



**ANNUAL REPORT**  
**2019**



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WE SPEAK YOUR LANGUAGE!

**During the 2019, we affirmed our position as the first bank in the market for the total net loan portfolio.**

## MESSAGE FROM CEO



**MALTIN KORKUTI** CEO

2019 was closed and marked quite a satisfactory performance and Credins Bank successfully accomplished its strategic goals. Despite the ongoing challenges of 2019, related to the overall global economic situation, ever-changing regulatory demands, significant fluctuations in the currency exchange rates, banking system consolidation processes, and the earthquake that hit our country by the end of the year, Credins Bank successfully managed to maintain a positive and sound position of liquidity, non-performing loans, income growth, and a satisfactory consolidation of customer relationships.

Throughout 2019, we affirmed our position as the first bank in the market for the total net loan portfolio with a value of EUR 825.6 Million. This indicator shows our ongoing support to businesses, individuals and the domestic economy, resulting from a very successful strategic management followed by the bank executives.

The priority of the bank and the business development unit has been the continuous support of small and medium businesses as the main pillar of developing the country's economy and growing employment. To enable small businesses access to financing, we designed facilitation schemes with international partners such as COSME agreement with the European Investment Fund, as well as developed specific packages for this segment of customers to provide a "one stop shop" for each customer. We cooperated and supported Agro-business as one of the most priority and strategic sectors in the country, by being present with our mobile bank, one of the most innovative services in the domestic market, in every corner of the country, even in remote areas where there are no banks. We designed personalized packages for each group of customers by addressing their specific needs with banking services and preferential commissions such as packages for students, small businesses, agro customers, etc.

We launched awareness marketing campaigns to help reduce informality by increasing bank card payments offering loyalty schemes with the cooperation of local and international partners, and we consistently promoted the use and advantages of Credins Online application. We strengthened our presence in digital marketing by increasing online applications for various banking

services and products. One of our priorities has also been continuous technological transformation, which was made possible by updating and converting the mobile application into a more interesting and simple version for each user and establishing structures dedicated to providing 24/7 specialized service.

"YOUARECREDINS" program, launched earlier this year, has become an academy for educating and employing young talents as a great opportunity to start their careers. In fact, today Credins Bank is one of the largest employers in the country counting 920 professionals. It is highly focused on continuous development through training provided by domestic and foreign experts, marking a milestone in their career growth as a driver to the best professional service to its clients.

All the above reflected a positive performance compared to 2018, marking an increase in the main indicators of deposits, bank assets, number of customers, payment volume, or the use of bank cards, etc. Credins Bank continues to maintain its position in the market as the third largest bank in terms of total deposits and assets. These achievements are undoubtedly dedicated to the excellent service provided by the bank staff in all our branches as well as the comfort combined with a modern infrastructure and technology that each customer finds in any branch.

The corporate loan portfolio was carefully increased by supporting existing and new clients that delivered successful investment plans, by always observing the risk parameters for all the sectors which are the top priorities for the bank to develop. This was also accompanied by a growth in the retail loan portfolio as the bank's strategic priority. The deposit portfolio was significantly increased, an important indicator of the yearlong trust that customers have established with Credins Bank.

2019 was a successful year and one of its achievements was the license granted to Credins Bank by the Financial Supervisory Authority for the depositary activity of collective investment undertakings and pension funds and the establishment of optimal infrastructure to exercise this

activity which is to be launched during 2020.

Furthermore, a very positive experience was the increasing product portfolio by trading Albanian Eurobond in the secondary local market as well as trading securities throughout the branch network for each client.

We will continue to implement the priorities defined in the Strategic Development Plan, which highlights our ambitions to develop and move forwards in line with the best international standards consisting mainly in continuous technological improvements, implementation of modern applications, development of innovative products in line with changes in consumer behavior, expansion beyond the country's borders in the Kosovo market, as well as continuous investment in human resources.

Credins Bank continues to give high priority to the contribution in social responsibility through various donations and sponsorships aimed at helping the overall development of the society, infrastructure, art, culture, education, innovation, etc. Through its ongoing initiatives, Credins Bank continues to be ranked as one of the main supporters of the social development. Throughout 2019 we have supported over 70 initiatives in line with the UN 17 Sustainable Development Goals. We have cooperated with various organizations and projects that help eliminate poverty for the needy and children without parental care, support start-up businesses in Albania, improve the infrastructure of schools and health centers, projects to improve the environment, etc.

Credins Bank will continue to contribute to all the key pillars that affect overall development and well-being of the country and its citizens as only together can we build a better future for ourselves, our children and our descendants. We are working on another innovative project, such as the development of the crowd fundraising platform in order to make aware the entire society to contribute for a better future.

## THE TIRANA CLOCK TOWER

The Tirana Clock Tower began to be built by Haxhi Et'hem Beu in 1822. The height of the tower is 35 with a balcony, 4 fields and clock hands were assembled and a Venetian typed roof was set up. Until 1970 the tower was the highest building in the capital city.



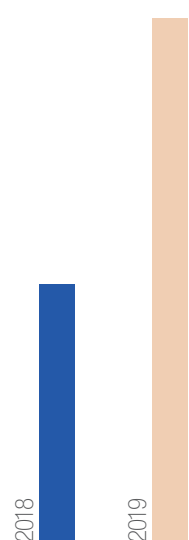
# BUSINESS DEVELOPMENT DIVISION

**Growing collaboration with all sites in the mobile version, increased by over 20,000 the number of customers who visited our website monthly, counting for 62,000 in total. Many online applications were also generated from these channels.**

## LARGE BUSINESS DEPARTMENT

The strategy and focus of the bank has been the small, micro, agro and individual segments, but on the other hand, a great support has also been given to the Large Business which has been carefully treated with quality loans as well as supported to manage well their liquidity. This has led to the improving quality of the loan portfolio for this sector.

The medium business segment continues to be supported by the Bank on a regular basis and its performance has marked a consistent increase making up 31.2% of the bank's total loan portfolio. It should be pointed out that the increase



**50%**

Increased POS transactions

has been accompanied with a good management of the current portfolio, reducing non-performing loans by 2% compared to 2018.

Credins Bank has followed up its strategy of financing small and medium businesses as the main pillar of development and employment in the country. As a result, the corporate portfolio grew more slowly, reducing its share of the bank's total portfolio. The focus throughout 2019 was to keep the portfolio's quality under control despite the ongoing challenges encountered throughout the year which became more intensive at the end of 2019. Also, during 2019 the Large Business Department was focused on increasing cooperation with all corporate clients so they can use all banking services and that they are provided with a very high quality and personalized service. Our goal is to be the first bank for every corporate customer by offering a variety of products and building long-term and close relationships.

There was a satisfactory increase in business volume in general, as transfers increased by 9.7%, exchanges by 6.6%, payroll clients by 11.5% and POS transactions by 50%. Even during 2020, Credins Bank aims to support existing customers for their specific needs, by carefully increasing the portfolio of large financing in line with the domestic strategic sectors such as health, energy, etc., but maintaining quality of the portfolio and focusing on a more comprehensive service to meet all the needs of businesses and providing new financial services necessary for them.

## BRANCH SALES MANAGEMENT DEPARTMENT

2018 marked the third successful year on the implementation of the important project on "Sales Force Effectiveness" throughout the branch network of Credins Bank.

The branch's productivity, measured as the number of products sold by the sales staff in the branch, has also increased during 2019, accompanied by an increasing indicator in the number of products sold to clients. The products at the focus of the sales staff continue to be the deposits and loans, comprising also alternative products that meet all the financial needs of our customers.

The loan portfolio generated by the branch network continued to grow in the retail segment, especially in small business loans. The retail loan portfolio in 2019 increased by 3.88 billion ALL or 13.3% compared to 2018. During 2019, the bank's objectives for the branch network were entirely realized both in terms of numbers and volumes, as well as the quality of the products sold. Branch network performance was at the level of 98% referring to the quantitative and qualitative objectives of products sold in 2019 compared to the level of 87% in 2018.

Commissions of banking transactions carried out this year increased by about 15% compared to last year, an increase confirmed in all areas where the bank operates. The revenues are generated by commissions applied to POS, Cards, increasing number and volume of transfers, foreign exchange, etc.

2019 was also the year of technological innovations and digital developments for the branch

network. A large number of branches were restructured and modernized. Another innovation was the mobile branch offering our banking services nationwide and in rural areas, where there are no bank branches.

Credins Online, the "virtual" bank application through which almost all transactions carried out at bank counters can be performed, was a great success both in sales and use. During 2020, the strategic priorities for the branch network are focused on maintaining the competitive advantage of a high quality service offered to clients, the ongoing process of automating manual operations in the Branches, a process that last year marked a significant improvement; providing digitalization to the other branches of the bank, upgrading and using Credins Online platform, through which clients of all ages can feel comfort in their banking services both in traditional branches and online.

Also, for the first time, the project for opening the "Smart" branch is being finalized, a branch with the latest technological equipment providing customer service 24/7, both physically and online.

## MARKETING DEPARTMENT

The Marketing Department finalized a very successful year in terms of launched product campaigns and digital strategy followed with the ultimate goal of strengthening the bank's brand, positive image delivered to customers for a range of products, service quality and achievement of strategic objectives for the business unit.

Throughout 2019, the digital strategy was revitalized. A lot of time and energy was devoted to this process in order to have maximum number of followers on social networks and to increase sales through online applications. Two Google campaigns dedicated to Summer Loan and Festive Loan were launched, generating a significant number of online applications, and establishing a fast and simple line of communication with interested customers. Growing collaboration with all sites in the mobile version, increased by over 20,000 the number of customers who visited our website monthly, counting for 62,000 in total. Many online applications were also generated from these channels. The new slogan for 2019 was "Of course it can be done" delivering positive messages to clients about the potential cooperation with Credins Bank. The number of followers increased significantly due to all campaigns launched on social networks, (+20,000 in '19 vs 4,800 in '18) and the products advertised on Facebook exceeded 2 Million viewers in '19 versus 350K in '18. We ranked one of the top 3 banks for the number of followers on Facebook. New communication channels with customers were also launched to

promote products and services such as: email marketing, mas sms, etc. In 2019, the bank's new website was launched, with a more modern and easier to use design, optimizing parameters at the maximum compared to the other competitive banks.

Many product marketing campaigns such as Credins Online, payments by card and contactless cards for the purpose of increasing the use of cards as well as reducing Cash were successfully finalized. Campaigns for the summer loan and the festive loan were launched, which results were satisfactory. Many events were organized to support the Agro loan throughout the year, accompanied by the Mobile Branch, an innovation for the Albanian banking market. This branch travelled throughout Albania by promoting not only our brand, providing services to customers in rural areas, but also delivering the image of a digital and innovative bank. A series of shows financed from Credins Bank were successfully produced with Agro clients, who as the best witnesses, promoted the support given on social networks and television channels. The Agro loan exceeded the set targets.

The strategic objective is both to attract new customers, and to satisfy at the maximum existing customers, offering attractive products and establishing a long-term relationship. Therefore, the Marketing Department in cooperation with Mastercard, has successfully finalized 7 offers with internationally well-known partners, offering a discount up to 20% from the use of cards. The loyalty scheme was further extended, successfully finalizing agreements with many local partners and launching a successful

**Another success for 2019 was the license granted to Credins Bank by the Financial Supervisory Authority for performing the depositary activity of collective investment undertakings and pension funds**

campaign in December '19 with a discount of up to 20% from the use of any card issued by Credins Bank. The launch and promotion of the student package is also to be appreciated as we were the first bank to sign an agreement with the Municipality of Tirana and to provide to all students a very interesting package with many other benefits. Furthermore, under the fiscal law, the launch of the favorite business package was accompanied with the opening of a significant number of new accounts (3,689 during the second half of '19), or an increase of +37% compared to '18. Communication channels were comprehensive such as TV channels, radio, newspapers, magazines, participation in fairs, agro and student activities, media interviews, billboards, etc. This Department also updated all images of products on posters,

leaflets, websites, ATMs, etc. It also coordinated successfully with all the other departments of the bank to achieve the best results from the campaigns. 2020 will be more dynamic in terms of its challenges. New product campaigns will be launched targeting certain groups of customers with specific packages or offers, promoting Credins Online with all its functions and further innovative upgrades. The specific focus of the digital strategy will be ongoing campaigns for online application of our products on sites, web, and Google. In addition, at our focus is the successful finalization of two very interesting projects such as the Smart Branch and the Crowdfunding platform, bringing two innovations to the market that will have a positive impact on the bank's digital image.

### PRODUCT AND INSTITUTION MANAGEMENT DEPARTMENT

The Product and Institution Management Department, the unit responsible for managing existing products and services, as well as for proposing new products in line with the bank's strategic development objectives and market changes, closed another successful year. Throughout 2019, several new products were launched which had also an impact on the achievement of business unit objectives, by meeting better and in overall the customer requirements. Some of the main achievements of the products launched are: summer loan launched during the summer period when the results of volume and number of disbursed loans (1,989 disbursed loans in total amount of ALL 818,831,250) were positive. This was followed by the festive loan, launched for the end year holidays. Its results were also satisfactory despite

the difficult situation the country experienced by the earthquake of November 26, 2019. Freelance professions, another interesting product launched in August 2019, was designed for a very specific target group of customers. It was also combined with a complete package of banking services needed for this group.

COSME loan was launched in September 2019, after the successful completion of this project in cooperation with International Institutions. It provides coverage up to 50% for small and medium businesses with a satisfactory operational business performance, but which do not meet the requirements for collateral. This loan proved to be quite successful during the last quarter of 2019, over 20 small, medium and Agro businesses were funded in the amount of over EUR 1 Million.

During June-September 2019, the focus was also on collecting deposits in ALL. Considering the latter, the bank came up with a preferential offer, as a result of which, the target for deposits in Lek was exceeded. Kaltra Deposit underwent some changes and improvements to bring it in line with the regulatory requirements. Furthermore, the benefit package for Mastercard Word cardholders was introduced by applying a cash refund scheme at the level of 0.4% to 0.6% of the card amount used. Another enthralling product was the "Agreement with third parties". The bank entered into agreements with various partners to finance their customers, under which some of the financing costs are borne by the partner. A special focus has also been on further strengthening relations with state institutions as well as attracting new institutions into the portfolio.

The unit worked closely with the branch network and Marketing Department to support institutions with specific requirements for improving their work infrastructure, and for providing a better customer service. New cooperation agreements were signed with institutional employees, under which the latter were supported with the salary package, based on the specific needs of each employee.

There are many objectives for 2020, and the department will continue to further improve existing products. One of the main challenges will be to set up personalized packages for certain target groups of individuals or businesses, review costs and increase products' profitability with the aim of growing sales for the most profitable products as well as to review the standard conditions of the bank in line with competitors.

### ALTERNATIVE BUSINESS DEPARTMENT

Alternative Businesses Department, one of the newly established units at Credins Bank, has used the advantages of non-typical banking products and services markets in order to serve the customer 24/7 and increase Bank's profitability Bank through higher commission income. During 2019, the Alternative Businesses Department has managed one of the three business lines that it will be responsible for starting in 2020 the intermediation activity in insurance. The depositary service for collective investment undertakings and investment banking services (securities subscription and advisory services) will be launched during 2020. During 2019, the insurance intermediation unit has mediated thousands of insurance contracts for borrowing clients, generating over 14.5 million ALL incomes from

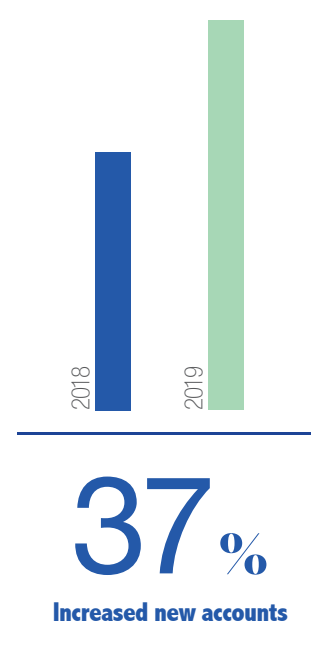
insurance policy intermediation commissions. The greatest achievement of this unit during the year closed is the standardization of the insurance process of new borrowers.

Another success for 2019 was the license granted to Credins Bank by the Financial Supervisory Authority for performing the depositary activity of collective investment undertakings and pension funds, as well as establishing optimal infrastructure to carry out this activity, which, as noted above, will be launched during 2020. During 2020, the Alternative Businesses Department will make every effort to achieve its objectives such as: being granted the license for the securities subscription service; launching the depositary service of collective investment undertakings; being granted the license as an Insurance Broker for Life Classes, intermediation of a wide range of insurance products in addition to Borrower's Life and collateral insurance; Increasing revenues from commissions and transforming the bank into a "one stop shop" whenever it comes to financial services and products.

### SALES AND SUPPORT LEASING DEPARTMENT

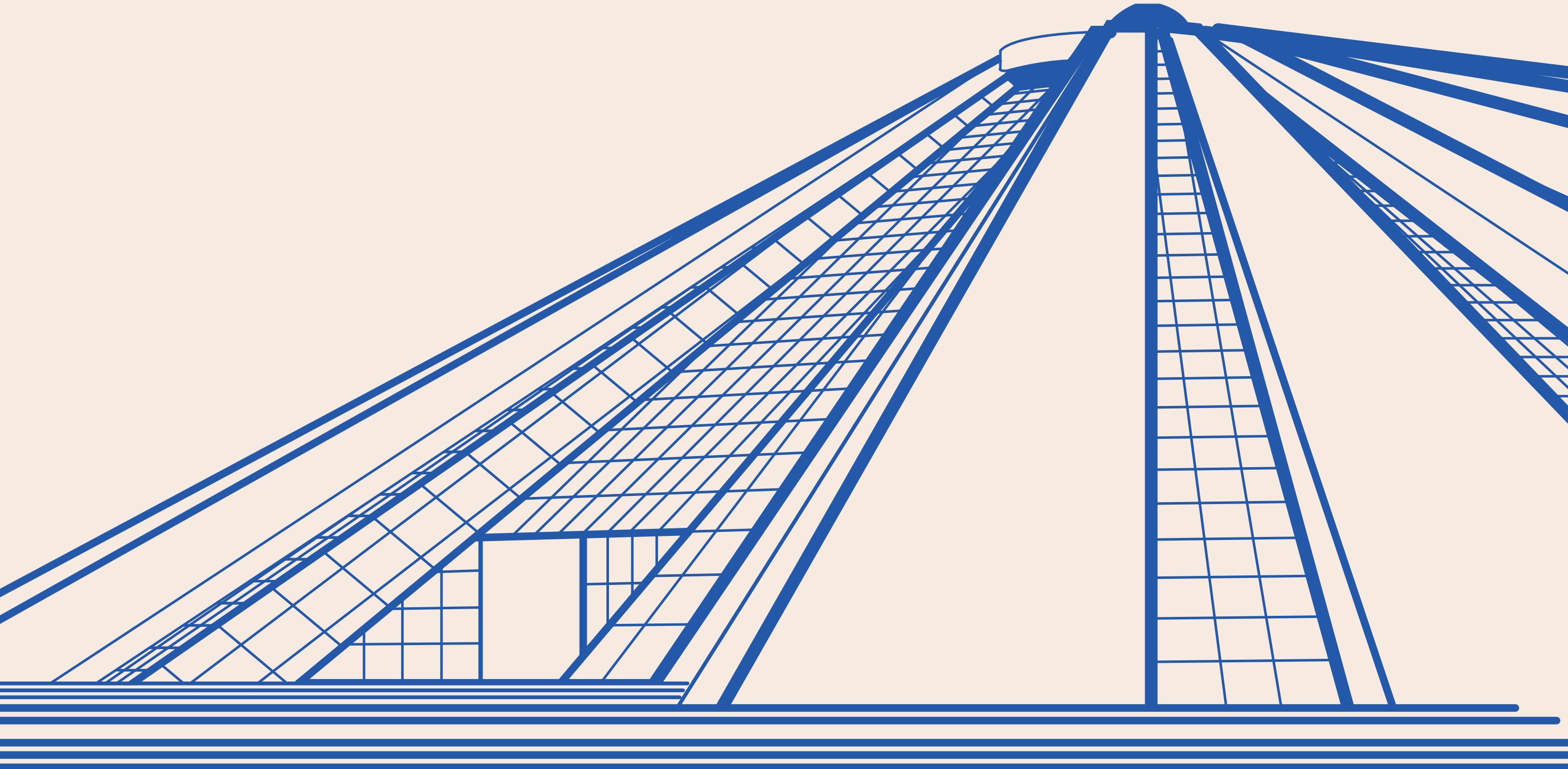
Credins Leasing continues to be the main choice both for businesses and individuals seeking funding for machinery, equipment, and vehicles. Credins leasing continues to maintain a strong and growing position in the market. During 2019, the projected surplus growth was 12% compared to 2018 and it was realized at the level of 97%. 7.9 million Euros were disbursed, reaching the targets set by 107%. The number of disbursements increased by 111% compared to a year ago. The loan portfolio also maintained a good quality with a low level of non-

performing loans. Credins leasing continues to hold second place in the market with a share of 14%, which increased by 8% in 2019 versus 2018 although new operators were launched in the market. Interest income increased by 3% compared to 2018 and provisional expenses decreased by 74% compared to a year ago. Objectives and forecasts for 2020 continue to be aggressive and they could be achieved through a more comprehensive strategy of the entire branch network in terms of new sales. This Department will further strengthen relations with concessionaires by finding attractive financing schemes tailored to customer needs. Further and regular improvements will be made to existing products in terms of deadlines and processing time, as well as funding for equipment and machineries as per the various industries will be further increased. Another challenge throughout 2020 will be maintenance of non-performing loans at acceptable levels.



## THE PYRAMID

Pyramid construction ended in 1988 serving as museum in Enver Hoxha heritage until 1991. The name Pyramid was given during the “Students Movement” of December 1990, due to its architectonic shape.



# RISK DIVISION

**The focus of risk management during the year has been in assessing, measuring and diversifying the capital requirement based on specific classes of asset and their exposure to risk.**

The Risk Management Division is responsible for the identification, measurement, monitoring, and prevention and reporting of the activity related to the management of credit risk, market risk, liquidity risk, and operational risk. During 2019, all Risk structures together with Risk Committee, Audit Committee, ALCO and the Board of Directors, have ensured a prudent management, in accordance with the regulatory framework and the applicable legislation and the AML legislation. The Bank has a risk appetite policy in place, which is in line with the regulatory needs, as regards the assessment and control of several key risks, such as credit risk, credit concentration, government risk, exchange rate risk, etc. This policy is reviewed on a periodic basis in accordance with the Bank's strategy. 2018 was a year featured by interest rate fluctuations, both for the domestic currency and foreign currencies. Such fluctuations posed a challenge to investment management and mitigation of risk exposures, aiming to maintain an adequate level of investment performance and interest income.

Credins Bank, as one of the market developers for the establishment and progress of the secondary market of government securities by issuing and quoting reference securities prices on a daily basis, has significantly contributed to increasing transactions and efficiency of this major project. This Division has been focused on identifying and

monitoring low-risk investments, accompanied with risk protection measures through derivatives, an innovation in the domestic market and a means of diversifying investments. Attention has also been paid to diversify exposures to the main investment counterparties in debt securities, especially according to the countries that make up total investment portfolio. This has also been accompanied by diversifying this portfolio for risk indicators as per the financial duration and expected return.

The Bank has observed all the objectives and limits for market risks, especially as regards the liquidity risk, by timely meeting the bank's needs for liquidity in any currency. Despite all the developments and challenges faced in the interbank and securities markets throughout the year, the Risk Division, in cooperation with the Treasury Department, has applied a prudent approach to liquidity management, maintaining a good performance in a challenging environment in terms of interest rates, which have been continuously declining.

The Bank, in full compliance with the regulations and international standards, has adopted Basel 3 most recent revisions in terms of liquidity and interest rate risk measurement and monitoring, particularly by applying risk assessments on liquidity coverage ratio and according to the regulations of the supervisory authority. Actions have been taken to

automate the process for calculating the indicator according to the regulatory requirements.

The focus of risk management during the year has been in assessing, measuring and diversifying the capital requirement based on specific classes of asset and their exposure to risk. At the same time, the bank has conducted an internal capital adequacy assessment through a detailed process, including a number of specific risks not set out in the regulatory framework for capital adequacy ratio, such as credit risk concentration, country risk, residual market risk, owned properties risk, reputation and strategic risk, accompanied with stress-test scenarios for each of the major risks. Therefore, this will enable the Bank to widely estimate the risk exposure not only for available assets, but for all its daily activities and operations by assessing the additional capital requirement.

The bank has significantly focused on the good management of collateral assessments to cover the highest possible risk exposures and to include a wider range of collateral types, such as new financial investments and insurance products. In addition to improving the quality of collaterals pledged as guarantees for risky exposures, the Bank is also committed to enhance exposure coverage ratios through instruments for protecting the loans granted.

As of January, 2018, the Bank applied the new IFRS9 standard for its business model, assessment and classification of risk assets through several stages, the calculation of credit losses according to the duration of classified exposures for the second stage at risk. The methodologies and automation of the process for the calculation of provisions value have been improved and enhanced. The Bank has been focused on improving and increasing the investment efficiency in accordance with the objectives for fund volumes, provisions expenses throughout the year and mid-term budgeting. During 2019, the procedure for identifying the operational risk database was improved by coordinating it with all the units of the bank.

Lending throughout 2019 was based on the good acknowledgement of clients and on the specifics of their sectors of operation. It has been focused mainly on the large and medium businesses, as well as on agro-business since the loans disbursed to them were larger both in numbers and volume. In cooperation with International Institutions they were also supported by mitigation collateral schemes.

Since June 2019, the Bank has been committed in implementing and ensuring compliance with the requirements of the Bank of Albania regulation on "On macro prudential capital buffers". Credins Bank has aimed to balance

the funds absorption in different currencies and their investment by granting loans in these currencies. In the meantime, the bank considers mitigation of exposure to the indirect credit risk as a crucial element, as a result of the exchange rate. Also, it has been recommended that clients receive their loans in the same currency as their incomes, or otherwise convert the existing loans denominated in EUR to the local currency. It has been informing and making aware the clients of the potential risks from foreign exchange fluctuations. Credins Bank is not so much exposed to this kind of risk as compared to the published data for credits and deposits of the entire local banking system.

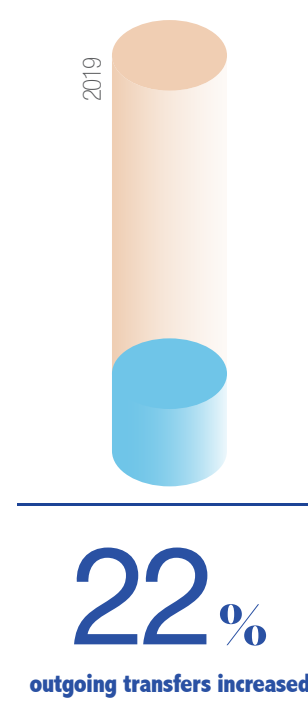
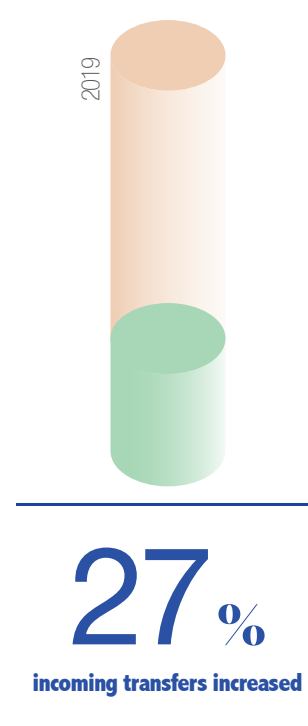
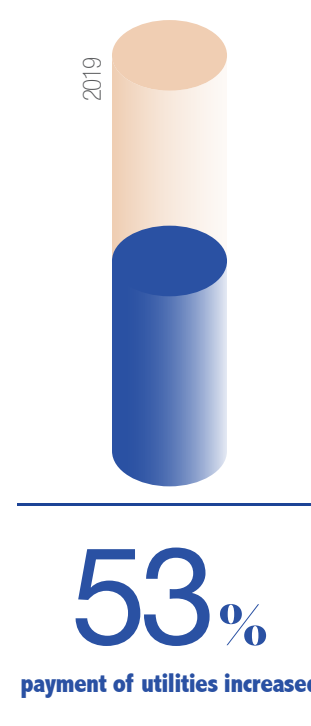
## NATIONAL HISTORICAL MUSEUM

The National Historical Museum was opened on the 28th of October 1981 and is the largest museum in Albania. It occupies a total area of 27.000 m<sup>2</sup> of which 18.000 m<sup>2</sup> is used for exhibitions. The National Historical Museum is known for its large mosaic on the facade. It was designed and built by famed Albanian architects to avoid the sense of repetition or monotony. Alongside the exhibit halls, the museum is also home to a large part of the Albanian archives and laboratories



# OPERATIONAL DIVISION

The Development Business Division was supported by IT Department of the latest market trends in technology to deliver innovative new products.



## OPERATIONAL DEPARTMENT

The Operational Division, as the central structure supporting the correct and timely processing of all the outgoing bank payments within and outside Albania, continued to accomplish its role with professionalism and efficiency throughout 2019, thus contributing to the continuous increase of the processing quality. Professionalism and accuracy in processing and increasing such transactions have been significant and a main factor in the sustainability and progress of the

cooperation with non-resident Banks, leading to an increasing mutual cooperation with the latter. The Department has been very active and productive by providing its expertise in various products or services, improving work processes and procedures or entering into third party agreements.

The incoming transfers processing continued to become more perfect by improving the processing velocity. This will help in terms of developments that will take place in the light of SWIFT initiative for

implementing the Universal Credit Confirmation to be applied by the end of 2020. Through this initiative, any Bank is obliged to confirm the transfer credit in favor of the beneficiary: credit value, commissions and processing time by enhancing transparency with customers. The objectives throughout 2020 will be automation of processes, enabling innovations in payment instruments and application of the universal credit confirmation.

Throughout 2019, Credins Bank has processed real-time through

the AIPS and AECH systems and Correspondent Banks, a considerable number of incoming transfers both in local and foreign currency, with an increase of 27% compared to 2018, while outgoing transfers increased by 22% compared to 2018. Payments through digital channels such as payment of utilities, taxes, customs duties, bank transfers within and outside the country, increased significantly. They were increased more than 200% in number compared to 2018.

The Bank has continued to offer trade Finance instruments such as Letters of Credit, cross-border Guarantees and Documentary Collections (Incasso), as part of payments and bank commitments, through a professional, fair and quality service. They marked an increase of nearly 50% in number compared to 2018. The use of Documentary Collections (Incasso) and LCs of Export has been at higher levels compared to the last year.

Payment of utilities, taxes, and customs duties increased by 53% in number of transactions as compared to 2018. Credins Bank is one of the leading banks in the country for salary and pension processing service for government companies and institutions, with an ever-increasing trend throughout 2019. Given the volumes performed for all payment services, revenues from commissions have increased compared to 2018.

## IT DEPARTMENT

The strategy of the Bank to be at the forefront of the latest market trends in technology, has led the business units to develop and deliver innovative new products. For this purpose, during 2019 substantial changes were made to the existing server infrastructure, which brought about a better quality of communication and service to the bank's branches.

IT Department has supported development of bank's projects, the most important of which was further upgrading of Credins Online platform to make it easier to access and use by all the clients of the bank. A specific unit was established for this purpose, which was committed to enhance the functions of this application such as mobile telephone payments, delivery of various notifications to clients for offers and services, as well as to make it more "user friendly" for our clients. This process was also continuously supported online through the new communication channels such as email and whatsapp for any problems encountered by the clients and also by providing information tutorial videos.

In addition, IT Department has worked throughout 2019, to regularly enhance relations between the business units and bank Management, automating and simplifying them for an overall and real-time use. The contract printing and bank advances approval processes were automated at all the bank's branches by improving therefore the efficiency of the branch staff. In addition, other

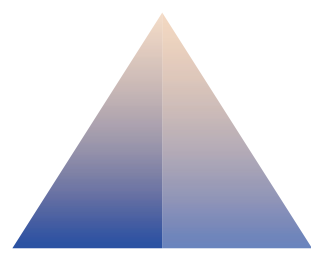
processes related to transfers, terms and conditions of the bank, and operational processes regarding specific transactions at the bank were upgraded and further automated by reducing manual work and enhancing process efficiency accompanied by risk reduction.

During 2019, the mobile banking service was launched as an innovation, and banking services including those of ATM were provided to all the clients of rural areas, as if it were a real bank branch, ensuring full functionality of the systems. Another focus of this unit was improvement of the help Desk structure (more than 28,000 complaints and requests have been dealt with and addressed). It has also supported on a regular basis all the branches regarding systems and their functionalities, including also the branches reallocated. The branch staff has been supported and provided with over 100 various trainings.

The main goal during 2020 will continue to be further upgrading of Credins Online platform. The purpose is to open current accounts and demand deposits online from the application of existing clients and this platform is also considered to be integrated with the Stock Exchange and Credins Invest.

Follow-up of the bank's projects in cooperation with the Projects Unit and other units involved such as: further improvements in transfer processes, monitoring of the bank's digital archive project, building a SMS communication system for clients in order to carry out certain transactions in their accounts,

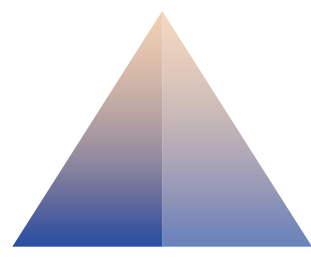
The volume of transactions with prepaid cards increased by 50% (Visa & MC) in 2019 compared to 2018.



28.000

requests have been dealt with

BankUp establishment which precedes psd2, further improvement of reporting systems, intranet set up, etc. In addition, it shall also be focused on the continuous upgrading of the infrastructure and technology in line with the market standards and further developments, as well as improving internal processes and procedures of the department.



100

branch staff trained

## TREASURY DEPARTMENT

The Treasury Department marked a highly positive performance in 2019, even though financial markets continue to operate with very low interest rates. The main objectives were liquidity management, support of bank's key activities and increasing incomes from the main activities and investments in securities and foreign exchange. 2019 was a successful year as it marked positive increase in various indicators. Incomes generated from the activity of Money and Securities Market Sector increased by 18% compared to 2018. Bank's deposit portfolio increased significantly maintaining the interest rates at high levels for the domestic market. Foreign exchange incomes increased by 11% compared to 2018. Relations with non-resident banks were further strengthened leading to reducing costs and increasing trading volumes between the parties. Throughout 2019, the focus of Credins Bank as one of the five banks selected as Market Developer for reference bonds, was to increase securities trading in the secondary market, by training on a regular basis the sales staff of the branches. The latter, will therefore, provide clients with comprehensive information on the functioning and new rules of reference bonds auctions. Any client of the bank can find information online on the bank's website about the quotation of reference bonds by finding the right moment to invest. During 2019, the Bank provided a wider range of products by offering Albanian EurBond in the secondary market. As a member of the Albanian Securities Exchange, we also provided our clients with the securities trading

throughout our branch network. Significant increase was marked in the trading volume both for the main and secondary currencies, such as British currency GBP (mainly due to BREXIT), AUD, JPY and CAD. Transactions in GOLD doubled compared to 2018, and we continue to be the only bank offering investments in GOLD, which remains a safe "haven" in periods of high volatility and uncertainties in financial markets. New issuance of bonds in 2019 was successful as the demand exceeded the offer. This product is considered by the clients as a very good investment alternative. This is the 9th year in a row that Credins Bank continues to be the leasing custodian of bonds issued by joint stock companies, offering both competitive conditions and expertise in this area. Credins Bank was licensed by the Financial Supervisory Authority to provide securities brokerage by expanding its entire range of securities operations to the stock exchange and secondary market. Effective liquidity management, lower costs, 24-hour trading of currency, provision of treasury products through Credins online, promotion and increasing transactions in the secondary securities market, are the main objectives of the Treasury Department for 2020. The challenge of the latter remains the follow up of financial markets performance by a qualified staff and providing better investment opportunities to customers. One of the objectives of this Department is to provide alternative investment in financial markets for Bank customers, especially during this period when interests from deposit have remained at low levels.

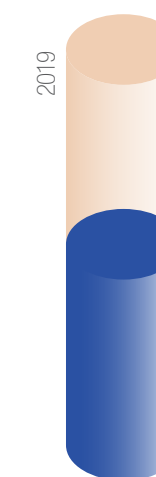
## CARD DEPARTMENT

Diversification of card related products and services portfolio remains a top priority in electronic payments and a permanent challenge for the bank. The goal of this department is that each individual and business is provided with the product that best suits their needs and requirements.

During 2019, the position of the bank in the banking market has been consolidated for all the quantitative and qualitative indicators related to cards. Prepaid cards Visa (Lek) and Mastercard (Euro) continue to be in great demand by customers of all ages. Prepaid cards resulted successful when they were launched in 2011 and over the years they have exceeded expectations in terms of satisfaction in use and increasing number and volume of transactions. The volume of transactions with prepaid cards increased by 50% (Visa & MC) in 2019 compared to 2018. There was also an increase in the number of MC World cards issued, offered only by Credins Bank, providing customers with additional benefits specific only for this card. The technology of the entire range of Visa and MC cards' products issued in any currency and for any target group of clients is chip contactless, making transactions easier and safer. The bank has continued to support public institutions through Visa and MC business cards designed specifically for this category. The indicators of accepting cards in Credins terminals have improved marking an increase in volume (41% for Visa cards and 118% for MC cards). The number of businesses requiring

E-Commerce service, through which clients are enabled to pay online by card in virtual terminals, has increased. Credins has been one of the first banks to offer this service and remains one of the main players in the Albanian banking market that encourage businesses to provide this service. Admission to E-Commerce virtual terminals has increased by 55% in 2019 compared to 2018.

There are several objectives for 2020. This Department aims to further increase the use of cards within the country and to grow education of citizens, which will lead also to the reduction of cash payments in economy and lower informality. In addition, our focus will be on expanding the portfolio with new products such as: prepaid Mastercard in USD or acceptance of payments in EURO in physical and virtual Credins terminals. It is also aimed at finalizing the project on improving the technology related to the security of online purchases, a process that will undergo a new authentication stage and making online transactions even more secure. The project for cards personalization with an Albanian company will be completed soon and it will reduce the production time and card delivery to the client. The focus of our consistent goals and efforts has been and remains the client, so the loyalty scheme combining issuance of cards with additional benefits will always be a priority for a more loyal and satisfied customer.



55%

increased admission to e-commerce virtual terminals

## FORMER FILM STUDIO "NEW ALBANIA"

This neoclassical complex was designed in the years 1950-1952. It was once the building of the Albanian National Film Studios known as "Kinostudio Shqipëria e Re" and the National Film Archives. Nowadays in this building are the Albanian National Cinematography Center, the Marubi Film and Multimedia Academy, the Ministry of Culture, the Institute of Monuments of Culture, etc. The Film Studio "New Albania" has produced and distributed many Albanian films. The most intense period was the 1970s and 1980s when 13-14 movies were produced annually.



**BOARD OF  
DIRECTORS**

**CREDINS** bank



**SAJMIR SALLAKU**  
CHAIRMAN

**JONAS HASSELROT**  
MEMBER

**CLIVE MOODY**  
DEPUTY CHAIRMAN

**RAIMONDA DUKA**  
MEMBER

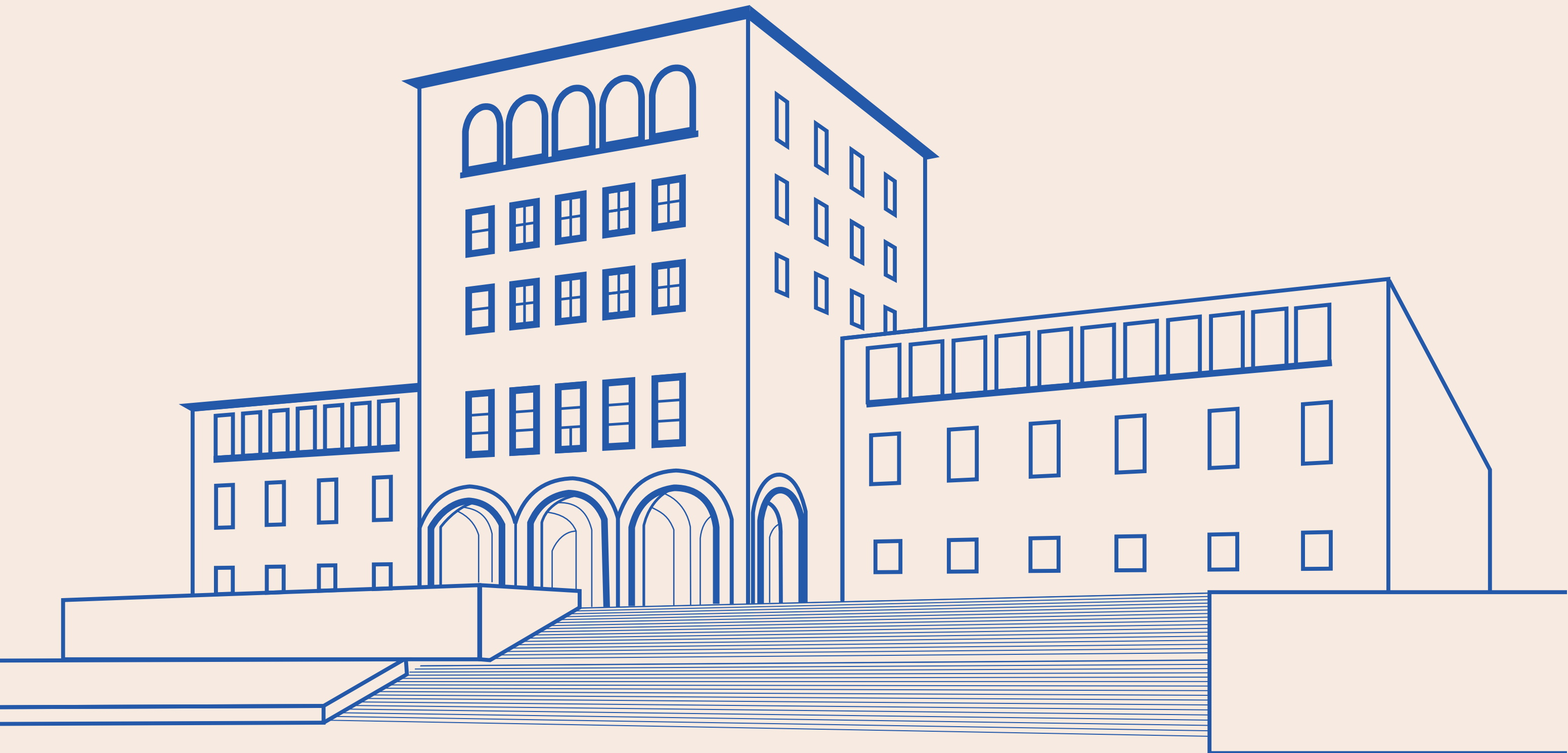
**MONIKA MILO**  
MEMBER

**ELTON TORO**  
MEMBER

**MALTIN KORKUTI**  
MEMBER

## POLYTECHNIC UNIVERSITY OF TIRANA

The building of the University of Tirana was designed by the Italian architect Gherardo Bosio in 1942. Its architecture is characterized by compact parallelepipeds united with each other that gives the impression of a Roman fortress and brings in memory the traditional Albanian tower that is performed in terms of modernity.



# PROJECTS DEPARTMENT

**The European Investment Fund and Credins Bank signed an agreement in the amount of 7.5 million euros to finance Albanian small and medium enterprises, as part of the program to guarantee Cosme loans offered by the European Union.**



During 2019, the Projects Department finalized successfully some very important projects, which further improved the bank's activity.

The new COSME project was launched in August 2019. The European Investment Fund and Credins Bank signed an agreement in the amount of 7.5 million euros to finance Albanian small and medium enterprises, as part of the program to guarantee Cosme loans offered by the European Union. The European Investment Fund's main mission is to support very small and medium-sized European businesses. A significant number of businesses with financial



stability and a good business plan, that do not meet the requirements of the bank for collateral, are financed with loans. This project has been very successful throughout 2019 and many business clients have been supported with funding by meeting their development and growth needs.



The depositary is another successfully finalized project. Credins Bank was licensed by the Financial Supervisory Authority to perform the depositary activity of pension and investment funds. According to the law, any voluntary pension fund and the collective investment undertakings fund should have a cooperation contract with a bank licensed as a depositary which will secure the assets created by such funds. This new service is in line with Credins Bank's objectives of building a diversified and sustainable business model as well as its efforts to be

as updated as possible to market changes. The license granted for these services will further expand Credins' activity in the non-banking financial market.

Another important activity during 2019 was the re-engineering of processes divided into the following main categories: processes that take place in the branch, Head Office and online banking related processes. The first phase of the project has been completed by identifying all the processes that take place in the branch and the mapping of almost 80% of these processes has been completed. The project will continue throughout 2020 and will further contribute to the automation of banking processes, significantly increasing efficiency.

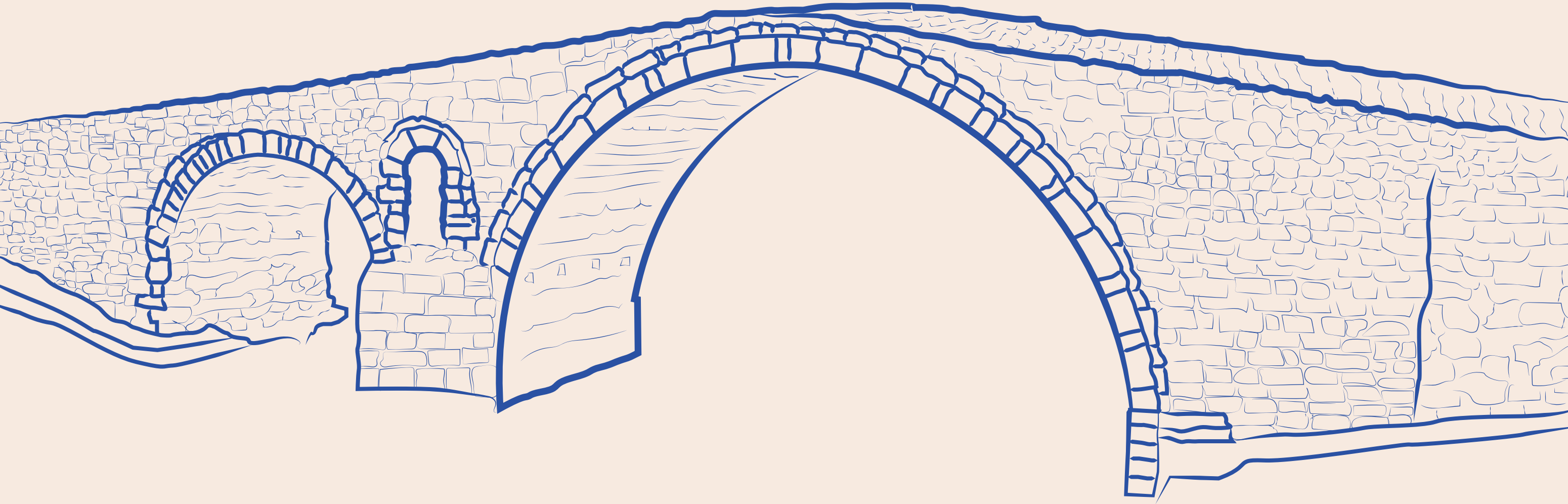
**The depositary is another successfully finalized project. Credins Bank was licensed by the Financial Supervisory Authority to perform the depositary activity of pension and investment funds.**

Technological modernization has continued to support the strategic objective of generating more business through online channels, accompanied by significant investments in systems and infrastructure.

Important objectives for 2020 will be implementation of CRM system which aims at a system designed to organize, automate, and synchronize business processes, sales and marketing activities, customer service, technical support as well as the establishment of electronic archives.

## THE TANNER'S BRIDGE

The Tanner's Bridge is an 18th century Ottoman period stone footbridge built by the tanner's craft. The Tanners' Bridge has a height of about 7 meter and a half. The height from the water was 3.5 meters. In the 90s the bridge was restored to its former glory and is now used only by pedestrians.



# HUMAN RESOURCES DEPARTMENT

## HUMAN RESOURCES DEPARTMENT STRATEGY

The main objective of Human Resources Department is our employees. During 2019, the focus has been to improve job satisfaction of every member of the large Credins family, through their continuous evaluation and development, and the use of a fair and competitive system of incentives. We have trusted our team and the company built so far, by growing investments for recruitment, training and development of the bank's most important asset, human capital.

## STAFF DIVERSITY

In 2019 there were 921 employees or 5.4 percent more than a year ago. The average age of the staff is 35.8 years old and staff division as per different generations is:

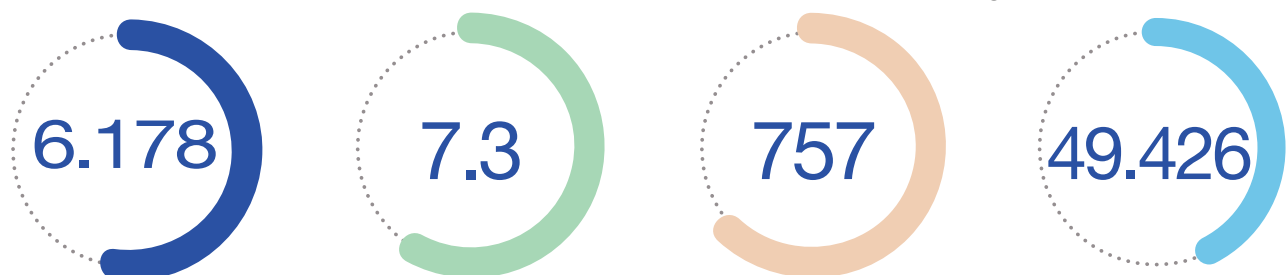
- ◆ Generation Y, 22-35 years old. 55 percent
- ◆ Generation X, 36-50 years old. 33 percent
- ◆ Baby Boomers', over 51 years old 12 percent

The ratio male/female by the end of 2019 was 74.7%, 25.3% in favour of female employees. The number of employees at managerial level was 277, 81.2% are female executives and only 18.8% are males. 42% of staff or 387 employees work at the Head Office and 58% or 534 employees belong to the branch network.

During 2019, special attention has been paid to quality recruitment. 485 job interviews, 120 preliminary tests and 299 post tests were performed. 132 employees were recruited in total; about 80% were employed in branches. The staff training has improved both in quality and quantity considering also the increase of budgets allocated for the staff development. A total of 49,426 training hours were conducted, of which:

- ◆ 12,696 training hours for the existing staff;
- ◆ 21,280 training hours for new employees;
- ◆ 12,000 training hours for the staff that has been appointed to new positions or has been promoted.
- ◆ 3,450 theoretical training hours during the first program #youarecredins.

The following graph shows an overall presentation of the trainings conducted:



**TRAINING DAYS**

Total training hours / 8 hours per day

**AVERAGE DAYS FOR ONE EMPLOYEE**

Training days/ average number of employees (852)

**TRAINED EMPLOYEES**

at least with one training, while a total of 2,934 employees have attended trainings

**TOTAL TRAINING HOURS**

## NEW PROGRAM "#YOUARECREDINS".

During 2019, the recruitment and training program of excellence students graduated in economics, computer science or law was launched. They were selected through online testing and group evaluations. 687 candidates applied for both programs, 427 of them underwent the written tests and 207 candidates passed in evaluation groups.

Interns recruited from this program are trained in theory and practice by the bank's best experts and external trainers in order to develop technical skills, especially sales and familiarity with the rules and procedures of the bank.

Key objectives for 2020 will continue to be ongoing investment in staff for professional development and better customer service as well as the continuation of "youarecredins" program to recruit new talents to join Credins family.



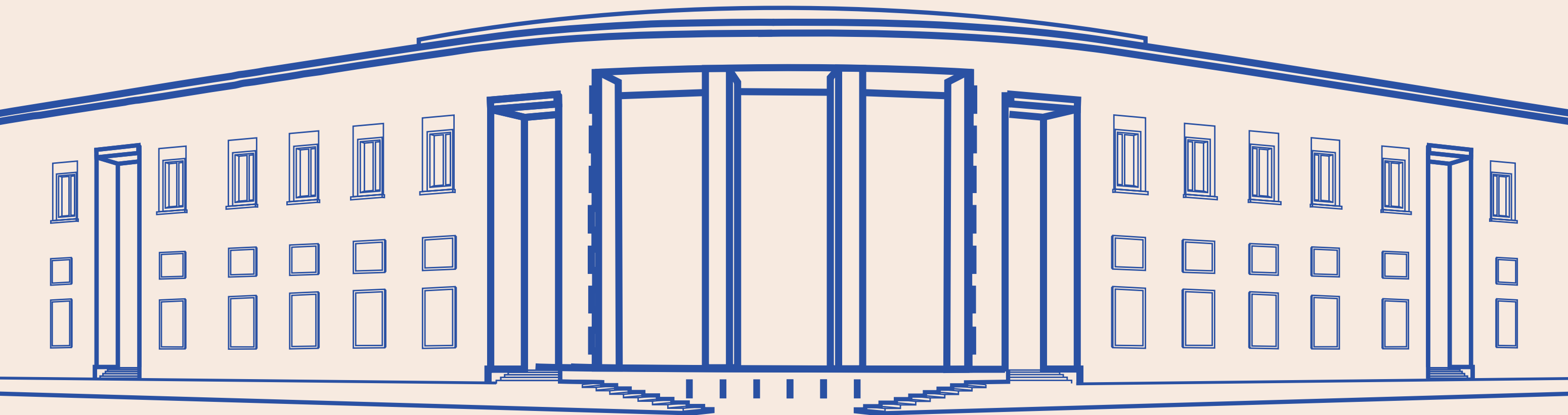
**CANDIDATES SELECTED**

for 2 #youarecredins programs

**The main objective of Human Resources Department is our employees. During 2019, the focus has been to improve job satisfaction of every member of the large Credins family, through their continuous evaluation and development, and the use of a fair and competitive system of incentives.**

## BANK OF ALBANIA

It was designed by the Italian Architect Vittorio Ballio Morpurgo. Its inauguration ceremony was held on October 30th, 1938. The building of the Bank of Albania is located at the centre of the capital, in the western part of Scanderbeg's Square. The architectural style of the Bank belongs to the Rationalism stream style, a stream that was flourishing in the first half of the 20th century in Europe. This style is distinguished for large volumes and strong lines on facades.



# SOCIAL RESPONSIBILITY

Throughout 2019, the Bank has supported over 70 online initiatives in line with the UN 17 Objectives of Sustainable Development.



Activities undertaken and supported by Credins Bank within the scope of Social Responsibility in accordance with the 17 goals of Sustainable Development.

Social responsibility is at the particular focus of Credins Bank, its managers and shareholders, as we strongly believe that the bank's ongoing growth and development is linked to an overall development of the country's economy and well-being of all citizens.

Throughout 2019, the Bank has supported over 70 online initiatives

in line with the UN 17 Objectives of Sustainable Development. We have collaborated with various organizations and projects that help eliminate poverty for the needy and children without parental care. Credins Bank is an institution that always promotes a good lifestyle and has a key role in raising awareness of the population to a well-being and healthy living. We have collaborated with humanitarian organizations such as the Albanian Red Cross or the SOS village by donating food, blood, or other vital items to the poor, orphans or children with thalassemia. We

have also donated books for better education. We have supported the elderly with food or other vital materials and have contributed to raise awareness for children with autism throughout the society by supporting their projects financially. We have supported the development of agriculture by cooperating with important institutions such as the European Investment Fund to give more access to Agro businesses in the banking system, providing facilities for financing. We have travelled with the Mobile Branch in many rural areas informing and educating Agro

customers about our services, or have participated in many Agro fairs as a healthier agriculture means more food and less poverty. Cooperation with many state health institutions throughout Albania has been at the special focus of the bank, which has donated various equipment to hospitals, maternity hospitals or health centers, providing citizens with better service.

Appreciating education, culture and art as a very valuable contribution to the benefit of the community for continuous development, as well as employing young people, we have supported many artistic local activities. We have also contributed by providing schools with computer equipment or other necessary tools and have cooperated with many schools and the Education Directories throughout the country.

It is necessary to point out also the ongoing support that Credins Bank has given for start-up businesses in

Albania and the region, as well as innovative ideas introduced in various competitions contributing to the further development of the economy and technology as well as participation in job fairs for better employment of young people.

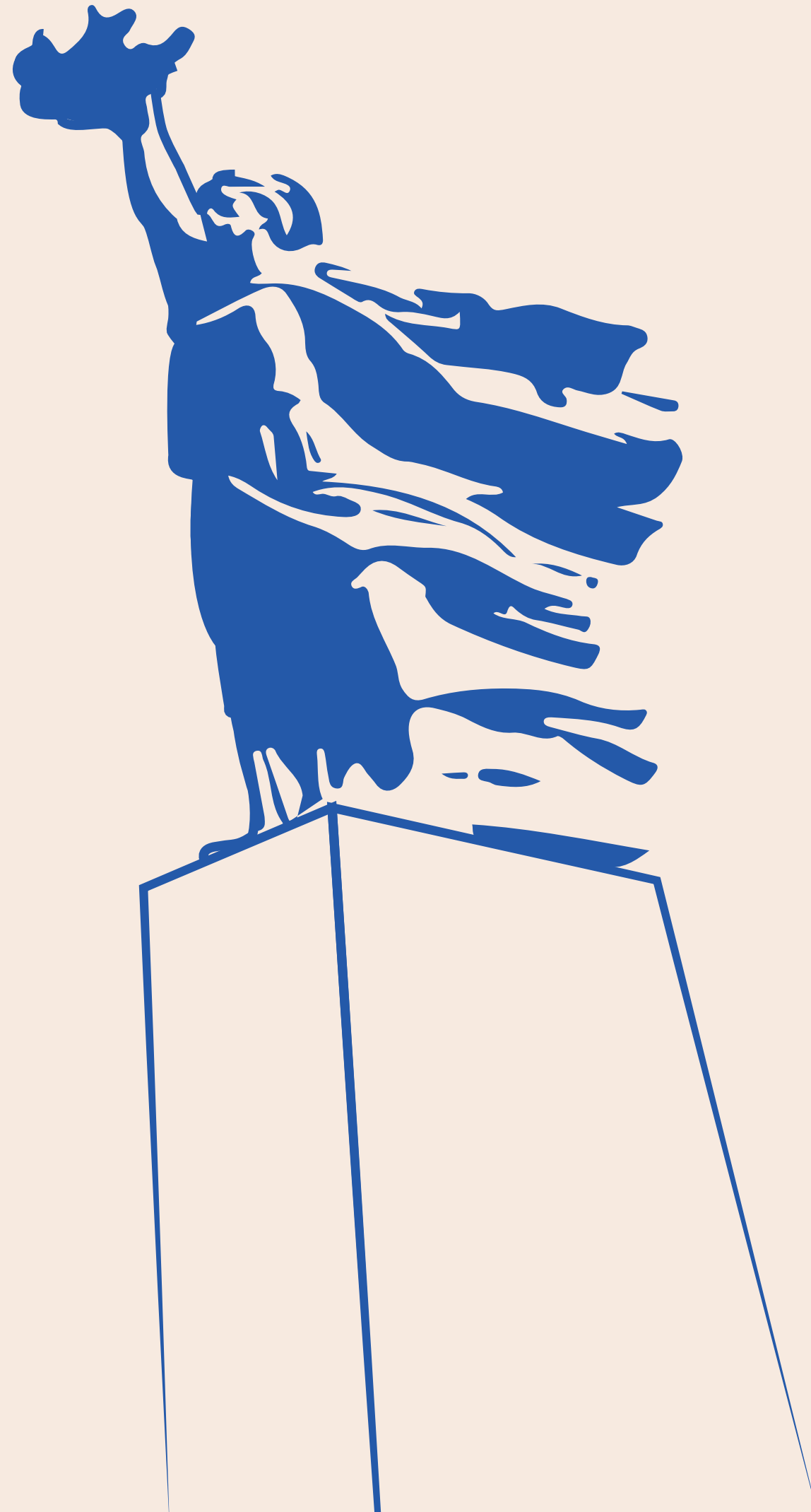
Credins Bank is an important player in building an active community and sustainable development cities, investing in cultural and promotional arts activities across the country. By financing these initiatives, the bank aims to strengthen and encourage efforts to protect and guarantee the cultural and natural heritage of the world. It has also supported many sports activities, such as marathons, mountaineering, basketball, taekwondo, volleyball, etc.. It has also supported many concerts of the most famous singers of Albanian folk music in all cities of Albania. Recently, special contribution has been made in environment for a healthier climate and cleaner environment. We have contributed to build green and leisure

parks for community children, or to plant trees for cleaner air.

Credins Bank will continue to make more contributions to all the key pillars that affect the overall development and well-being of the country and its citizens. We will be your closest partners since together we can build a better future for ourselves, our children and descendants.

## **"MOTHER ALBANIA" MONUMENT**

**This monument made of concrete and 12 meters high, inaugurated in 1971, represents Albania as a mother guarding over the eternal slumber of those who gave their lives for her. The massive monument holds a wreath of laurels and a star on the right hand. It stands atop a 3 meter pedestal on which the words "Eternal glory to the martyrs of the fatherland" are engraved.**



# CORPORATE GOVERNANCE

## INTERNAL MANAGEMENT

The bank is committed to have a good corporate governance by developing and furthering:

- ◆ Responsible, accountable and value-based management;
- ◆ Effective oversight and executive bodies that act in the best interests of the bank and its shareholders, including minority shareholders, and seek to enhance shareholder value in a sustainable manner; and
- ◆ Appropriate information disclosure and transparency, as well as an effective system of risk management and internal control.

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

- ◆ **Transparency:** The bank shall ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the bank, in a manner easily accessible to interested parties
- ◆ **Accountability:** Directors shall be held accountable for their decisions and actions to shareholders, and, in certain cases, key stakeholders, submitting themselves to rigorous scrutiny.
- ◆ **Fairness:** The bank obligates itself

to protect shareholder rights and ensure the equitable treatment of all shareholders, including minority shareholders.

- ◆ **Responsibility:** Directors shall carry out their duties with honesty, probity and integrity. The bank recognizes the rights of other stakeholders as established by laws and regulations, and encourages co-operation between the bank and stakeholders in creating sustainable and financially sound enterprises.

The bank is managed by:

- General Assembly of Shareholders;
- Board of Directors;
- Executive Directors
- Audit Committee

## GENERAL GOVERNANCE STRUCTURE

The bank has the following governing and other bodies:

- ◆ The General Assembly of Shareholders is the highest decision-making body of the bank.

It is represented and constituted by all the voting shareholders of the Bank. The Shareholders' Assembly decisions that are made in compliance with the law are binding on all the shareholders, the Board of Directors, members of Senior Management and employees, or representatives of the Bank. The General Assembly of Shareholders decides by the decision or resolution of the simple or qualified majority about any issue as defined in the Articles of Association or the law. The General Assembly of Shareholders should be held at least once per year, within six months from the closing of the financial year in order to discuss, to analyze and to approve the financial report of the previous financial year.

In case of items in the agenda which are to be decided by simple majority, the General Assembly of Shareholders can take valid resolutions only if shareholders owning more than 30% (thirty per cent) of the shares with voting right are present or represented in the meeting.

- ◆ The Board of Directors is a decision-making and supervisory body. It is responsible for the strategic management of the bank, provides guidelines and

supervises the management. The Bank's Board of Directors has established committees for audit, remuneration and nominations, and it can also establish other committees deemed important for the bank's business. The Board of Directors resolves on matters that have not been expressly granted within the competence of any other body in the Bank.

The Board of Directors is composed by 7 (seven) members. Members of Senior Management may be members of the Board of Directors, provided that their total number does not constitute the majority of the total number of members of Board of Directors. The Shareholders' Assembly, in accordance with the provisions of the Articles of Association, appoints and dismisses the members of the Board of Directors. The Board of Directors elects from its members one Chairman and one Deputy Chairman who shall preside over and steer the debate during the meetings for the Board of Directors. The Chairman and Deputy Chairman of the Board of Directors may not simultaneously be members of the High Management.

The majority of the members of the Board of Directors must be individuals who, at the moment they are appointed and throughout the whole duration of their mandate, are not related to the bank through private interests, to the shareholders who are considered to have control over the bank as per Law, nor to its executive directors.

The members of the Board of Directors exercise their functions for a period not longer than four years. The Board of Directors Members may be re-elected without limitation.

Meetings of the Board of Directors of the Bank shall be held at least 4 times per year, and the quorum shall consist of at least 5 members being present.

- ◆ Senior Management organizes and manages on a regular basis the bank's business. It defines and may delegate the duties to the personnel, and supervises execution of the delegated responsibilities, in accordance with the approved policies and procedures. Senior Management takes the necessary actions to monitor and manage all risks to which the bank is exposed, in compliance with the approved strategies.

Senior Management is composed of the Chief Executive Officer and one Deputy Chief Executive Officer. The Chief Executive Officer is also the Chairman of the Shareholders Assembly. The position of the Chief Executive Officer shall be governed by individuals who have been initially approved by the Bank of Albania. Chief Executive Officer of the Bank may be appointed only an individual who satisfies the qualifying criteria and does not fulfil disqualifying criteria for the administrators foreseen in the Law no. 9662, dated 18.12.2006 "On Banks on the Republic of Albania".

- ◆ The Chief Executive Officer is appointed for a period not longer than 3 (three) years and can be

re-elected. The Bank is legally represented by the Chief Executive Officer. The Board of Directors may authorize two members of the High Management to jointly represent the Bank for specific matters.

- ◆ **Audit Committee:** The Bank is controlled by the Audit Committee. The Audit Committee is composed by three members appointed by the Shareholders' assembly and has the following duties:

a) audits and supervises the implementation of accounting procedures and internal control of the Bank; including the procedures defined by the Bank of Albania, and audits the bank accounts and respective registrations;

b) considers internal audit reports and monitors the way conclusions from such reports are dealt with;

c) proposes the authorized statutory auditor and realizes the communication between him and the internal audit of the Bank;

d) evaluates the financial situation of the Bank based on the report of the authorized statutory auditor;

e) controls compliance of the activity of the Bank with its laws and by-laws and notifies the Board of Directors of the Bank about the conclusions;

f) provides an opinion to the Board of Directors of the bank in relation to issues, for which the latter has requested such an opinion;

g) approves the financial reports and statements prepared by the Bank and which the bank intends to publish.

The Audit Committee holds ordinary meetings no less than three times a year, as well as extraordinary meetings when called by the Board of Directors of the bank. The decisions shall be taken by the majority of votes. Abstaining is not allowed. Members of the Audit Committee may not be employees as members of the Bank. Members of the Audit Committee may be members of the Board of Directors. Members of the Audit Committee are the bank's administrators for whom prior approval of the Bank of Albania is required.

Administrators of Credins Bank sh.a. are selected in compliance with the criteria set out in the Policy "Selection, Evaluation and Remuneration of Credins Bank Administrators".

#### SELECTION AND NOMINATION CRITERIA FOR ADMINISTRATORS

Regardless of the competencies of the governing bodies for appointing Bank Administrators, the process of reviewing all the candidates for these positions is carried out by the Board of Directors through the Remuneration and Nomination Committee. The latter after evaluating and interviewing the Candidates, makes its recommendation to the Board of Directors. While selecting the candidate for Administrator, BRNC cooperates with the Human Resources Department.

Considering the candidates, the Board of Directors should pay attention to maintaining general balances in terms of competences, knowledge, experience, diversity

and gender. The Board aims that the majority of its members shall consist of independent non-executive directors, including the chairman of the board and the heads of the main Board committees, who must have experience in the banking and / or financial sector

Administrators are selected based on:

- ◆ Diversity;
- ◆ Integrity;
- ◆ Qualifications, competences and meritocracy;
- ◆ Avoiding conflicts of interest.

#### LOAN APPROVING COMMITTEES

The Bank has set up several levels of committees to review and approve credit exposures and any lending issues.

These committees are ranked from the risk department to the Board of Directors according to the amounts and profile of the borrower's risk profile.

Each committee is formalized in the internal regulatory acts.

#### BOARD REMUNERATION AND NOMINATION COMMITTEE (BRNC)

The role of the Remuneration Committee is to oversee the nomination and compensation system design and operation, review, assesses and recommend to the Board for approval nomination and remuneration policies, and practices, as well as Senior Executive Remuneration, that ensure compensation is appropriate, consistent and aligned with:

- ◆ the strategic objectives of the Bank,
- ◆ long term business and risk strategies,
- ◆ performance and control environment,
- ◆ expectations and requirements of regulators.

It considers also in the name of the Board of Directors, candidates for Board Members or members of other Committees, executive directors or Senior Managers of the Bank.

The Remuneration and Nomination Committee (hereinafter referred to as BRNC) is established with the decision of the Board of Directors (Board) of the Bank. The members and the Chairman are appointed by the Board. Only the Board shall make modifications in the nominated members at any time. However the Board should review the composition of the committee annually. The Board Remuneration Committee is composed of at least three members all of whom are Non-executive directors entitled to vote and the secretary of the committee who shall not have the right to vote. There will always be an odd number of members. The Chairman is an independent Non-executive director. The Remuneration Committee will meet at least [four] times a year.

#### ASSETS – LIABILITIES COMMITTEE (ALCO)

Asset/Liability Management Committee (hereinafter ALCO) is established with the decision of the Board of Directors of the Bank. The members and the Chairman of the Committee are appointed by the Board of Directors for an undefined period. Only the Board of Directors shall make modifications in the nominated members of the committee at any time. The main purpose of ALCO is to protect the capital of the Bank and its investment, aiming at balancing the assets and the liabilities of the Bank considering the pricing and maturity structure in compliance with the respective laws and internal regulations. ALCO Committee is called at least once a month and whenever it is required by the internal regulatory acts. The chairman of the committee may call extraordinary meetings if deemed necessary.

#### COMPOSITION AND STRUCTURE

ALCO is composed of at least six members entitled to vote and the secretary of the committee who shall not have the right to vote.

- ◆ ALCO members entitled to vote:
  - The Chief Executive Officer (Head of Committee),
  - Deputy Chief Executive Officers,
  - Head of Finance Division;
  - Head of Operational Division,
  - Head of Risk Management Division,
  - Head of Business Development Division

◆ ALCO members not entitled to vote:

- Head of the Treasury Department
- The secretary of the Committee

The secretary of ALCO Committee is an employee of Credins Bank appointed by ALCO Committee Chairman.

Chief Executive Officer is the Chairman of ALCO Committee. In his absence, the Committee is led by the Deputy Chief Executive Officer.

#### THE PRODUCTS & SERVICES COMMITTEE

The Products & Services Committee (hereinafter PSC) is established with the Decision of the Board of Directors of the Bank. The members and the Chairman of the Committee are appointed by the Board of Directors for an undefined period.

The main purpose of PSC is to approve products and services which 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 developments, the demands of the market and the targeted clients, as well as to modify the existing products and services.

#### COMPOSITION AND STRUCTURE

PSC is composed of at least 8 members entitled to vote and two members who shall not have the right to vote. PSC members entitled to vote are:

- Chief Executive Officer (Chairman of Committee),
- Deputy CEO,
- Head of Finance Division;
- Head of Operational Division,
- Head of Business Development Division,
- Head of Risk Management Division
- Head of Legal Department,

PSC members not entitled to vote are:

- Head of Marketing Department,
- Secretary of the committee.

For the purposes of the proposed

product/service, as appropriate, the following people with no voting rights may be invited to participate in the meeting:

- a. Head of Operational Department
- b. Head of Cards Department, etc.

The secretary of PSC Committee is an employee of the Bank appointed by the Chairman of the Committee.

PSC Committee is called by the Chairman of the committee whenever necessary, in compliance with the strategy of the bank and pursuant to the provisions stipulated in its internal regulatory acts, and whenever required by the Chairman of the Committee.

## IT & PROJECT STEERING COMMITTEE

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 of the Bank in line with the approved Strategy of the Bank.

The role of the IT and Projects Steering Committee is to monitor the progress of projects, to ensure the necessary support and orientation to achieve their objectives and compliance with the Bank 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 Committee is composed of 9 members entitled to vote. The ITPSC will meet whenever it is necessary and when it is required by the chairman and/or members.

**The composition of ITPSC is as follows:**

CEO  
**Chairman**

Deputy CEO  
**Deputy Chair**

Head of Risk Management Division  
**Member**

Head of Projects Management Department  
**Member**

Head Business Development Division  
**Member**

Head Operational Division  
**Member**

Head IT Department  
**Member**

Head of Finance Division  
**Member**

Chief of Information Security Sector  
**Member**

## POLICIES & PROCEDURES REVIEW COMMITTEE

It is established with the Decision of the Board of Directors of the Bank. The members and the Chairman of the Committee are appointed by the Board of Directors for an undefined period.

The main purpose of PPC 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, guaranteeing the internal activity of the Bank in all aspects and in compliance with the existing regulatory framework.

### COMPOSITION AND STRUCTURE

PPC is composed of at least five (5) members entitled to vote and the secretary with no voting right. PPC members entitled to vote:

- ◆ The CEO who is also Chair of Committee,
- ◆ Deputy CEO,
- ◆ Head of Legal Department,
- ◆ Head of Compliance and AML Unit

PPC members not entitled to vote:

- ◆ The Secretary of the committee

The General Manager is the Chairman of the PPC and has the casting vote in case of equal votes. The PPC is called

by the request of the Chairman of the Committee, according to the needs of the Bank and the requirements of the Board of Directors and the legislators.

## RISK MANAGEMENT AND INTERNAL CONTROL

### MAIN PRINCIPLE

The Board of Directors is responsible for determining the nature and extent of the main risks willing to take over in order to achieve its strategic objectives. The Board of Directors must have effective and sound risk management and internal control systems in place with adequate competence, status, independence, resources and access to the board.

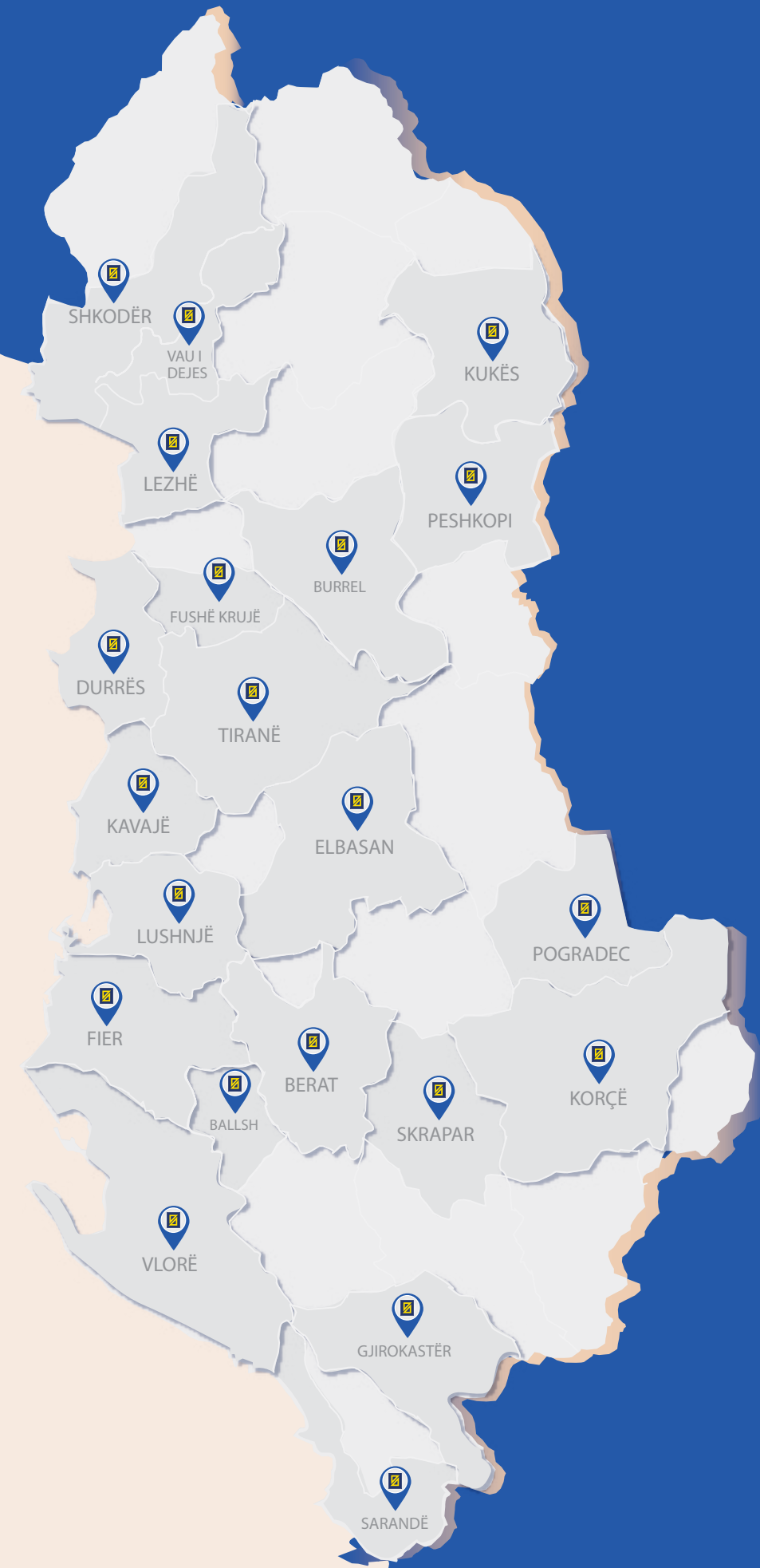
### SUPPORTING PRINCIPLE

**Risk Management:** The Bank pays great importance to risk management and the Board of Directors is responsible for ensuring the use of appropriate risk management systems. Inter alia, the Board of Directors (i) approves risk management procedures and ensures compliance thereto; (ii) analyzes, evaluates and improves the effectiveness of internal risk management procedures on a regular basis; (iii) provides appropriate incentives for executive bodies, departments and employees to apply internal control systems; [(iv) establishes a board of directors committee for risk management when necessary; and (v) ensures that the bank complies with the legislation and provisions of the articles of association.

# BRANCH NETWORK

**59**  
BRANCHES

**71**  
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**INDEPENDENT  
AUDITOR'S REPORT**

**BANKA CREDINS SHA**

**Consolidated Financial Statements  
for the year ended on 31 December 2019**

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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 accompanying consolidated financial statements of Banka Credins Sh.a (hereafter referred as the "Group"), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of the Group are prepared, in all material respects, in accordance with Article 47 of the Banking Law of the Republic of Albania (Law No. 9662 dated December 18, 2006).

### 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 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 Article 47 of the Banking Law of the Republic of Albania (Law No. 9662 dated December 18, 2006), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient evidence of proper audit regarding the financial information of entities or business activities within the Group to express an opinion on consolidated financial statements. We are responsible for the direction, supervision and audit performance of the Group. We remain solely responsible for our audit opinion.

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  
19 June 2020



## Banka Credins sh.a.

### Consolidated income statement For the year ended on 31 December 2019

	Notes	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Interest income	23	8,285,130	8,028,973
Interest expense	24	(2,193,048)	(2,090,784)
<b>Net interest income</b>		<b>6,092,090</b>	<b>5,938,189</b>
Fee and commission income	25	1,518,650	1,229,223
Fee and commission expense	25	(185,415)	(112,867)
<b>Net fee and commission income</b>	25	<b>1,333,235</b>	<b>1,116,556</b>
Other (expenses)/income, net	26	302,838	4,036,007
Profit from foreign exchange transactions		591,129	510,200
<b>Other banking income</b>		<b>893,967</b>	<b>4,546,207</b>
Change in provision for loan losses	10.11	469,589	5,407,285
Statistical provision, net	10.11	(299,732)	(180,459)
Write offs	27	(2,028,592)	(3,176,663)
Losses from unrecoverable loans	28	(3,452)	(1,375,307)
Other provisions, net	29	(510,859)	(640,540)
Amortization of intangible assets	12	(34,064)	(29,577)
Depreciation of property and equipment	13	(285,756)	(233,784)
Personnel expenses	30	(1,503,125)	(1,336,849)
Administrative expenses	31	(2,600,140)	(2,494,937)
<b>Operating expenses</b>		<b>(6,794,131)</b>	<b>(10,060,830)</b>
<b>Share of loss of associate</b>		<b>(6,731)</b>	<b>(11,909)</b>
<b>Profit before taxes</b>		<b>1,618,430</b>	<b>1,528,213</b>
Income tax expense	32	(223,619)	(327,671)
<b>Profit for the year</b>		<b>1,294,811</b>	<b>1,200,542</b>

The consolidated income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 5 to 41.

These consolidated financial statements have been approved by the Board of Directors of Banka Credins sh.a. on 18 March 2020 and signed on its behalf by:

Mr. Mallin Korkuti  
Chief Executive Officer



Mrs. Valentina Prodani  
Head of Accounting and Finance Department

## Banka Credins sh.a.

### Consolidated balance sheet As at 31 December 2019

	Notes	31 December 2019	31 December 2018
		ALL '000	ALL '000
<b>Assets</b>			
Cash and Central Bank	5	25,596,913	37,643,392
Due from banks	6	13,037,994	9,200,310
Investment securities held for trading	7	713,228	1,065,425
Investment securities available for sale	8	48,501,418	43,020,019
Investment securities held to maturity	8	16,591,294	-
Equity investments	9	26,225	27,999
Goodwill	9	39,971	43,371
Loans and advances to customers	10	103,622,000	94,122,913
Leasing	11	1,259,573	1,192,140
Intangible assets	12	358,375	107,426
Property and equipment	13	2,374,399	2,327,735
Repossessed assets	14	4,224,325	4,689,523
Other assets	15	2,112,274	2,449,919
<b>Total assets</b>		<b>218,467,989</b>	<b>195,910,172</b>
<b>Liabilities</b>			
Due to banks and other financial institutions	16	4,015,007	4,068,161
Borrowings	17	247,561	175,923
Due to customers	18	188,809,360	167,131,090
Statistical provision	10,11	1,713,001	1,424,036
Other liabilities	19	1,047,971	2,920,544
Subordinated debt	20	6,656,002	6,183,124
<b>Total liabilities</b>		<b>202,488,802</b>	<b>181,902,878</b>
<b>Shareholders' equity</b>			
Paid-up capital	21	9,611,068	8,505,810
Share premium	21	3,694,785	3,143,693
Translation reserve	22	(834,698)	(736,308)
Reserves	22	2,207,740	1,905,709
Profit of the year		1,267,213	1,177,933
<b>Total shareholder's equity</b>		<b>16,945,108</b>	<b>13,988,837</b>
<b>Non-controlling interest</b>		<b>32,979</b>	<b>10,457</b>
<b>Total equity</b>		<b>16,979,087</b>	<b>14,007,294</b>
<b>Total liabilities and shareholders' equity</b>		<b>218,535,641</b>	<b>195,956,860</b>

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 5 to 41.

## Banka Credins sh.a.

### Consolidated statement of changes in equity for the year ended on 31 December 2019

	Paid-up capital	Reserves	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interest	Total Equity
	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000
<b>Balance at 1 January 2018</b>	<b>8,083,240</b>	<b>1,646,347</b>	<b>3,112,006</b>	<b>(209,418)</b>	<b>1,013,713</b>	<b>13,646,790</b>	<b>9,479</b>	<b>13,656,269</b>
Change in translation reserve	-	-	-	(526,692)	-	(526,692)	-	(526,692)
Appropriation of retained earnings	389,043	759,362	-	-	(648,405)	-	-	-
Increase of paid-up capital	33,527	-	30,787	-	-	64,314	-	64,314
Payment of dividend	-	-	-	-	(389,044)	(389,044)	-	(389,044)
Net profit for the period	-	-	-	-	1,199,503	1,199,503	1,039	1,200,542
Loss of control on a subsidiary	-	-	-	-	2,166	2,166	(61)	2,105
<b>Balance at 31 December 2018</b>	<b>8,505,810</b>	<b>1,905,709</b>	<b>3,143,693</b>	<b>(736,308)</b>	<b>1,177,933</b>	<b>13,988,837</b>	<b>10,467</b>	<b>14,007,294</b>
Change in translation reserve	-	-	-	(98,390)	-	(98,390)	-	(98,390)
Appropriation of retained earnings	453,046	302,031	-	-	(755,077)	-	-	-
Increase of paid-up capital	652,212	-	551,092	-	-	1,203,304	-	1,203,304
Payment of dividend	-	-	-	-	(453,047)	(453,047)	-	(453,047)
Net profit for the period	-	-	-	-	1,266,951	1,266,951	(4,140)	1,294,811
Loss of control on a subsidiary	-	-	-	-	(1,547)	(1,547)	28,662	25,115
<b>Balance at 31 December 2019</b>	<b>9,611,068</b>	<b>2,207,740</b>	<b>3,694,786</b>	<b>(834,698)</b>	<b>1,267,213</b>	<b>16,945,108</b>	<b>32,979</b>	<b>16,979,087</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 5 to 41.

## Banka Credins sh.a.

### Consolidated statement of cash flows for the year ended 31 December 2019

Notes	Year ended	Year ended
	31 December 2019	31 December 2018
	ALL '000	ALL '000
<b>Cash flows from operating activities</b>		
Profit before tax	1,618,430	1,628,213
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	285,498	233,779
Amortization	34,058	29,576
Loss from disposal of property and equipment	(12,985)	1,404
Provision for loan losses	1,858,735	3,949,835
Recoveries from written loans	(2,026,592)	.
Impairment on repossessed collateral	517,430	634,018
Provision for bad debts	(6,571)	6,523
Loans written off	2,028,592	9,176,663
Share of loss in associate	6,731	11,909
Interest income	(8,285,136)	(8,028,973)
Interest expense	2,193,046	2,090,784
Foreign exchange effect to subordinated debts	545,958	620,325
<b>Cash flows from operating activities before changes in working capital</b>	<b>(1,346,806)</b>	<b>10,254,056</b>
Change in other assets	(436,432)	(215,589)
Change in repossessed assets	(52,232)	(537,705)
Change in loans and advances to customers	(11,677,592)	(10,395,803)
Change in Replacement Reserve	(404)	13
Change in due to banks	(1,512,292)	(81,017)
Change in due from banks and statutory reserve	(67,498)	(2,039,052)
Change in due to customers	21,101,071	15,870,977
Change in statistical provisions	268,965	139,263
Change in other liabilities	(1,872,170)	233,908
Interest received	8,022,536	8,062,037
Interest paid	(1,914,653)	(1,720,897)
Income tax paid	(313,665)	(416,223)
<b>Net cash from operating activities</b>	<b>10,198,828</b>	<b>19,153,988</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(390,801)	(573,149)
Purchases of intangible assets	(138,140)	(30,864)
Purchase of investment securities	(49,695,319)	(29,332,212)
Sales of Investment Securities	18,404,062	8,552,147
Investment securities matured	9,691,747	8,314,212
Acquisition of subsidiary	(32,850)	(20,633)
<b>Net cash used in investing activities</b>	<b>(22,149,101)</b>	<b>(16,090,499)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of subordinated debt	1,144,755	1,042,156
Payment of subordinated debt	(636,618)	(1,125,181)
Proceeds from increase of share capital	1,203,304	(462,579)
Payment of dividend	(453,047)	(388,044)
Repayment of borrowing	71,838	(10,824)
<b>Net cash from financing activities</b>	<b>1,330,034</b>	<b>(946,472)</b>
<b>Net increase in cash and equivalents</b>	<b>(10,620,239)</b>	<b>3,118,017</b>
Cash and equivalents, beginning of the year	35,219,232	32,101,215
<b>Cash and equivalents, end of the year</b>	<b>24,598,993</b>	<b>35,219,232</b>

The consolidated cash flow statement is to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 41.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL '000, unless otherwise stated)

### 1. General information

Banka Credins Sh.A. (hereinafter "the Group") is an Albanian financial institution which was incorporated on 1 April 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. 8385, "On banks in the Republic of Albania", dated July 1998. The Group is also subject to law No. 8289, dated December 1997, "On the Bank of Albania" (Bank of Albania hereinafter referred to as "Central Bank").

As at 31 December 2019, the Group was operating through a head office located in Tirana, 50 branches located in Tirana, Durres, Fier, Lezha, Elbasan, Vloza, Shkoder, Korca, Shijak, Shkozet, Kavaç, Lushnja, Fushe Kruje, Kukës, Burris, Ballsh, Berat, and Peshkopi and 8 agencies in Tirana, Shkoder and Durres (31 December 2018: 50 branches and 8 agencies)

The Group is composed of the parent entity Credins Bank Sh.a. "CREDINS INVEST sh.a. - Shoqëria administrative e Fondëve të Pensioneve dhe Sipërmarrjeve të Investimeve Kolektive", where Credins Bank Sh.a owns 78% of its share capital, "Regjistri Shqiptar i Tregut ALREG" sh.a. where Credins Bank Sh.a owns 62,5% of its share capital and "Bursa Shqiptare e Tregut ALSE" sh.a." where Credins Bank Sh.a owns 42,5% of its share capital.

As at 31 December 2019 the Group had 934 employees (31 December 2018: 883 employees).

The address of Group main registered office and principal place of business is Str. "Vaso Pasha" No.8, Tirana, Albania

### 2. Basis of preparation

#### a) Basis of preparation of the consolidated financial statements

The consolidated financial statements are prepared in compliance with the "Reporting Methodology and the Content of Financial Reports", approved by the Bank of Albania on 24 December 2008, and the regulatory framework and requirements of the Bank of Albania. The main accounting policies used in the preparation of the financial statements are set out onwards.

The consolidated financial statements for the year ended on 31 December 2019 are prepared on the historical cost basis except for available-for-sale financial instruments, which are measured at the lowest value between the cost and the fair value. While the consolidated financial statements for the year ended on 31 December 2018 are prepared on the historical cost basis except for available-for-sale financial instruments, which are measured at the lowest value between the cost and the fair value and repossessed properties which are measured at cost less amortization based on decision No. 50, dated on 30 March 2016 (note 14)

The current year and comparative figures are presented in thousands ALL, except when otherwise indicated

#### b) Basis of measurement

These consolidated financial statements are prepared in accordance to the concept of historical cost except available-for-sale financial instruments, which are measured at the lowest value between cost and fair value.

#### c) Functional and reporting currency

Consolidated financial statements are reported in ALL, which is at the same time the functional and representative currency of the Group. Except the cases when it is specifically stated, the financial information expressed in ALL is rounded to the nearest thousand.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL'000, unless otherwise stated)

### 2. Basis of preparation (continued)

#### d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiary and associates as at 31 December 2019. Control is achieved when the Parent is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically the Parent controls an investee if, and only if, the Parent has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent has less than a majority of the voting or similar rights of an investee, the Parent considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Parent re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent obtains control over the subsidiary and ceases when the Parent loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent gains control until the date the Parent ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent loses control over a subsidiary, it de-recognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

### 3. Use of estimates and judgments

In the process of applying the Group's accounting policies, during the compilation of the consolidated financial statements in compliance with the regulatory requirements of the Bank of Albania, management has exercised judgment and estimates in determining the amounts recognized in the consolidated financial statements. The most significant uses of judgment and estimates are as follows:

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL'000, unless otherwise stated)

### 3. Use of estimates and judgments (continued)

#### a) Going concern

During the beginning of 2020, the pandemic of COVID-19 was spread globally. Since 31 December 2019, the consequences of the COVID-19 outbreak have adversely affected the supply and demand for the Group's primary products and therefore, its operating results have been negatively impacted. In March 2020, the government of Albania took drastic measures by suspending all activities that were not vital. Although, the Group's activities were not suspended, the pandemic created delays in collections of some of the Group's customers. The government has announced a sovereign guarantee to all the business which are facing liquidity problems and will seek financing. Furthermore the Bank of Albania has announced that customer that will face liquidity problems can request a postponement of the settlement of their liabilities toward the Banks for a 3 months period.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

The activity of the Group has continued without suspension during 2020, and there has been a relatively stable performance on the customers' collection. For the year ending 2020, the Group would expect an increase on the nonperforming loans portfolio due to the economic downturn. Following the emergence of COVID-19 pandemic, the Group is analysing macroeconomic changes and will reflect these changes in the stress tests used to determine the impact on provision of the volatile segments to the pandemic.

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.

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 determines that its capital resources are available.

The Group performs regularly, stress test exercises, to test the possible impact of macroeconomic indicators on Group's key financial position, performance and regulatory compliance. These stress tests are mainly focused on the impact that some outlined macro and microeconomic scenarios might have on the loan portfolio, being the Group's main source of income, financial position including market risk. Official forecast models of the Central Bank and Group's internal risk valuation are used in these exercises.

In the basic scenario the Bank forecasts an RMC rate for 2020 and 2021 of 15.39%. In the worst case scenario, the Bank forecasts an RMK rate for 2020 of 13.05% and a rate of 11.07% for 2021. In the pessimistic scenario, the Bank has assumed that the capital requirements should be increased by the average of the 5 greatest exposures lost during the last 5 years (2015 - 2019).

In terms of liquidity scenarios, the Bank has conducted stress tests, considering the liquidity crisis scenario specific to Credins Bank Sh.a and the liquidity crisis scenario to the entire banking system, assuming a 20% reduction in collections and withdrawal of deposits from 14% to 23%. In both scenarios, the Bank forecasts that, if the liquidity stress situation would continue for a period of 3 months, the Bank would meet the demand for funds for the 3 main currencies ALL, EUR and USD.

Dynamic tests are performed to evaluate the effect that a similar increase/decrease in customer's shock would have on each of the balance sheet, liability and profit and loss line items, for a specific period of time.

During the first quarter of 2020 the Group has managed to achieve the budgeted results. For the year ending 2020, the Group expects to have a negative deviation to its budgeted figures due to the Pandemic situation, which is not possible to be reliably measured at the moment, however the Management strongly believes it to be standing at positive results.

The Group's management has made an assessment of the Group's ability to continue as a going concern considering all the factors stated above and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL'000, unless otherwise stated)

### 3. Use of estimates and judgments (continued)

#### b) Fair Value of the Financial Instruments

Where the fair values of financial assets and liabilities recognized on 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 mathematical models. The inputs to these models are derived from observable market data where possible, and if they are not available, judgment is required to establish fair values. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The valuation of financial instruments is disclosed in details in Note 40.

#### c) Critical areas of uncertainty

##### Allowances for credit losses

The Group reviews its loan portfolio to assess impairment at least on a monthly basis. The bases for establishment of impairment are the credit risk regulations of the Central Bank, as described in Note 4.g. In accordance with these regulations, the primary indicator of impairment is the number of days overdue that serves as the basis for classification of loans into risk categories. In addition to this indicator, the credit risk regulations also require management to make an assessment of borrowers' financial viability. Such an assessment involves significant judgment and a degree of uncertainty in assessing the impairment reserve of the loan portfolio.

##### Repossessed collateral

The Group has repossessed through legal process collateral from loans that were concluded as uncollectible, as disclosed in Note 14. These collaterals are initially recognized at bailiff value and subsequently revalued by independent valuers. Valuations are generally performed by using the market approach. Due to the current economic conditions and reduced number of property transactions in Albania, valuation carry inherent uncertainty, and the amount at which the repossessed collaterals will be eventually settled may differ from the value determined at the balance sheet date.

Since 31 December 2016 the treatment of repossessed collateral has changed and it is based on the latest regulation of the Bank of Albania. A reserve funds is created in accordance with the regulation in force (Regulation of the Bank of Albania "On Credit Risk Management from Banks and Branches of Foreign Banks" as most recently amended by decision no. 50 dated 30.03.2016 of the Supervisory Council of the Bank of Albania)

The regulation requires the reserve funds to be created within a period no longer than 7 (seven) years from their acquisition date (their taking into ownership at the end of the forced execution process for unsolved credits) at no less than the rate in percentage of these assets accounting value, according to the following table:

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Cumulative reserve fund	5%	15%	30%	45%	60%	80%	100%

##### Income tax

The Group establishes income tax expense based on reasonable estimate and treatment of deductibility of expenses. The ultimate outcome of the income tax expense is dependent upon the interpretation of the tax authorities when the books of the Group will be audited.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL'000, unless otherwise stated)

### 4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### a) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at year-end. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historic cost, are translated at the foreign exchange rate ruling at the date of the transaction.

#### b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and unrestricted balances held with the Central Bank. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above 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.

On July 2018, the Supervisory Council of the Bank of Albania issued the decision no. 75 about some amendments to the Regulation no. 29, dated 16.05.2012 "On the minimum required reserves maintained by the banks with the Bank of Albania", based on which it is specified that the excess of mandatory reserve in EUR and USD will be remunerated based on the interest rate that will be equal to the deposit rate defined by European Central Bank. Currently only EUR is remunerated by -0.5%. Interest on obligatory reserves with the Central Bank is calculated at 70% of the repurchase agreements rate (which was 1.00% p.a. as of 31 December 2019 and as of 31 December 2018) on deposits balance denominated in ALL.

Current accounts with the Central Bank bear no interest.

#### c) Available for sale securities

Available for sale securities are those securities that the Group acquires with the intention of holding for a period of less than six months, with the exception of those securities which the Group intends to hold to maturity and which satisfy the rules regarding investment securities. Securities available for sale also include securities which cannot be recorded either as trading securities or as investment securities.

Securities held for sale are initially recorded at their acquisition price excluding costs. On each balance sheet date, provisions are made against unrealised capital losses resulting from the difference between the book value and the market price of the securities with fix and variable rates. Unrealised capital gains are not recorded in the accounts.

#### d) Held-for-trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

These financial assets are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 4. Significant accounting policies (continued)

#### e) Derivatives recorded at fair value through profit or loss

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if they meet the definition of a derivative (as defined above) their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the income statement.

#### f) Investment securities held to maturity

Investment securities which have fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity include treasury bills and government bonds. Subsequent to initial recognition, investment securities held to maturity are carried at amortized cost.

#### g) Loans and advances to customers

Loans and advances to customers represent contractual obligations between the Group and the customer. Loans and advances to customers are initially recognized as per the contractual value of the contract, and subsequently are measured at amortized cost. These are reported separately in categories determined in the "Reporting methodology and content of financial reporting."

Provisions for loans classified as substandard, doubtful and loss, are presented under assets in the balance sheet, reflecting the net balance of the loan portfolio. Provisions created for possible losses on loans classified as standard, past due and special mention are classified as a statistical provision in the liability side of the balance sheet.

The credit policy and procedure of the Group is in accordance with instructions issued by the Bank of Albania (Regulation no. 62, dated 14 September 2011, as amended, by the Supervisory Board of the Bank of Albania).

The Group classifies its loans in the following categories adopting the following loan loss provision rates:

Type of loans	Loss Provision	Days in arrear for loans	Days in arrear for Overdrafts
Standard	1-10%	up to 30 days	up to 30 days
Special Mention	5-10%	31 to 90 days	31 to 60 days
Substandard	20%	91 to 180 days	61 to 90 days
Doubtful	50%	181 to 365 days	91 to 180 days
Loss	100%	Over 365 days	Over 181 days

The Group applies 10% of loan loss provision on restructured exposures, and a minimum of 1% for "Standard" and 5% for "Special mention."

The Management perform the classification based on the analysis and fulfillment of the following characteristics:

- (i) days in arrears
- (ii) financial situation of the borrower

#### Allowance for loan losses

The allowance for loan losses is recorded as a contra asset against loans to customers in the balance sheet. This provision includes estimates covering probable losses on substandard, doubtful and loss loans.

#### Provision for risks and expenses

The provision for statistical risks on loans and guarantees is based on statistical information from preceding years related to loan losses on standard and special mention loans. This provision is recorded as a liability account in the balance sheet.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL'000, unless otherwise stated)

### 4. Significant accounting policies (continued)

#### h) Property, equipment and intangible assets

Property and equipment is stated at cost less accumulated depreciation, which are calculated on a declining balance method, except for depreciation of property which is based on the straight line method. Intangible assets are stated at cost less accumulated amortisation and are amortised on a straight line basis. The yearly depreciation and amortization rates are as follows:

Property and equipment category	Depreciation %
Property	5%
Electronic equipment	25%
Vehicles, Furniture & fittings	20%
Software	25%
Patents and Licenses	15%

#### i) Investment in subsidiaries

Investment in subsidiaries is initially registered at cost and subsequently at cost less any impairment.

#### j) Expenses to be amortized

Expenses to be amortised comprise leasehold improvements which are stated at cost less accumulated amortisation. Amortisation is calculated on a straight line basis over the period of the lease. According to the regulations of the Bank of Albania, the net balance of leasehold improvements is recorded under "other assets" as "expenses to be amortised" in the balance sheet. Other types of expenses to be amortised include prepayments for services that are to be rendered to the Group over a period longer than 12 months. Amortization for these prepayments is calculated on a straight line basis over the period of the respective contracts.

#### k) Interest income and expense

Interest income and expense is recognised on an accruals basis, other than interest income on substandard, doubtful and loss loans, which is recognised on a cash basis.

#### l) Commissions

Fee and commission income arises on financial services provided by the Group and is recognized when the corresponding service is provided.

#### m) Taxation

The Group determines taxation at the end of the period in accordance with the Albanian tax legislation. Taxable income is calculated by adjusting the statutory profit, which is reported as per the IFRS results before taxes for certain income and expenditure items as required under Albanian tax law.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 5. Cash and Central Bank

Cash and Central Bank comprise cash on hand and balances with the Central Bank as follows.

	31 December 2019 ALL '000	31 December 2018 ALL '000
Central Bank		
Current account	7,267,630	20,553,725
Statutory reserve	13,850,334	12,224,620
Cash on hand	4,478,949	4,865,047
<b>Total</b>	<b>25,596,913</b>	<b>37,643,392</b>

In accordance with the Bank of Albania's requirement relating to the Statutory Reserve, the Group maintains a minimum of 10% of customer deposits with the Central Bank as a required reserve. Based on Bank of Albania Supervisory Council decision no. 29 dated 16/05/2012 the bank may use the required reserve denominated in ALL, if the average end-of-day balance on its reserve accounts over the maintenance period is not less than the amount defined for the required reserve. For the year ended on 31 December 2019 and 31 December 2018, the Group has not used the reserve.

### 6. Due from banks

Due from banks is composed as follows

	31 December 2019 ALL '000	31 December 2018 ALL '000
Correspondent Bank:		
Deposit accounts		
Resident	83,944	178,869
Non-resident	9,851,289	5,483,648
Current accounts		
Resident	316	282
Non-resident	2,920,194	3,426,814
Guarantees		
Non-resident	182,251	110,697
<b>Total</b>	<b>13,037,994</b>	<b>8,200,310</b>

### 7. Investment securities held for trading

Investment securities by nature and classification are comprised as follows

	31 December 2019 ALL '000	31 December 2018 ALL '000
Treasury Bills	-	49,925
Government bonds	713,228	1,035,500
<b>Total</b>	<b>713,228</b>	<b>1,085,425</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL '000, unless otherwise stated)

### 7. Investment securities held for trading (continued)

#### Treasury bills

The range of interest rates on treasury bills available for sale for the year ended 31 December 2019 is presented below, along with details of treasury bills by contractual maturity are presented as follows:

	31 December 2019					
	Interest rates		Nominal value	Deferred discount	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000
12 months	-	-	-	-	-	-

	31 December 2018					
	Interest rates		Nominal value	Deferred discount	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000
12 months	2.6%	2.6%	50,000	(1,162)	1,087	49,925
			<b>50,000</b>	<b>(1,162)</b>	<b>1,087</b>	<b>49,925</b>

#### Government bonds

At 31 December 2019, the available for sale portfolio contains government bonds of 5-years and 10-years denominated in ALL. Interest is received semi-annually at annual coupon rates as indicated in the table below. Details of government bonds by contractual maturity are as follows:

	31 December 2019					
	Interest rates		Nominal value	Premium to be amortized	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000
60 months	2.30%	5.30%	432,300	21,382	6,762	460,444
120 months	5.53%	6.80%	222,300	23,948	6,536	252,784
			<b>654,600</b>	<b>45,330</b>	<b>13,298</b>	<b>713,228</b>

	31 December 2018					
	Interest rates		Nominal value	Premium to be amortized	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000
60 months	5.30%	5.45%	941,500	68,667	21,325	1,031,492
120 months	8.93%	8.93%	3,200	754	54	4,009
			<b>944,700</b>	<b>69,421</b>	<b>21,379</b>	<b>1,035,600</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL '000, unless otherwise stated)

### 8. Investment securities

Investment securities by nature and classification are composed by available for sale and held to maturity as follows:

#### 8.1 Investment securities available for sale

Investment securities by nature and classification comprise the following

	31 December 2019 ALL '000	31 December 2018 ALL '000
<b>Available for sale</b>		
Government Bonds	40,697,581	35,234,990
Treasury Bills	7,803,837	7,785,029
<b>Total</b>	<b>48,501,418</b>	<b>43,020,019</b>

Based on their interest rate variation parameters, securities are split as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Fixed rate securities	46,892,490	41,104,672
Variable rate securities	1,608,928	1,915,347
<b>Total</b>	<b>48,501,418</b>	<b>43,020,019</b>

#### Treasury bills

The range of interest rates on treasury bills available for sale for the year ended 31 December 2019 is presented below, along with details of treasury bills by contractual maturity are presented as follows:

	31 December 2019					
	Interest rates		Nominal value	Deferred discount	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000
12 months	1.13%	2.45%	7,882,060	(132,379)	54,156	7,803,837
			<b>7,882,060</b>	<b>(132,379)</b>	<b>54,156</b>	<b>7,803,837</b>

	31 December 2018					
	Interest rates		Nominal value	Deferred discount	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000
12 months	1.26%	2.74%	7,859,400	(148,519)	74,148	7,785,029
			<b>7,859,400</b>	<b>(148,519)</b>	<b>74,148</b>	<b>7,785,029</b>

#### Government bonds

At 31 December 2019, the available for sale portfolio contains government bonds of 2-years, 3-years, 5-years, 7-years and 10-years denominated in ALL. Interest is received semi-annually at annual coupon rates as indicated in the table below. Five-year government bonds have variable rate coupons. Details of government bonds by contractual maturity are as follows:

	31 December 2019						
	Interest rates		Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000
24 months	0.95%	3.45%	2,240,000	1,344	(4,397)	20,011	2,256,958
36 months	2.30%	2.70%	703,500	117	(3,157)	5,376	705,836
60 months	3.64%	6.65%	5,674,550	237,132	(35,214)	96,456	5,972,934
84 months	1.80%	9.52%	10,908,461	388,104	(30,694)	99,576	11,365,247
120 months	0.25%	9.25%	19,033,306	1,196,959	(99,276)	262,617	20,396,606
			<b>38,559,817</b>	<b>1,626,656</b>	<b>(172,938)</b>	<b>484,046</b>	<b>40,697,581</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2018  
(Amounts in ALL '000, unless otherwise stated)

### 6. Investment securities available for sale (continued)

Government bonds (continued)

	31 December 2018						
	Interest rates		Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000	
24 months	0.75%	3.35%	1,266,776	54	(2)	6,974	1,273,802
36 months	2.70%	5.00%	190,600	4	-	2,979	193,583
60 months	4.14%	6.45%	6,357,050	65,500	-	45,778	6,468,328
64 months			3,394,050	-	(3,396)	-	3,390,654
84 months	4.80%	10.85%	5,461,600	111,623	(1,360)	58,306	5,630,169
120 months	4.40%	9.25%	17,952,952	365,037	(179,876)	140,350	18,278,463
			<b>34,623,028</b>	<b>542,218</b>	<b>(184,643)</b>	<b>254,387</b>	<b>35,234,990</b>

#### 8.2 Investment securities held to maturity

Investment securities held to maturity are composed by government bonds with fixed rates as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
<b>Held to maturity</b>		
Government Bonds	16,591,294	-
<b>Total</b>	<b>16,591,294</b>	<b>-</b>

#### Government bonds

At 31 December 2019, the available for sale portfolio contains government bonds of 5-years, 7-years and 10-years denominated in ALL. Interest is received semi-annually at annual coupon rates as indicated in the table below. Details of government bonds by contractual maturity are as follows:

	31 December 2019						
	Interest rates		Nominal value	Premium to be amortized	Deferred discount	Accrued interest	Book value
	Min	Max	ALL '000	ALL '000	ALL '000	ALL '000	
60 months	0.00%	0.95%	3,713,985	94,702	-	1,153	3,809,840
84 months	0.00%	0.00%	3,348,675	68,820	-	-	3,417,495
84 months	1.60%	1.88%	974,160	57,244	-	7,191	1,038,596
120 months	0.25%	3.00%	7,793,280	523,804	(3,096)	11,375	8,325,363
			<b>15,830,100</b>	<b>744,670</b>	<b>(3,096)</b>	<b>19,719</b>	<b>16,591,294</b>

### 9. Equity investments and goodwill

The Group's Shareholders have agreed that the Group would acquire 76% of the shares of "CREDINS INVEST-sh.a-Shoqeri administruese e Fondave te Pensionit dhe Sipermarrjeve te Investimeve Kolektive" former "Shoqeria Administruese e Fondit te Pensionit "SICRED" sh.a." from "SICRED sh.a.", through a share purchase agreement signed on 22 December 2014 for an amount of ALL 60,206 thousand. The goodwill resulted from this purchase amounted to ALL 43,371 thousand.

During the years other injections of capital have taken place. During the year ended 31 December 2019 and 31 December 2018 no additional capital is injected by the Bank. CREDINS INVEST is an investment management company administering two separate funds: a voluntary private pension fund and an investment fund in Albania. As at 31 December 2019 Credins Invest added a profit of ALL 8,913 thousand (31 December 2018: ALL 4,328 thousand) to profit before tax from continuing operations of the Group. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. There is no impairment of the goodwill for the year ended 31 December 2019 and 31 December 2018.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 9. Equity Investments and goodwill (continued)

During 2016 the Group's Shareholders decided that the Group would acquire 95% of the shares of "Registri Shqiptar i Titujve ALREG" SHA for an amount of ALL 3,325 thousand. This has been registered with the National Registration Center on 16 March 2016. The activity of ALREG consists in managing a registry of titles, in accordance with license received from the Board of Albanian Financial Supervisory Authority. On April 20, 2018, the Group reduced its share capital in ALREG sh.a. to 47.5%. During the year ended 31 December 2019 with the purchasing of another 5% of the shares of ALREG the Bank's shareholding of ALREG sh.a on 21 October 2019 amounts to 52.5% date in which the Bank regained control of the Company (from a shareholding of 47.5% in 2018). There was negative goodwill resulted from the purchase of the additional shares amounting to ALL 3,400 thousand. "ALREG" SHA for the year ended 31 December 2019 added a loss of ALL 7,686 thousand (31 December 2018: ALL 5,734 thousand) to profit before tax from continuing operations of the Group. 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 21,250 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.

The share of loss in the associate for the year ended 31 December 2019 added a loss of ALL 6,731 thousand (31 December 2018: ALL 6,175 thousand) to profit before tax from continuing operations of the Group.

The Group during 2018 bought shares in SWIFT SCR with official address Avenue Adèle, B-1310 La Hulpe, Belgium for an amount of EUR 46,650 consisting of 10 shares of their capital.

	31 December 2019 ALL '000	31 December 2018 ALL '000
Net investment in ALSE	20,544	9,775
Net investment in ALREG	-	12,466
Cost of investment in Swift SCR	5,681	5,758
<b>Total</b>	<b>26,225</b>	<b>27,999</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 10. Loans and advances to customers

Loans and advances to customers consisted of the following:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Loans and advances to customers, gross	109,212,283	100,144,394
Provision for loan losses	(5,590,283)	(6,021,481)
<b>Loans and advances to customers, net</b>	<b>103,622,000</b>	<b>94,122,913</b>

Movements in the provision for loan losses for substandard, doubtful and loss loans can be detailed as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
At the beginning of the year	6,021,481	11,738,931
Charge for the period	6,043,522	6,827,952
Reversal of provisions	(4,467,505)	(3,029,338)
Write-off	(2,026,757)	(9,172,789)
Effect of foreign currency movement	19,542	(343,275)
<b>End of year</b>	<b>5,590,283</b>	<b>6,021,481</b>

For the year ended 31 December 2019, the Group considered as fully unrecoverable the amount of ALL 2,026,757 thousand (31 December 2018: ALL 9,172,789 thousand), which represented loans that were fully impaired and provided for. These were presented as write-off of these amounts from the total gross loan portfolio and impairment for the year.

Loans and advances to customers are presented in gross amounts. According to the regulations of the Bank of Albania, the provisions raised against standard and special mention loans are presented as a statistical provision under liabilities as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
At the beginning of the year	1,410,980	1,272,528
Charge for the period	1,457,833	968,442
Reversal of provisions	(1,145,516)	(789,741)
Effect of foreign currency movement	(24,863)	(40,249)
<b>End of year</b>	<b>1,698,635</b>	<b>1,410,980</b>

For the year ended 31 December 2019, the Group considered unrecoverable an amount of ALL 3,452 thousands (31 December 2018: ALL 1,375,307 thousands). This amount represents penalties and interest accrued on these penalties for several performing and non-performing loans (refer to note 28).

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL '000, unless otherwise stated)

### 10. Loans and advances to customers (continued)

Loan and advances per category are analysed below based on their contractual maturity

	31 December 2019						
	Short term ALL '000	Medium term ALL '000	Long term ALL '000	Other ALL '000	Gross amount ALL '000	Provisions ALL '000	Net amount ALL '000
Performing loans	30,158,263	12,445,259	35,281,606	11,023,599	88,908,767	(895,466)	88,013,301
Special mention loans	929,926	121,652	8,074,141	119,272	9,244,943	(803,170)	8,441,773
Substandard loans	751,765	18,211	1,119,963	142,253	2,032,192	(406,438)	1,625,754
Doubtful loans	3,669,300	345,449	3,594,602	75,725	7,685,076	(3,842,538)	3,842,538
Lost loans	249,761	259,711	476,131	355,702	1,341,305	(1,341,305)	-
<b>Total</b>	<b>35,759,017</b>	<b>13,190,322</b>	<b>48,548,443</b>	<b>11,716,501</b>	<b>109,212,283</b>	<b>(7,288,917)</b>	<b>101,923,366</b>

	31 December 2018						
	Short term ALL '000	Medium term ALL '000	Long term ALL '000	Other ALL '000	Gross amount ALL '000	Provisions ALL '000	Net amount ALL '000
Performing loans	24,764,974	10,169,384	31,191,410	9,798,447	75,924,215	(824,580)	75,099,635
Special mention loans	7,158,947	749,250	2,982,429	351,806	11,242,238	(596,400)	10,645,838
Substandard loans	978,555	263,399	4,025,523	594,547	5,862,024	(1,172,406)	4,689,619
Doubtful loans	2,978,171	556,807	830,189	168,425	4,533,682	(2,268,841)	2,264,841
Lost loans	389,113	110,302	1,839,365	243,455	2,582,235	(2,582,235)	-
<b>Total</b>	<b>36,269,760</b>	<b>11,849,238</b>	<b>40,868,916</b>	<b>11,156,400</b>	<b>100,140,394</b>	<b>(7,432,461)</b>	<b>92,711,933</b>

Short term represent loans and advances with contractual maturity up to 12 months, medium term represent loans and advances with contractual maturity from 1 year to 5 years and long term maturity represent loans and advances with contractual maturity more than 5 years. Other represent real estate loans and advances.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 10. Loans and advances to customers (continued)

Loans and advances to customers by industry and legal jurisdiction are detailed as follows:

	31 December 2019			31 December 2018		
	Albania ALL '000	Other ALL '000	TOTAL ALL '000	Albania ALL '000	Other ALL '000	TOTAL ALL '000
Loans and advances to customers (gross)						
Commerce	34,489,502	726,753	35,216,255	32,817,855	1,591,393	34,409,248
Construction	11,315,752	3,469,478	14,785,227	12,964,069	3,716,539	16,670,608
Production and distribution of electricity/water	970,287	44,744	1,015,031	555,480	117,997	673,477
Real estate	1,062,418	-	1,062,418	1,166,605	-	1,166,605
Public, social and personal services	539,405	-	539,405	541,732	-	541,732
Consumer loans	16,474,823	84,756	16,559,579	14,476,749	104,373	14,581,122
Processing industry	6,803,552	809,464	7,613,016	7,060,807	512,718	7,573,525
Hotels and restaurants	2,883,476	-	2,883,476	2,276,371	-	2,276,371
Transport and telecommunication	380,171	-	380,171	461,761	-	461,761
Agriculture	693,190	-	693,190	351,042	-	351,042
Mining	963,772	-	963,772	951,478	-	951,478
Health and social activities	1,465,151	-	1,465,151	444,258	-	444,258
Education	1,417,602	-	1,417,602	1,622,743	-	1,622,743
Other	23,665,495	1,165,494	24,830,989	16,762,548	1,455,793	18,218,346
<b>Total</b>	<b>102,911,696</b>	<b>6,300,887</b>	<b>109,212,283</b>	<b>92,645,579</b>	<b>7,498,818</b>	<b>100,144,394</b>

The "Other" category is mainly composed of overdrafts, loans and mortgage to media and television businesses.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
(Amounts in ALL '000 unless otherwise stated)

### 11. Leasing

Leasing details are provided below:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Leasing, gross	1,284,196	1,211,066
Provision for losses	(14,623)	(18,926)
<b>Leasing, net</b>	<b>1,269,573</b>	<b>1,192,140</b>

Movements in the provision for losses for substandard, doubtful and loss loans can be detailed as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
At the beginning of the year	18,926	51,644
Charge for the period	14,623	26,496
Reversal of provisions	(18,850)	(59,608)
Effect of foreign currency movement	(76)	392
<b>End of year</b>	<b>14,623</b>	<b>18,926</b>

Leasing is presented in gross amounts. According to the regulations of the Bank of Albania, the provisions raised against standard and special mention loans are presented as a statistical provision under liabilities as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
At the beginning of the year	13,056	12,246
Charge for the period	14,367	4,521
Reversal of provisions	(12,584)	(2,764)
Effect of foreign currency movement	(472)	(947)
<b>End of year</b>	<b>14,367</b>	<b>13,056</b>

Leases per category are analysed below:

	31 December 2019		
	Gross amount	Provisions	Net amount
Performing loans	1,227,796	(12,278)	1,215,518
Special mention loans	41,777	(2,089)	39,688
Substandard loans	-	-	-
Doubtful loans	-	-	-
Lost loans	14,623	(14,623)	-
<b>Total</b>	<b>1,284,196</b>	<b>(28,990)</b>	<b>1,255,206</b>

	31 December 2018		
	Gross amount	Provisions	Net amount
Performing loans	1,164,704	(11,837)	1,152,867
Special mention loans	28,374	(1,419)	26,955
Substandard loans	46	(11)	35
Doubtful loans	58	(31)	27
Lost loans	18,884	(18,884)	-
<b>Total</b>	<b>1,211,066</b>	<b>(31,982)</b>	<b>1,179,084</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 11. Leasing (continued)

Leasing by industry can be detailed as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Commerce	307,449	333,369
Construction	106,802	95,102
Production and distribution of electricity/water	43,497	14,754
Real estate	42,441	64,595
Consumer loans	184,736	166,212
Processing industry	143,703	117,092
Hotels and restaurants	23,230	26,016
Transport and telecommunication	55,770	72,477
Agriculture	12,548	18,663
Mining	4,569	-
Health and social activities	54,042	30,076
Other	305,409	282,711
<b>Total</b>	<b>1,284,196</b>	<b>1,211,066</b>

### 12. Intangible assets

Intangible assets include software, patent and licenses and are composed as follows:

	Software ALL '000	Patents and licences ALL '000	Total ALL '000
<b>Historical Cost</b>			
At 1 January 2017	327,488	72,592	400,081
Additions	30,867	-	30,867
<b>At 31 December 2018</b>	<b>358,356</b>	<b>72,592</b>	<b>430,948</b>
Additions	136,140	-	136,140
Transfers	136,994	-	136,994
Regain of control in the subsidiary	11,874	-	11,874
<b>At 31 December 2019</b>	<b>643,364</b>	<b>72,592</b>	<b>715,956</b>
<b>Accumulated depreciation</b>			
At 1 January 2017	(244,508)	(49,435)	(293,943)
Amortization for the period	(21,367)	(8,209)	(29,576)
<b>At 31 December 2018</b>	<b>(265,875)</b>	<b>(57,647)</b>	<b>(323,522)</b>
Amortization for the period	(28,213)	(5,103)	(33,316)
Regain of control in the subsidiary	(743)	-	(743)
<b>At 31 December 2019</b>	<b>(294,831)</b>	<b>(62,750)</b>	<b>(357,581)</b>
<b>Carrying amount</b>			
At 31 December 2018	92,481	14,945	107,426
<b>At 31 December 2019</b>	<b>348,533</b>	<b>9,842</b>	<b>358,375</b>

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 13. Property and equipment

Property and equipment consists of the following:

	Building	Electronic equipment	Vehicles, Furniture & Fixings	Total
Cost	ALL '000	ALL '000	ALL '000	ALL '000
<b>At 1 January 2018</b>	<b>1,454,526</b>	<b>1,150,975</b>	<b>436,747</b>	<b>3,042,247</b>
Acquisitions	182,933	280,332	109,884	573,149
Transfers	-	80,073	21,168	101,241
Disposals	-	(157,293)	(36,796)	(194,089)
Loss of control in the subsidiary	-	(1,170)	(366)	(1,536)
<b>At 31 December 2018</b>	<b>1,637,458</b>	<b>1,352,917</b>	<b>630,817</b>	<b>3,520,992</b>
Acquisitions	-	341,006	49,795	390,801
Transfers	-	154,767	34,823	189,590
Transfers to inventory warehouse	-	(285,456)	(20,654)	(306,110)
Disposals	-	(13,678)	(21,085)	(34,763)
Regain of control in the subsidiary	272	1,308	113	1,693
<b>At 31 December 2019</b>	<b>1,637,730</b>	<b>1,550,864</b>	<b>673,609</b>	<b>3,762,203</b>
<b>Accumulated depreciation</b>				
<b>At 1 January 2018</b>	<b>(255,870)</b>	<b>(619,263)</b>	<b>(175,887)</b>	<b>(1,051,020)</b>
Depreciation charge	(72,726)	(104,637)	(56,416)	(233,779)
Disposals	-	66,101	25,343	91,444
Loss of control in the subsidiary	-	97	11	108
<b>At 31 December 2018</b>	<b>(328,596)</b>	<b>(657,702)</b>	<b>(206,959)</b>	<b>(1,193,257)</b>
Depreciation charge	(81,873)	(137,257)	(66,368)	(285,498)
Transfers to inventory warehouse	23	64,660	5,266	69,949
Disposals	-	10,703	10,985	21,688
Regain of control in the subsidiary	(30)	(610)	(46)	(686)
<b>At 31 December 2019</b>	<b>(410,476)</b>	<b>(720,206)</b>	<b>(257,122)</b>	<b>(1,387,804)</b>
<b>Carrying amount</b>				
<b>At 31 December 2018</b>	<b>1,308,862</b>	<b>695,215</b>	<b>323,658</b>	<b>2,327,735</b>
<b>At 31 December 2019</b>	<b>1,227,254</b>	<b>830,658</b>	<b>316,487</b>	<b>2,374,399</b>

### 14. Repossessed assets

At initial recognition repossessed assets are measured at the lower of the auction value and fair value and subsequently, where deemed necessary, adjusted for any net realizable cost variation. As at 31 December 2019, repossessed properties include land, buildings, residential apartments and commercial and/or business premises. It is the Group's intention to sell the repossessed properties as soon as feasible.

For the year ended as at 31 December 2019 the Group sold ALL 707,675 thousand (31 December 2018: ALL 50,235 thousands) from the repossessed properties portfolio from which the Group recognized ALL 76,630 thousand (31 December 2018: ALL 11,844 thousands) as loss on their sale.

The Group management classified those properties possessed as result of foreclosures on loans that were in default, as repossessed properties. The carrying amount of the repossessed properties as at 31 December 2019 is the net book value of the repossessed properties. With the new regulation of Bank of Albania effective from January 2016, those properties are depreciated over a period of 7 years, in case these have not been sold yet. Repossessed assets by type as at 31 December 2019 and 31 December 2018 are presented as follows:

	31 December 2019	31 December 2018
	ALL '000	ALL '000
Land	3,938,013	4,203,294
Residential building	185,203	165,252
Commercial Building	91,109	320,977
<b>Total</b>	<b>4,224,325</b>	<b>4,889,523</b>

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 14. Repossessed assets (continued)

Movements in repossessed assets as at 31 December 2019 and 31 December 2018 are as following:

	31 December 2019	31 December 2018
	ALL '000	ALL '000
Opening balance at 1 January	4,689,523	4,765,836
Additions	759,907	587,940
Disposals	(707,675)	(50,235)
Depreciation charge for the year	(517,430)	(634,018)
<b>Closing balance at 31 December</b>	<b>4,224,325</b>	<b>4,689,523</b>

### 15. Other assets

Other assets at 31 December 2019 and 31 December 2018 comprise of the following:

	31 December 2019	31 December 2018
	ALL '000	ALL '000
Debtors	414,946	147,627
Leasehold improvements	854,657	889,179
Expenses to be amortized	384,238	210,535
Suspense accounts	297,004	1,341,155
Economic Inventory	71,943	42,333
Prepaid income tax	109,484	19,090
<b>Total</b>	<b>2,112,274</b>	<b>2,449,919</b>

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

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

	31 December 2019	31 December 2018
	ALL '000	ALL '000
<b>Money market deposits</b>		
Resident	2,106,777	1,889,100
<b>Reverse Repo</b>		
Resident	752,747	1,201,718
<b>Current accounts</b>		
Resident	1,143,983	937,335
<b>Interbank loans</b>		
Resident	11,500	60,008
<b>Total</b>	<b>4,015,007</b>	<b>4,068,161</b>

Reverse repo agreements with Central Bank as at 31 December 2019 amount to ALL 511,098 thousand and bear an interest rate of respectively 1.08% and 1.00% and with Raiffeisen Prestige of ALL 241,649 thousand that bear an interest of 0.80%.

### 17. Borrowing

During 2009, the Group obtained a borrowing (soft-loan) from the Ministry of Economy, Commerce and Energy (ex-METE), 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 0.5% p.a. for lending in EURO, and 3.5% p.a. for lending in ALL. 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 2019, the outstanding amount of borrowings is ALL 247,561 thousand (31 December 2018: ALL 175,923 thousand).

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 18. Due to customers

Due to customers at 31 December 2019 and 31 December 2018

	31 December 2019 ALL '000	31 December 2018 ALL '000
<b>Term deposits:</b>		
Local currency	61,547,185	57,085,538
Foreign currency	53,485,434	50,835,102
<b>Current accounts:</b>		
Local currency	24,124,500	21,268,974
Foreign currency	16,663,843	12,258,885
<b>Savings accounts:</b>		
Local currency	8,315,327	6,522,360
Foreign currency	21,942,005	16,287,455
<b>Other:</b>		
Local currency	765,868	943,843
Foreign currency	1,965,217	1,960,833
<b>Total</b>	<b>188,809,360</b>	<b>167,131,090</b>

A detailed breakdown of customers as at 31 December 2019 and 31 December 2018 is provided below:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Private individuals	154,701,820	136,276,453
Corporate	19,255,381	17,334,448
Sovereign governments	13,420,005	12,318,567
Other customers	1,432,154	1,201,621
<b>Total</b>	<b>188,809,360</b>	<b>167,131,090</b>

A more detailed breakdown of the accounts with government related entities is presented below.

	31 December 2019 ALL '000	31 December 2018 ALL '000
Current accounts	10,277,565	7,764,274
Term deposit	2,758,710	3,560,359
Demand deposit	115,421	192,585
Other	268,309	801,349
<b>Total</b>	<b>13,420,005</b>	<b>12,318,567</b>

### 19. Other liabilities

Other liabilities are comprised of the following

	31 December 2019 ALL '000	31 December 2018 ALL '000
Payment in transit	522,846	2,313,741
Suppliers and accrued payables	263,371	206,096
Transaction as agent	171,806	313,588
Withholding tax	36,853	38,068
Personal income tax payable	28,722	24,075
Social securities	21,223	18,101
Provisions for legal procedures	5,350	6,875
<b>Total</b>	<b>1,047,871</b>	<b>2,820,544</b>

Payments in transit represent mainly payments to be performed on behalf of third parties.

## Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 19. Other liabilities (continued)

In the table below are presented the movements in provisions occurred during 31 December 2019 and 31 December 2018.

	31 December 2019 ALL '000	31 December 2018 ALL '000
Balance 1 January	6,875	6,875
Reversal	(1,525)	-
<b>Balance 31 December</b>	<b>5,350</b>	<b>6,875</b>

There are no additional provisions created during the year ended 31 December 2019. There has been a legal case closed during 2019 and the provision related to it is reversed.

### 20. Subordinated debt

Subordinated liabilities can be detailed as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Subordinated instruments	6,656,002	6,183,124
<b>At the end of the period</b>	<b>6,656,002</b>	<b>6,183,124</b>

On 31 October 2011, the general assembly of shareholders approved the issuance of subordinated instruments in ALL, Euro and USD to private individuals.

As of 31 December 2019 and 31 December 2018 the instruments are detailed as follows:

Currency	Units of instruments	31 December 2019	31 December 2018
ALL	3,430	3,493,311	2,954,250
EUR	2,019	2,500,035	2,720,044
USD	604	662,656	508,830
	<b>6,053</b>	<b>6,656,002</b>	<b>6,183,124</b>

Tranches	Issue date	Maturity date	Units of instruments	31 December 2019	31 December 2018
4	02.02.2013	02.02.2019	-	-	191,256
5	31.05.2013	31.05.2019	-	-	179,150
6	13.12.2013	13.12.2019	-	-	341,623
7	03.06.2014	03.06.2020	368	394,911	366,407
8	02.09.2014	02.09.2020	598	661,501	664,220
9	27.01.2015	27.01.2021	927	1,051,091	1,058,188
10	05.01.2016	05.01.2022	373	419,913	422,175
11	25.08.2016	25.08.2023	388	474,121	479,329
12	07.02.2017	07.02.2024	432	516,889	518,081
13	02.06.2017	02.06.2024	647	897,124	700,036
14	03.11.2017	03.11.2024	622	682,573	685,568
15	08.03.2025	08.03.2025	500	548,053	548,091
16	28.12.2018	28.12.2025	550	569,690	-
17	17.10.2019	17.10.2026	598	842,136	-
<b>Total</b>			<b>6,053</b>	<b>6,656,002</b>	<b>6,183,124</b>

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 21. 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 shares of the Group have a nominal value and are indivisible. 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 or S.E.C.O. shall all time be "A" shares. All other shareholders of the Group hold ordinary shares.

The subscribed share capital contributed by the shareholders of the Group is denominated in USD, EUR and ALL and is reported in the financial statements with the historical rates of exchange. As at 31 December 2019 the subscribed share capital amounts to USD 18,404 thousand, EUR 30,633 thousand and ALL 3,384,224 thousand. Shares are ranked as normal and type A and are owned by the following shareholders:

Share Capital	31 December 2019 (%)	31 December 2018 (%)
Ren s Tershana	21.932%	29.181%
Aleksander Pilo	14.266%	15.207%
B.F.S.E Holding BV	15.375%	18.485%
Group Executive Directors	7.006%	6.727%
Others (less than 5% of shareholding)	41.418%	38.309%
	100.000%	100.000%

The paid up capital of the Group as of 31 December 2019 is ALL 9,611,068 thousand translated at the historical rate of exchange (31 December 2018: ALL 8,505,810 thousand) with a nominal value of USD 1 each.

On 09 March 2018 the Assembly decided for the issuance of a new capital to the amount of EUR 6,5 million. As of 31 December 2018 only the amount of capital of EUR 483,886 is subscribed and registered in the national business center (NBC). An amount of EUR 1,811 thousand is subscribed as at the end of the year 2018 but not paid and not registered as at the end of the year to the NBC.

On 31 January 2019 the Assembly decided for the issuance of a new capital to the amount of EUR 4 million. This amount was subscribed and paid fully within 29<sup>th</sup> September 2019. On 1<sup>st</sup> October 2019 the Assembly decided for another issuance of new capital at the amount of EUR 24 million with a deadline for subscription 30<sup>th</sup> June 2020. As of 31 December 2019 the amount of capital of EUR 3,800 thousand out of the 24<sup>th</sup> million is subscribed and registered in the national business center (NBC).

A reconciliation of share capital at the beginning and end of the year are as follows.

	Normal shares		Type A shares	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
As at 1 January	62,985,036	61,605,864	14,765,011	12,218,000
Increase in number of shares	8,632,639	1,379,172	1,441,453	2,546,312
As at 31 December	71,617,675	62,985,036	16,206,464	14,765,011

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 22. Translation reserve

#### Translation reserve

The share capital is denominated in US Dollars, Euro or ALL. It is converted into ALL at the historical rate ruling at the date of any increase. The difference between the historic rate and year-end rate is included in the translation reserve as part of shareholders equity.

#### Other reserve

Through the appropriation of the retained earnings, the Group created and increases its legal reserve, as required in the Statute of the Group and by the Bank of Albania.

The legal reserve or the obligatory reserve is calculated at 5% of the certified profit of the last period.

The general reserve was established according to the Bank of Albania regulation "On the minimum initial capital for allowed activities of banks and branches of foreign licensed banks", no.51, dated 22 April 1999. Groups and branches of foreign banks are required to create reserves of 1.25% to 2% of total risk weighted assets, by appropriating one fifth of the profit after taxes and before payment of dividends, until the balance on this measure reaches at least 1.25% of total risk-weighted assets.

	31 December 2019 ALL '000	31 December 2018 ALL '000
General reserve	1,498,379	1,258,754
Non-performing loan risk reserve	330,355	379,006
Statutory reserve	379,006	269,949
	2,207,740	1,907,709

### 23. Interest income

Interest income was earned from the following activities:

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Loans and advances to customers	6,982,087	6,621,464
Investment securities	1,098,710	1,225,899
Due from banks	204,359	181,610
Total	8,285,136	8,028,973

### 24. Interest expense

Interest expense was incurred on the following liabilities:

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Due to customers	1,654,820	1,512,771
Subordinated debt	418,360	418,264
Due to banks	117,592	119,803
Expenses from treasury bills and reverse repo	4,274	39,946
Total	2,193,046	2,090,784

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### 25. Net fee and commission income

Fee and commission income were comprised as follows.

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Grouping services	1,461,095	1,172,311
Loans	57,555	56,912
<b>Total</b>	<b>1,518,650</b>	<b>1,229,223</b>

Fee and commission expenses refer mainly to banking services and are comprised as follows:

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Treasury operations and inter-bank transactions	111,040	67,786
Grouping services	74,375	44,681
<b>Total</b>	<b>185,415</b>	<b>112,667</b>

### 26. Other income, net

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Other income	538,287	4,142,269
Other expenses	(235,449)	(106,282)
<b>Total</b>	<b>302,838</b>	<b>4,036,007</b>

Other income for the year ended 31 December 2018 comprises the sale of the loan portfolio composed from written off and lost loans for an amount of ALL 4,090 million.

### 27. Write-offs

Amounts written-off for the year ended 31 December 2019 and 31 December 2018 are composed as follows:

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Write-off of loans	1,627,576	6,743,959
Write-off of overdrafts	199,016	428,820
Write-off of interest	-	3,875
<b>Total</b>	<b>2,026,592</b>	<b>8,176,653</b>

The amount of ALL 1,627,576 (thousands), ALL 199,016 (thousands) represent balances of non-performing loans and overdrafts and interests that the Group has written-off during the year as unrecoverable (by writing off the total gross book value of loans and its respective loan loss provisions).

### 28. Losses from unrecoverable loans

Losses from unrecoverable loans represents unrecoverable amounts arising from penalties and interest accrued on such penalties, for several performing loans that were repaid during the year and other debtors. A breakdown is provided below.

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Losses from unrecoverable loans	3,452	1,180,714
Losses from unrecoverable debtors	-	194,593
<b>Total</b>	<b>3,452</b>	<b>1,375,307</b>

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### 29. Other provisions, net

Other provisions, net for the year ended 31 December 2019 and 31 December 2018 are composed as follows.

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Depreciation of repossessed properties	517,430	534,018
Provision for other debtors	(6,571)	6,522
<b>Total</b>	<b>510,859</b>	<b>540,540</b>

### 30. Personnel expenses

Personnel expenses for the year ended 31 December 2019 and 31 December 2018 are composed as follows:

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Salaries	1,058,070	952,022
Social insurance	145,132	128,318
Bonuses and rewards	140,832	126,249
Life insurance premium	30,085	17,537
Other	129,006	112,725
<b>Total</b>	<b>1,503,125</b>	<b>1,336,849</b>

### 31. Administrative expenses

Other administrative expenses for the year ended 31 December 2019 and 31 December 2018 are as follows:

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Insurance and surveillance	659,071	620,439
Third parties fees	471,775	524,648
Rent	426,999	441,662
Marketing and subscriptions	438,043	346,519
Maintenance	211,429	180,714
Depreciation on leasehold improvements	77,483	65,412
Supplies	69,594	61,216
Utilities	61,597	56,039
Transport and travel	42,416	33,229
Local and other taxes	28,679	34,011
Other	113,054	131,026
<b>Total</b>	<b>2,600,140</b>	<b>2,494,937</b>

Insurance and surveillance, third parties fees and maintenance expenses have increased and this is mainly due to increase in the activity of the bank. Marketing expenses have increased due to volatility related to these type of expenses. There have also been increases in the maintenance and other expenses, normal course of the business growth.

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 32. Income tax

Income tax at Albania is assessed at the rate of 15% of taxable income. The following is a reconciliation of income taxes calculated at the applicable tax rate to taxable profit.

	Year ended 31 December 2019 ALL '000	Year ended 31 December 2018 ALL '000
Accounting profit	1,225,709	691,113
Taxable profit from the subsidiary	2,387	-
Non tax deductible expenses	262,695	1,493,361
<b>Taxable profit</b>	<b>1,490,791</b>	<b>2,184,474</b>
<b>Income tax expense 15%</b>	<b>223,619</b>	<b>327,671</b>

Based on the Albanian accounting law, effective since 1 January 2008 the Group must report in accordance with International Financial Reporting Standards (IFRS). Also, Law no. 10364 dated 16.12.2010 includes several amendments (effective since 24 January 2011). Based on these amendments, the provisions calculated for loans and other financial assets and off balance sheet items from Banks as per IFRS, would be also recognized as deductible expense for Corporate Income Tax purposes with the condition that they are already certified from an external auditor. Recoveries of these provisions are added back to the taxable income.

### 33. Cash and cash equivalents

Cash and cash equivalents, for inclusion in the statement of cash flow, comprise the following balances:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Current accounts and deposits with Central Bank	7,267,690	20,553,725
Loans and advances to financial institutions, with maturities of 3 months or less	12,652,414	9,800,460
Cash on hand	4,478,949	4,865,047
<b>Total</b>	<b>24,399,053</b>	<b>35,219,232</b>

### 34. Transactions with related parties

The Group entered into the following related party transactions with its shareholders: placements, time deposits, foreign exchange transactions and money transfers. A summary of related party transactions for the year ended 31 December 2019 and 31 December 2018 is as follows:

Transaction	31 December 2019		31 December 2018	
	Key Management Personnel ALL '000	Other related parties ALL '000	Key Management Personnel ALL '000	Other related parties ALL '000
Rent expenses	-	28,722	-	29,802
Income	1,060	228,741	1,533	344,082
Expenses	72,347	38,260	71,410	35,869

Type of transaction	31 December 2019		31 December 2018	
	Key Management Personnel ALL '000	Other related parties ALL '000	Key Management Personnel ALL '000	Other related parties ALL '000
Credit Line	-	118,000	-	1,110,897
Overdrafts	2,052	4,366	762	15,377
Term Loans	61,569	1,869,347	66,973	875,414
Leasing	4,927	16,489	6,244	24,068
LCs + LGs	-	132,543	-	120,867
Current accounts	(9,451)	(310,126)	(19,189)	(299,712)
Term deposits	(66,043)	(125,490)	(40,271)	(85,840)
Collateral placed in favour of the Group	(87,745)	(8,934,726)	(97,548)	(7,651,101)

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 34. Transactions with related parties (continued)

Type of transaction	Interest rates (in %)	
	31 December 2019	31 December 2018
Credit Line	7.80%	5%-8%
Overdrafts	1.98%-20%	2.18%-20%
Term Loans	0.5%-8.2%	0.5%-8%
Leasing	5.8%-8.5%	5.8%-10.5%
Current accounts	0%	0.0%-0.164%
Term deposits	0.0%-4.5%	0.0%-4.5%

### 35. 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 analysed into two categories:

1. Base capital comprising paid capital, share premiums, retained earnings, other reserves, revaluation differences and translation reserves; decreasing any 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 has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. The level of capital adequacy ratio as at 31 December 2019 is 15.20% and as at 31 December 2018 is 14.44%.

#### 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.

### 35. Financial risk management

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability). Financial instruments result in certain risks to the Group. The most significant risks facing the Group are discussed below.

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening.

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 36 Financial risk management (continued)

The government of Albania has responded by announcing a sovereign guarantee to all the business which are facing liquidity problems and will seek financing. Furthermore the Bank of Albania has announced that customer that will face liquidity problems can request a postponement of the settlement of their liabilities toward the Banks for a 3 months period. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences as well as their impact on the financial position and results of the Company for future periods. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures the results of which are reported to the Audit Committee.

#### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group attempts to manage this risk by closing daily open foreign currency positions and by establishing and monitoring limits on open positions. The Group's net open foreign exchange position at 31 December 2019 and 31 December 2018 is shown in note 37.

The applicable rate of exchange (ALL to foreign currency unit) for the principal currencies as at 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019	31 December 2018
USD	108.64	107.62
EUR	121.77	123.42
GBP	143.00	137.42
CHF	112.30	109.60
CAD	83.38	79.22
XAU	5,318.79	4,447.64

#### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group attempts to mitigate this risk by monitoring the repricing dates of its assets and liabilities. Also, the Group assesses the interest rate according to base rate plus interest margin for long term financial assets such as loans and advances to customers.

#### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to repay the obligation and cause the Group to incur a loss. The Group manages credit risk by dealing only with approved counterparties under specific credit limits. The Board approves limits for some categories of counterparties, meanwhile for others, provision of the Central Bank regulations serve as limits to exposure. The Group regularly monitors its limits with, and exposures to, individual counterparties and countries. For the year ending 2020, the Group would expect an increase on the nonperforming loans portfolio due to the economic downturn. Following the emergence of COVID-19 pandemic, the Group is analyzing macroeconomic changes and will reflect these changes in the stress tests used to determine the impact of the provision on volatile segments affected by the pandemic.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments, and, in general, to retain continuity of its core businesses (credit operations, depository and payment services). On an operational basis, the Group monitors the stability of its customer deposits, and, on that basis adjusts the balance of its current assets / access to funding, in order to preserve high payment capability. On a more strategic level, the Group manages this risk by continually monitoring expected cash flows from financial instruments and adjusting inter bank takings and placements to match the timing of payments and receipts. An analysis of the Group's expected timing of cash flows of assets and liabilities is shown in note 38.

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 37. Foreign currency position

The analysis of financial assets and liabilities as at 31 December 2019 by the foreign currencies in which they were denominated is as follows:

	31 December 2019					Total ALL '000
	ALL '000	USD ALL '000	EUR ALL '000	Other ALL '000		
<b>Assets</b>						
Cash and Central Bank	6,296,088	1,307,776	17,337,342	655,707	25,996,913	
Due from banks	13,415	6,988,116	2,029,130	4,007,333	13,037,694	
Investment securities held for trading	713,228	-	-	-	713,228	
Investment securities available for sale	25,800,296	1,989,470	20,711,652	-	48,501,418	
Investment securities held to maturity	-	-	16,591,294	-	16,591,294	
Loans and advances to customers	66,840,414	1,739,721	34,941,665	-	103,622,000	
Leasing	15,590	1,965	1,252,012	-	1,269,573	
Other assets (debtors)	288,138	70,432	56,378	-	414,948	
<b>Total</b>	<b>100,087,175</b>	<b>12,097,480</b>	<b>92,919,673</b>	<b>4,663,040</b>	<b>209,747,368</b>	
<b>Liabilities</b>						
Due to banks and other financial institutions	2,537,438	440,029	1,015,389	22,150	4,015,007	
Borrowing	-	-	247,561	-	247,561	
Due to customers	84,752,862	9,039,309	80,729,696	4,287,493	188,809,360	
Statistical provision	1,042,196	24,463	648,342	-	1,715,001	
Other liabilities (suppliers)	147,020	3,513	105,901	6,937	263,371	
Subordinated debt	3,493,312	662,656	2,500,034	-	6,656,002	
<b>Total</b>	<b>101,972,828</b>	<b>10,169,970</b>	<b>85,244,923</b>	<b>4,316,580</b>	<b>201,704,302</b>	
<b>Net position</b>	<b>(1,905,654)</b>	<b>1,927,510</b>	<b>7,674,750</b>	<b>346,460</b>	<b>8,043,066</b>	

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 37. Foreign currency position (continued)

The analysis of financial assets and liabilities as at 31 December 2018 by the foreign currencies in which they were denominated is as follows.

	31 December 2018					Total ALL '000
	ALL '000	USD ALL '000	EUR ALL '000	Other ALL '000		
<b>Assets</b>						
Cash and Central Bank	10,160,653	5,446,290	21,798,620	237,828		37,643,392
Due from banks	35,509	1,440,603	3,580,179	4,134,019		9,200,310
Investment securities held for trading	1,065,425	-	-	-		1,065,425
Investment securities available for sale	20,636,345	1,959,521	20,424,153	-		43,020,019
Loans and advances to customers	57,690,637	2,108,183	34,323,093	-		94,122,913
Leasing	18,580	5,246	1,167,334	-		1,192,140
Other assets (debtors)	65,980	52,944	27,628	1,077		147,627
<b>Total</b>	<b>89,594,109</b>	<b>11,013,787</b>	<b>81,331,005</b>	<b>4,372,925</b>		<b>186,411,826</b>
<b>Liabilities</b>						
Due to banks and other financial institutions	2,175,056	608,809	1,199,312	86,984		4,068,161
Borrowing	-	-	175,823	-		175,823
Due to customers	85,818,716	8,747,237	68,365,308	4,179,620		167,131,090
Statistical provision	907,890	10,898	505,248	-		1,424,036
Other liabilities (suppliers)	133,385	4,005	68,596	-		206,066
Subordinated debt	2,954,250	508,830	2,720,044	-		6,183,124
<b>Total</b>	<b>91,989,307</b>	<b>9,877,779</b>	<b>73,054,531</b>	<b>4,266,613</b>		<b>179,168,430</b>
<b>Net position</b>	<b>(2,295,198)</b>	<b>1,136,008</b>	<b>8,276,474</b>	<b>106,112</b>		<b>7,223,386</b>

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. Depending on the escalation of the situation created by the pandemic COVID-19 and preventive measures, the Group will consider various scenarios that may affect the inflows in measuring its indicators increasing its financing through:

- Capital increase through new capital issuance (new capital injection in the Group);
- Capital growth through profit distribution of the previous period (Profit Capitalization);
- Increase through the issuance of subordinated debt.

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 38. Maturity analysis

An analysis of assets and liabilities as at 31 December 2019 according to their remaining maturity is as:

	31 December 2019							Total ALL '000
	Up to 1 month ALL '000	1 to 3 months ALL '000	3 to 6 months ALL '000	6 to 12 months ALL '000	1 to 5 years ALL '000	Over 5 years ALL '000		
<b>Assets</b>								
Cash and Central Bank	15,380,101	2,112,457	2,393,462	4,249,150	1,451,743	-		25,586,913
Due from banks	10,363,861	2,488,555	42,820	61,964	44,313	36,681		13,037,994
Investment securities held for trading	12,119	1,179	-	-	453,682	246,248		713,228
Investment securities available for sale	403,134	1,340,086	2,517,195	5,088,481	12,984,393	26,188,129		48,501,418
Investment securities held to maturity	-	-	-	-	7,227,335	9,363,959		16,591,294
Loans and advances to customers	3,221,610	6,820,313	12,947,988	17,899,467	34,858,336	27,874,286		103,622,000
Leasing	240	2,789	10,251	57,197	1,146,135	52,961		1,269,573
Other assets (debtors)	414,948	-	-	-	-	-		414,948
<b>Total</b>	<b>29,828,013</b>	<b>12,746,379</b>	<b>17,911,616</b>	<b>27,356,259</b>	<b>59,165,937</b>	<b>63,742,284</b>		<b>209,747,368</b>
<b>Liabilities</b>								
Due to banks and other financial institutions	2,155,714	5,28,171	260,503	628,323	241,296	-		4,015,007
Borrowing	247,561	-	-	-	-	-		247,561
Due to customers	49,270,169	23,083,533	23,862,208	45,507,633	47,085,919	-		188,809,360
Statistical provision	50,538	70,667	160,436	188,146	759,170	464,044		1,713,001
Other liabilities (suppliers)	263,371	-	-	-	-	-		263,371
Subordinated debt	48,051	45,294	-	1,054,675	2,514,478	2,892,504		6,656,002
<b>Total</b>	<b>52,036,404</b>	<b>23,727,665</b>	<b>24,283,145</b>	<b>47,679,677</b>	<b>50,600,863</b>	<b>3,476,548</b>		<b>201,704,302</b>
<b>Net position</b>	<b>(22,210,391)</b>	<b>(10,982,286)</b>	<b>(6,371,629)</b>	<b>(20,223,418)</b>	<b>7,565,074</b>	<b>60,265,716</b>		<b>8,043,066</b>

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### 38. Maturity analysis (continued)

An analysis of assets and liabilities as at 31 December 2018 according to their remaining maturity is as follows:

	31 December 2018						Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	
	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000
<b>Assets</b>							
Cash and Central Bank	28,344,946	2,092,180	2,292,055	4,283,245	630,964	-	37,643,392
Due from banks	8,894,035	30,217	68,136	78,514	11,528	127,780	9,200,310
Investment securities held for trading	-	49,525	-	-	1,031,491	4,009	1,085,425
Investment securities available for sale	741,497	723,495	3,018,538	4,840,730	11,458,388	22,238,280	43,020,019
Loans and advances to customers	3,279,540	9,192,985	9,979,465	15,844,035	34,948,942	21,079,848	94,122,913
Leasing	3,265	1,645	58,029	-	1,129,201	-	1,192,140
Other assets (debtors)	147,627	-	-	-	-	-	147,627
<b>Total</b>	<b>41,401,012</b>	<b>12,000,438</b>	<b>15,418,223</b>	<b>24,846,824</b>	<b>49,206,514</b>	<b>42,461,016</b>	<b>188,411,826</b>
<b>Liabilities</b>							
Due to banks and other financial institutions	1,437,295	1,214,329	327,854	751,976	335,707	-	4,068,161
Borrowing	175,923	-	-	-	-	-	175,923
Due to customers	39,832,717	23,880,192	22,909,486	44,799,519	35,739,228	-	167,131,060
Statistical provision	49,069	137,450	150,007	233,858	538,531	315,121	1,424,038
Other liabilities (suppliers)	206,066	-	-	-	-	-	206,066
Subordinated debt	-	299,770	-	518,245	2,482,346	2,842,763	6,183,124
<b>Total</b>	<b>41,701,100</b>	<b>25,611,691</b>	<b>23,387,347</b>	<b>46,303,598</b>	<b>39,036,810</b>	<b>3,197,884</b>	<b>179,188,430</b>
<b>Net position</b>	<b>(300,088)</b>	<b>(13,621,253)</b>	<b>(7,971,124)</b>	<b>(21,456,774)</b>	<b>(10,119,704)</b>	<b>40,253,131</b>	<b>7,223,396</b>

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### 39. Commitments and contingent liabilities

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

	31 December 2019 ALL '000	31 December 2018 ALL '000
Guarantees in favour of customers	4,716,906	4,845,435
Commitments in favour of customers	3,376,254	3,613,276
Guarantees pledged from credit customers	2,812,785	3,516,051
Guarantees received from credit customers	448,363,487	406,679,712
Commitments on securities	470,185	459,810
Commitments from financial institutions	9,825,792	7,756,691

#### Guarantees and letters of credit

Guarantees received from customers include cash collateral, mortgages, inventory and other assets pledged in favour of the bank 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 2019 will be incurred.

#### Lease commitments

The Group leases office premises in Tirana, Durres, Fier, Vloza, Lezha, Elbasan, Shkodra, Korca, Shtjak, Kavaja, Kukës, Gëral, Ballsh, Mat, Peshkopi and Vora mostly under ten year operating leases. Such future commitments for the years ended 31 December 2019 and 31 December 2018 are detailed as follows:

	31 December 2019 ALL '000	31 December 2018 ALL '000
Not later than 1 year	362,640	431,883
Later than 1 year and not later than 5 years	1,783,951	1,507,333
Later than 5 years	2,899,039	2,100,907
<b>Total</b>	<b>5,045,630</b>	<b>4,040,123</b>

#### Lease commitments - Group as lessor

As part of its "Loans and advances to customers" portfolio, the Group has issued financial leases to its customers, amounting as at ALL 1,269,573 thousand (31 December 2018: ALL 1,192,140 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 2019 and 31 December 2018 are detailed as follows:

	31 December 2019	31 December 2018
Not later than 1 year	538,051	528,478
Later than 1 year and not later than 5 years	879,759	822,101
Later than 5 years	454	554
<b>Total</b>	<b>1,416,234</b>	<b>1,351,133</b>

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 39. Commitments and contingent liabilities (continued)

#### 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. Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the bank had several unresolved legal claims with no probable adverse effects. Accordingly, no provision, except for the amounts included in "Other liabilities" (note 19), has been made in these financial statements.

### 40. Fair value disclosures

Fair value estimates are based on existing balance sheet 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 Groups accounts

Due from Groups accounts 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.

#### Treasury bills – Available for sale investment securities

Treasury bills are interest-bearing assets available for sale. Because no active market exists for treasury bills, 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.

#### Government bonds – Available for sale investment securities

Government bonds are interest-bearing assets available for sale. Because no active market exists for treasury bills, 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.

#### Loans and advances to customers

Loans and advances are net of allowances for impairment. The Group's loan portfolio has an estimated fair value approximately equal to its book value due to either their short-term nature or underlying interest rates (which are floating rates: T-Bills, LIBOR plus interest margin), which approximate market rates. The majority of the loan portfolio is subject to re-pricing with a year, by changing the base rate.

#### Due to banks and other financial institutions

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

#### Due to customers

Customer deposits - 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.

#### Subordinated debt

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.

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Notes to the consolidated financial statements for the year ended 31 December 2019  
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### 40. Fair value disclosures (continued)

Since 31 December 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness.

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.

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 unfavourable trend of market capitalization prices (for example, for debt securities this risk is related to unfavourable changes in interest rates, meanwhile that for equity securities is associated with an unfavourable market movement itself); and
- The specific risk, which represents the risk of losses caused by unfavourable 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 unfavourable 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, macroeconomic data and is monitoring the volatile situation created by COVID-19, to reduce the negative impact of significant yield growth, by diversifying its portfolio or using derivative instruments to protect against price movements.







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