</b>	<b>153,383,342</b>
<b>Financial Services</b>	<b>37,446</b>	<b>1,487,161</b>	-	-	<b>1,524,607</b>

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Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.2 Credit risk (continued)

##### Risk concentration (continued)

31 December 2022	Corporate lending	Small business lending	Consumer lending	Residential mortgage	Total
Individuals	-	3,078,485	8,451,541	13,519,559	25,049,585
Public Sector	557,397	-	-	-	557,397
Trade	38,880,399	4,055,250	-	-	42,935,649
Manufacturing	8,650,785	3,944,287	-	-	12,595,072
Construction	21,506,902	4,338,938	-	-	25,845,840
Services	15,030,845	4,396,237	-	-	19,427,082
Others	10,921,943	7,055,220	-	-	17,977,163
<b>Total</b>	<b>95,548,271</b>	<b>26,868,417</b>	<b>8,451,541</b>	<b>13,519,559</b>	<b>144,387,788</b>
<b>Financial Services</b>	<b>30,076</b>	<b>92,181</b>	-	-	<b>122,257</b>

#### 47.3 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 2023	31 December 2022
Average for the period	39.05%	34.83%
Minimum for the period	35.98%	26.01%
Maximum for the period	46.39%	45.17%

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 2023 and 31 December 2022 according to their remaining maturity.

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.3 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 2023. 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
<b>31 December 2023</b>						
<b>ASSETS (Cash flow in)</b>	<b>69,823,130</b>	<b>19,579,689</b>	<b>55,837,909</b>	<b>113,879,718</b>	<b>49,068,152</b>	<b>308,188,598</b>
Cash and cash equivalents	50,202,509	-	-	-	-	50,202,509
Restricted 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
Debt securities measured at FVTPL	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	2,997,145	4,706,906	1,620,691	45,090,713	15,333,403	69,748,858
Quotas of investment fund	-	-	-	-	89,033	89,033
Leasing	76,350	139,154	579,338	1,965,381	28,081	2,788,304
Loans and advances to customers	6,219,299	6,544,904	39,545,018	54,968,415	32,518,905	139,796,541
Other assets (debtors)	879,429	-	-	-	-	879,429
<b>LIABILITIES(Cash flow out)</b>	<b>66,932,890</b>	<b>28,393,553</b>	<b>96,496,912</b>	<b>105,631,361</b>	<b>5,884,203</b>	<b>303,338,919</b>
Deposits from bank and customers-Current account	43,917,125	18,640,909	58,982,816	20,292,591	-	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	20,292,591	-	139,462,994
Deposits from banks	521,235	189,171	1,426,366	397,244	4,712	2,538,728
Deposits from customers-Time deposits	22,194,831	9,237,460	35,378,434	80,658,402	1,063,161	148,532,288
Borrowing	-	13,568	25,742	52,243	916	92,468
Subordinated debt	87,814	312,445	683,554	4,230,881	4,815,414	10,130,109
Other liabilities (suppliers)	211,885	-	-	-	-	211,885
<b>TOTAL GAP ON BALANCE SHEET</b>	<b>2,890,240</b>	<b>(8,813,864)</b>	<b>(40,659,003)</b>	<b>8,248,357</b>	<b>43,183,949</b>	<b>4,849,679</b>
Off Balance sheet (Cash flow in)	(5,060,323)	-	-	-	-	(5,060,323)
Off Balance sheet (Cash flow out)	(5,060,323)	-	-	-	-	(5,060,323)
<b>TOTAL GAP OFF BALANCE SHEET</b>	<b>(2,170,083)</b>	<b>(8,813,864)</b>	<b>(40,659,003)</b>	<b>8,248,357</b>	<b>43,183,949</b>	<b>(210,644)</b>
<b>Total GAP 31 December</b>	<b>(2,170,083)</b>	<b>(10,983,947)</b>	<b>(51,642,950)</b>	<b>(43,394,593)</b>	<b>(210,644)</b>	<b>-</b>
<b>Cumulative GAP 31 December 2023</b>						

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.3 Liquidity risk (continued)

##### Exposure to liquidity risk (continued)

	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
<b>31 December 2022</b>						
<b>ASSETS (Cash flow in)</b>	<b>58,220,487</b>	<b>25,076,419</b>	<b>42,131,434</b>	<b>66,939,328</b>	<b>102,800,719</b>	<b>295,168,387</b>
Cash and cash equivalents	41,043,777	68,538	-	-	-	41,112,315
Restricted balances with Central Bank	6,864,185	2,016,145	6,557,703	3,915,377	-	19,353,410
Loans and advances to banks	170,799	-	97,667	57,305	13,520	339,291
Reverse repurchase agreement	968,294	-	-	-	-	968,294
Debt securities measured at FVOCI	2,212,205	9,070,065	5,082,990	556,322	411,595	17,333,177
Debt securities measured at amortised cost	278,175	1,118,107	6,525,475	39,138,525	23,729,331	70,789,613
Quotas of investment fund	-	-	-	-	47,850	47,850
Leasing	1,830	6,038	58,041	1,836,515	48,798	1,951,222
Loans and advances to customers	5,844,575	12,797,526	23,809,558	21,435,284	78,549,625	142,436,568
Other assets (debtors)	836,647	-	-	-	-	836,647
<b>LIABILITIES(Cash flow out)</b>	<b>84,390,978</b>	<b>30,598,427</b>	<b>94,287,366</b>	<b>64,810,593</b>	<b>3,323,227</b>	<b>277,410,591</b>
Deposits from bank and customers-Current account	75,236,928	30,272,416	92,399,234	60,250,275	-	258,158,853
Current account with banks	1,610,987	-	-	-	-	1,610,987
Current account with customers	73,625,941	30,272,416	92,399,234	60,250,275	-	256,547,866
Deposits from banks	288,307	227,683	1,056,693	393,888	-	1,966,571
Deposits from customers-Time deposits	8,736,065	-	325,000	-	-	9,061,065
Borrowing	-	15,242	45,572	93,821	3,050	157,685
Subordinated debt	-	73,946	460,867	4,069,668	3,320,177	7,924,658
Other liabilities (suppliers)	129,678	9,140	-	2,941	-	141,759
<b>TOTAL GAP ON BALANCE SHEET</b>	<b>(26,170,491)</b>	<b>(5,522,008)</b>	<b>(52,155,932)</b>	<b>2,128,735</b>	<b>99,477,492</b>	<b>17,757,796</b>
Off Balance sheet (Cash flow in)	(4,631,348)	-	-	-	-	(4,631,348)
Off Balance sheet (Cash flow out)	(4,631,348)	-	-	-	-	(4,631,348)
<b>TOTAL GAP OFF BALANCE SHEET</b>	<b>(30,801,839)</b>	<b>(5,522,008)</b>	<b>(52,155,932)</b>	<b>2,128,735</b>	<b>99,477,492</b>	<b>13,126,448</b>
<b>Total GAP 31 December</b>	<b>(30,801,839)</b>	<b>(36,323,848)</b>	<b>(88,479,781)</b>	<b>(86,351,047)</b>	<b>13,126,445</b>	<b>-</b>
<b>Cumulative GAP 31 December 2022</b>						

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.3 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
<b>31 December 2023</b>						
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 banks	989,154	1,282,845	1,740,515	397,244	4,711	4,414,469
Deposits from customers-Time deposits	20,940,482	9,206,455	34,527,290	81,225,805	1,382,322	147,282,354
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
	<b>65,520,653</b>	<b>29,456,222</b>	<b>95,959,917</b>	<b>106,198,764</b>	<b>6,203,363</b>	<b>303,338,919</b>
<b>31 December 2022</b>						
Deposits from bank and customers-Current account	75,236,928	30,272,416	92,399,234	60,250,275	-	258,158,853
Current account with banks	1,610,987	-	-	-	-	1,610,987
Current account with customers	73,625,941	30,272,416	92,399,234	60,250,275	-	256,547,866
Deposits from bank	288,307	227,683	1,056,693	393,888	-	1,966,571
Deposits from customers-Time deposits	8,736,065	-	325,000	-	-	9,061,065
Borrowing	-	15,242	45,572	93,821	3,050	157,685
Subordinated debt	-	73,946	460,867	4,069,668	3,320,177	7,924,658
Other liabilities (suppliers)	129,678	9,140	-	2,941	-	141,759
	<b>84,390,978</b>	<b>30,598,427</b>	<b>94,287,366</b>	<b>64,810,593</b>	<b>3,323,227</b>	<b>277,410,591</b>

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.4 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 2023 and 31 December 2022 by the foreign currencies in which they were denominated is as follows:

	ALL	USD	EUR	OTHER	TOTAL
<b>31 December 2023</b>					
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)	609,420	86,196	182,116	1,695	879,427
<b>Total assets</b>	<b>156,805,750</b>	<b>13,097,441</b>	<b>131,274,044</b>	<b>7,011,362</b>	<b>308,188,597</b>
Due to banks and other financial institutions	2,589,468	408,679	2,581,129	7,791	5,587,067
Due to customers	151,204,055	10,378,878	118,884,242	6,850,215	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
<b>Total liabilities</b>	<b>159,657,363</b>	<b>11,366,705</b>	<b>125,455,267</b>	<b>6,859,584</b>	<b>303,338,919</b>
<b>Net position</b>	<b>(2,851,613)</b>	<b>1,730,736</b>	<b>5,818,777</b>	<b>151,778</b>	<b>4,849,678</b>

	ALL	USD	EUR	OTHER	TOTAL
<b>31 December 2022</b>					
Cash and Cash equivalent	15,170,898	7,384,048	11,453,673	7,103,695	41,112,314
Restricted balances with Central Bank	5,714,913	1,205,739	12,432,758	-	19,353,410
Loans and advances to banks	71,771	59,155	208,365	-	339,291
Reverse repurchase agreement	968,294	-	-	-	968,294
Debt securities measured at FVOCI	16,509,561	-	823,616	-	17,333,177
Debt securities measured at amortized cost	25,783,666	3,066,303	41,939,643	-	70,789,612
Quotas of investment fund	47,850	-	-	-	47,850
Leasing	114,705	-	1,760,017	-	1,874,722
Loans and advances to customers	76,049,757	2,636,191	54,866,390	-	133,552,338
Other assets (debtors)	633,210	91,199	110,742	1,497	836,648
<b>Total assets</b>	<b>141,064,625</b>	<b>14,442,635</b>	<b>123,595,204</b>	<b>7,105,192</b>	<b>286,207,656</b>
Due to banks and other financial institutions	1,651,620	516,211	1,343,392	66,335	3,577,558
Due to customers	133,888,151	11,558,371	113,174,132	6,988,277	265,608,931
Borrowings	-	-	157,685	-	157,685
Subordinated debt	4,466,464	584,449	2,873,745	-	7,924,658
Other liabilities (suppliers)	102,286	1,674	37,682	117	141,759
<b>Total liabilities</b>	<b>140,108,521</b>	<b>12,660,705</b>	<b>117,586,636</b>	<b>7,054,729</b>	<b>277,410,591</b>
<b>Net position</b>	<b>956,104</b>	<b>1,781,930</b>	<b>6,008,568</b>	<b>50,463</b>	<b>8,797,065</b>

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## Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.4 Market risk (continued)

##### Exposure to foreign exchange risk (continued)

The table below shows the sensitivity analysis on currency risk as at 31 December 2023 and 31 December 2022 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 2023			31 December 2022		
	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.	+/- 3,103	+/- 2,638	+/- 100 b.p.	+/- 5,851	+/- 4,974
USD	+/- 100 b.p.	-/+ 454	-/+ 386	+/- 100 b.p.	-/+ 718	-/+ 610
Other	+/- 100 b.p.	+/- 201	+/- 171	+/- 100 b.p.	+/- 3	+/- 2

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 2023 and 31 December 2022 and for the year then ended.

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.4 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 2023 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 2023	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
<b>Assets</b>							
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	2,128,983
Reverse Repurchase Agreement	1,534,355	-	-	-	-	-	1,534,355
Debt securities measured at FVTPL	-	-	-	-	-	62,988	62,988
Debt securities measured at FVOCI	989,031	5,923,851	7,087,682	8,060,589	907,089	-	22,968,242
Debt securities measured at amortized cost	2,997,145	4,706,906	1,733,346	45,013,789	15,297,672	-	69,748,858
Quotas 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)	-	-	-	-	-	873,100	873,100
<b>Total assets</b>	<b>32,357,551</b>	<b>130,648,656</b>	<b>12,470,304</b>	<b>65,283,078</b>	<b>16,299,966</b>	<b>51,122,715</b>	<b>308,182,270</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>31,712,636</b>	<b>17,099,614</b>	<b>58,240,785</b>	<b>95,438,299</b>	<b>952,832</b>	<b>99,894,753</b>	<b>303,338,919</b>
<b>GAP as at 31 December 2023</b>	<b>644,915</b>	<b>113,549,042</b>	<b>(45,770,481)</b>	<b>(30,155,221)</b>	<b>15,347,134</b>	<b>(48,772,038)</b>	<b>4,843,351</b>

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 2023

(Amounts in ALL '000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.4 Market risk (continued)

##### Exposure to interest rate risk (continued)

A summary of the Group's interest rate gap position as of 31 December 2022 is as follows:

	31 December 2022						Carrying amounts
	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	
<b>Assets</b>							
Cash and cash equivalents	22,705,794	68,538	-	-	-	18,337,984	41,112,316
Restricted balances with Central Bank	6,754,315	2,016,145	6,557,703	3,915,377	-	109,870	19,353,410
Loans and advances to banks	170,799	-	97,667	57,305	13,520	-	339,291
Reverse Repurchase Agreement	968,294	-	-	-	-	-	968,294
Debt securities measured at FVOCI	2,212,205	9,070,065	5,082,990	556,322	411,595	-	17,333,177
Debt instruments at amortized cost	278,175	1,118,108	6,525,475	39,138,524	23,729,331	-	70,789,613
Quotas of investment fund	-	-	-	-	-	47,850	47,850
Leasing (gross)	1,758	5,801	55,765	1,649,282	46,885	115,231	1,874,722
Loans and advances to customers (gross)	5,478,088	11,988,815	22,313,972	20,140,264	73,631,199	0	133,552,338
Other assets (debtors)	-	-	-	-	-	836,647	836,647
<b>Total assets</b>	<b>38,569,428</b>	<b>24,267,472</b>	<b>40,633,572</b>	<b>65,457,074</b>	<b>97,832,530</b>	<b>19,447,582</b>	<b>286,207,658</b>
<b>Liabilities</b>							
Due to banks and other financial institutions	1,899,294	227,683	1,056,693	393,889	-	-	3,577,559
Due to customers	82,362,007	30,272,415	92,724,234	60,250,275	-	-	265,608,931
Borrowing	-	15,242	45,572	93,821	3,050	-	157,685
Subordinated debt	-	73,946	460,867	4,069,668	3,320,177	-	7,924,658
Other liabilities (suppliers)	-	-	-	-	-	141,759	141,759
<b>Total liabilities</b>	<b>84,261,301</b>	<b>30589,286</b>	<b>94,287,366</b>	<b>64,807,653</b>	<b>3,323,227</b>	<b>141,759</b>	<b>277,410,592</b>
<b>GAP as at 31 December 2022</b>	<b>(45,691,873)</b>	<b>(6,321,814)</b>	<b>(53,653,794)</b>	<b>649,421</b>	<b>94,509,303</b>	<b>19,305,823</b>	<b>8,797,066</b>

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 2023

(Amounts in ALL '000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.4 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 2023			31 December 2022	
	Increase/(Decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
ALL	+100/(100)	+/-541,837	+/-44,847	+/-473,604	+/-480,384
USD	+100/(100)	+/-6,176	-/+2,145	+/-2,605	-/+26,003
EURO	+100/(100)	+/-280,837	-/+12,614	+/-294,426	-/+593,238

The average interest rates on assets and liabilities for the period as at 31 December 2023 and 31 December 2022 are as follows:

Currency	31 December 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
ALL	5.02%	1.56%	5.14%	1.27%
USD	1.69%	0.75%	1.63%	0.61%
EUR	3.38%	0.71%	3.47%	0.39%

#### 47.5 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.

#### 47.6 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 Groups 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 Albanian Central Bank 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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## Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

### 47 Risk management (continued)

#### 47.6 Capital management (continued)

	31 December 2023	31 December 2022
Equity, as per IFRS	20,825,525	19,468,250
Difference in revaluation reserve from FVOCI assets	(62,163)	9,443
Translation reserve	(2,261,032)	(1,327,757)
Difference in accumulated retained earnings	3,224,548	2,583,718
<b>Bank of Albania equity</b>	<b>21,726,878</b>	<b>20,733,654</b>

#### 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.

#### 47.7 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 reprising 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 investments 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 ratings 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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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL'000, unless otherwise stated)

#### 47 Risk management (continued)

#### 47.7 Fair value disclosures (continued)

##### 31 December 2023

	FVPL (mandatory)	FVOCI	Amortized cost	Total carrying amount	Fair value
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	-	-	69,748,859	69,748,859	67,130,128
Quotas on investment fund	89,033	-	-	89,033	89,033
Leasing	-	-	2,788,304	2,788,304	2,788,304
Loans and advances to customers	-	-	139,796,541	139,796,541	138,968,574
Other assets (debtors)	-	-	879,429	879,429	877,085
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	287,148,212
Borrowing	-	-	92,468	92,468	92,468
Subordinated liabilities	-	-	10,130,109	10,130,109	10,130,109
Other liabilities (suppliers)	-	-	211,885	211,885	211,885
<b>31 December 2022</b>					
Cash and cash equivalents	-	-	41,112,315	41,112,315	41,112,315
Restricted Balances with Central Bank	-	-	19,353,410	19,353,410	19,353,410
Loans and advances to banks	-	-	339,291	339,291	339,291
Reverse repurchase agreement	-	-	968,294	968,294	968,294
Debt securities measured at FVTPL	-	-	-	-	-
Debt securities measured at FVOCI	-	17,333,177	-	17,333,177	17,333,177
Debt securities measured at amortized cost	-	-	70,789,612	70,789,612	64,388,478
Quotas on investment fund	47,850	-	-	47,850	47,850
Leasing	-	-	1,874,722	1,874,722	1,874,722
Loans and advances to customers	-	-	133,552,337	133,552,337	133,552,337
Other assets (debtors)	-	-	836,648	836,648	836,648
Due to banks and other financial institutions	-	-	3,577,558	3,577,558	3,577,558
Due to customers	-	-	265,608,932	265,608,932	265,608,932
Borrowing	-	-	157,685	157,685	157,685
Subordinated liabilities	-	-	7,924,658	7,924,658	7,924,658
Other liabilities (suppliers)	-	-	141,759	141,759	141,759

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 47 Risk management (continued)

##### 47.7 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 2023 and 31 December 2022:

	31 December 2023			
	Carrying amount	Level 1	Level 2	Level 3
<b>31 December 2023</b>				<b>Total fair value</b>
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	-	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	69,748,371	36,115,112	31,015,017	67,130,129
Quotas in investment fund	89,033	-	-	89,033
Leasing	2,788,304	-	-	2,788,304
Loans and advances to customers	139,796,541	-	-	138,968,574
Other assets (debtors)	879,429	6,329	-	873,100
Due to banks and other financial institutions	5,587,067	-	-	5,587,067
Due to customers	287,317,390	1,249,935	-	285,898,278
Borrowing	92,468	-	-	92,468
Subordinated liabilities	10,130,109	-	-	10,130,109
Other liabilities (suppliers)	211,885	58,394	-	153,491
<b>31 December 2022</b>				<b>Total fair value</b>
Cash and cash equivalents	41,112,315	41,112,315	-	41,112,315
Restricted Balances with Central Bank	19,353,410	19,353,410	-	19,353,410
Loans and advances to banks	339,291	339,291	-	339,291
Reverse repurchase agreement	968,294	968,294	-	968,294
Debt securities measured at FVTPL	-	-	-	-
Debt securities measured at FVOCI	17,333,177	823,616	16,509,561	17,333,177
Debt securities measured at amortized cost	70,789,612	40,044,017	24,344,460	64,388,477
Quotas in investment fund	47,850	47,850	-	47,850
Leasing	1,874,722	-	-	1,874,722
Loans and advances to customers	133,552,337	-	-	133,552,337
Other assets (debtors)	836,648	-	-	836,648
Due to banks and other financial institutions	3,577,558	-	-	3,577,558
Due to customers	265,608,932	-	-	265,608,932
Borrowing	157,685	-	-	157,685
Subordinated liabilities	7,924,658	-	-	7,924,658
Other liabilities (suppliers)	141,759	-	-	141,759

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### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts in ALL '000, unless otherwise stated)

#### 48. 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.

