2022 ANNUAL REPORT

MESSAGE FROM CEO

The performance of Credins Bank throughout 2022 has been positive in many financial indicators. We continue to maintain a solid position in the market and are the second largest bank for total assets and deposits. We have managed to face successfully local, global and regulatory economic challenges, given the fact that our bank relies on local capital and the expertise of professionals who have been working with us for many years.

Even though in 2022 the Albanian banking market was challenging for the banking industry, it continued to grow (5% in total assets and 7% in lending). The market share of Credins bank in 2022 continued to be 15.9% in total assets and 16.86% in total customer accounts, keeping up with the market growth.

Year 2022 was challenging for financial markets, characterized by unprecedented fluctuations in both interest rates and exchange rates. The latter are two of the most important factors in macroeconomic indicators that directly affect the financial activity of the banking industry. Despite the volatile macroeconomic situation, additional regulatory requirements were introduced both for macro prudential measures and intermediate requirements for resolution. It should, however, be taken into account that regulatory factors ensure on one hand the stability of the financial system, but on the other hand, they also constrain its growth. In this context, we deem that the performance of our bank during this year has been successful.

The conflict in Ukraine accelerated in an unprecedented way the rise in interest rates, regardless of the early signals for an eventual arrival of such economic cycle, which had been foreseen by the financial markets after the global monetary policy as a whole stimulated the economy in the conditions of the Covid-19 pandemic. The actors of the financial markets could not have faced these events alone if the actions undertaken by the regulatory and financial institutions altogether had not been adequately coordinated.

These events have of course affected the banking sector and profitability and our best efforts in these circumstances, where return on investment has become

even more uncertain, have been focused on minimizing the exposures to added risks. We have continued to support economic growth through lending and at the same time prudently managed investments in financial instruments. We have rewarded the loyalty of our customers by launching attractive offers and offering various alternatives for investment of funds. In addition to competitive opportunities in deposit rates, the clients of Credins Bank have been given for many years now, the opportunity to invest in debt instruments, given that our bank is the first in the market to issue such instruments.

Throughout 2022, Credins Bank has continued to support the economy, being the first bank in the market in terms of lending, with a market share of 19%. Throughout our 20 years of journey in the Albanian banking market, we have continuously supported individuals and businesses and shall continue to be their main partner, meeting all requirements and needs by providing attractive products, efficient procedures and an excellent service.

The strategy of Credins Bank to further grow and develop in the Albanian banking market, was accompanied by many impressive initiatives for promoting overall development of Albanian society. We have carried out over 140 activities in line with the 17 sustainable development goals, ranking as the leader company in the market in terms of our social responsibility towards the community. Our social objective is to be as close as possible to the people in need, the fight against poverty, the continuous improvement of the institutional infrastructure, protecting the environment, etc.

Credins Bank has over 1,000 talented and dedicated employees, who with their professionalism support constant development of the bank on a day-to-day basis, providing consultancy and partnership to all clients. We are proud that have been able to provide a good work-life balance for all our staff, ensuring a satisfactory rewarding package.

Credins Bank has successfully implemented various reforms, such as the reform on fiscalization, which was further consolidated in 2022. Our focus has been ongoing digitalization to provide various online banking services and products, offered 24/7 from any technological device. This was promoted by offering lower commissions than the bank's branches and by launching awareness and education campaigns for both existing and potential clients. All creative campaigns implemented throughout the communication channels have had a positive impact by creating a favorable environment for the bank's business units to achieve their strategic objectives.

Our objective for 2023 is further consolidation of Credins Bank as the first bank with Albanian capital, which has continuously kept up in line with the global technological developments related to the upgrade of the banking activity. Our constant focus shall be investments in technology to provide new and fast solutions in digital channels, ensuring customer security to use applications.

We shall also reward the loyalty of our customers throughout our journey of 20 years in the Albanian banking market, in order to further expand and increase the basis of our clients by meeting their ever-changing needs and demands.

Another challenge shall be to properly support our clients in the circumstances of increasing lending costs and at the same time, we shall make our best possible to maintain the bank's competition and sustainability.

Other objectives for 2023 shall also be professional growth and development of staff through qualitative trainings and constant promotion. The key word to our constant responsibility and commitment shall be investments in our staff careers, recruitment of new talents and their development, as well as provision of a pleasant and inspiring work environment.

MALTIN KORKUTI
CEO

BOARD OF DIRECTORS

ELTON TORO MEMBER | **SAJMIR SALLAKU** CHAIRMAN | **RAIMONDA DUKA** MEMBER | **JONAS HASSELROT** MEMBER | **MALTIN KORKUTI** MEMBER | **MONIKA MILO** MEMBER | **CLIVE MOODY** DEPUTY CHAIRMAN

BUSINESS DEVELOPMENT DIVISION

BRANCH SALES MANAGEMENT DEPARTMENT

2022 was a challenging year for the entire bank branch network, in the circumstances when customer demands depend on the performance of the local and global economy. The approach of customers to banking products was significantly affected by the uncertainty in the economic context over the last year, mainly by the war in Ukraine and rising prices of raw materials.

Regardless of the difficulties, sales in the branch network reached the levels forecasted. In fact, sales of some products were much better than the forecast. In 2022, the bank's objectives for the branch network were entirely achieved both in terms of numbers and volumes, as well as regarding the quality of products sold. In terms of figures, the branch network managed to achieve the objectives for most of the bank's products. They were realized 120% on average, beyond the objectives set for developing the bank's retail business.

The focus of the sales force in each branch continued to be the deposits and loans, without leaving aside digital products, such as Credins Online platform (internet banking) which is already meeting the majority of the customers' financial needs. Credins Online and the application of the "virtual" bank, through which customers can perform almost all the operations and transactions that are carried out at the bank counters, had a great success both in terms of sales and its use. Customers have also shown increased interest in using other communication channels with the bank, such as generating requests for certain products. This process is already carried out through the bank's official website and Credins Online platform. Sales have been successful and have increased from 17% last year to 21%.

The loan portfolio generated by the branch network has continued to grow in the retail segment, particularly regarding loans granted to small businesses. In 2022, the retail loan portfolio increased by approximately ALL 4.3 billion or about 11% compared to 2021.

Commissions generated by banking transactions increased by about 14% in 2022 compared to a year ago. The increase was observed in all the bank's regions, particularly in the second half of the year. The revenues are mainly generated from commissions of transactions carried out through POS, use of bank cards, foreign exchange, etc.

2022 continued to follow the track towards technological innovations and digital developments for the branch network, by restructuring and modernizing the bank branches, providing innovative and flexible service through the "Mobile Branch", and consolidating the "Smart Branch". Regarding the latter, in addition to the ordinary activity perform at our bank, clients can interact with all digital forms offered by the bank; can be provided with personalized consulting in comfortable and special facilities within the branch; can have a coffee or hot tea and can be informed about the latest bank updates through one of the screens installed within the branch premises. Thus, they can be provided with a 360-degree physical and virtual service.

The strategic priorities for the branch network activity in 2023, are focused on: maintaining the competitive advantage of high quality customer service, ongoing automation of manual processes in the branch which marked a significant improvement last year, digitalizing the other branches so that the customer service can be more convenient both in the traditional branches and in the other alternative channels of the bank.

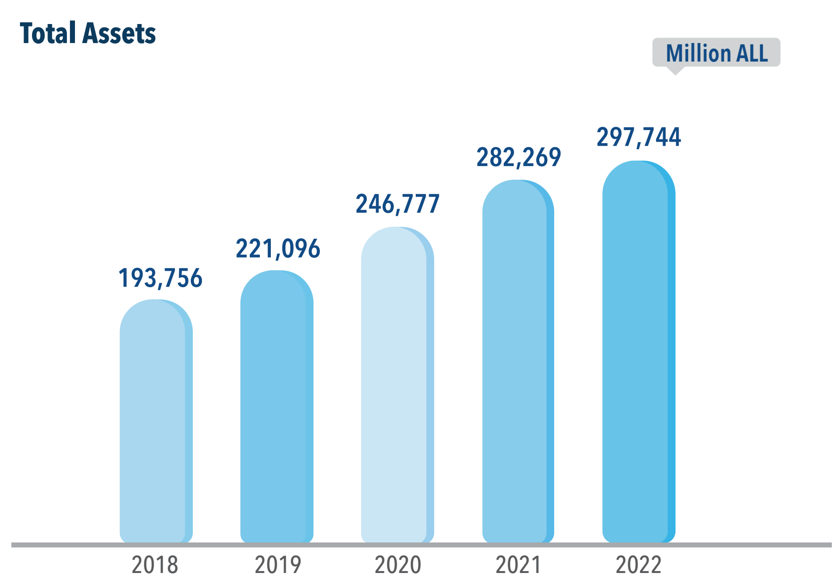
MARKETING DEPARTMENT

In 2022, the Marketing Department marked several successes and innovations throughout its activity. Innovative projects, new strategies in communication channels have distinguished us from the competitors, setting another conceptual standard in communication. The campaigns, which are a combination of the bank's brand with the various ways of promoting products to clients, have led to a contemporary and humane communication.

The dynamic strategy implemented in coordination with other units of the bank had a very positive impact on achieving better results this year in terms of selling products or re-selling them to existing customers. The creative campaigns implemented in all communication channels have had a positive impact by creating a favourable environment for the bank's business units to achieve the strategic objectives. The messages of each campaign were closely linked to the relevant objectives, which were achieved by using a language and style that could be easily understood by the client. 18 successful campaigns were launched in 2022 by interacting both in digital and traditional channels. 3 campaigns brought about innovations to the mass communication in creativity and in conveying messages of an informative and influential nature. Various television and radio advertising were designed for the campaigns. In addition, there has been a various and contemporary communication by using the wide range of social media, such as use of campaigns with segmented targets for customers, or even the use of influential images on social networks, reels, etc. All communication is based on the bank's mission, vision and values, being even closer to its customers.

On the other hand, another success is the partnership for the offers designed and promoted by various local and international partners, such as Mastercard, Visa etc, making the portfolio of clients even more versatile. The loyalty of our clients has been rewarded with several "cash back" campaigns, which aimed at increasing the use of bank cards as well as offering various discounts in the growing and expanding network of our partners.

The year started with a unique project for the Albanian banking market, the launch of "Eco" cards composed 99% of environmentally soluble material. Promotion of Credins brand through this campaign highlighted the corporate values for protecting the environment, as an education model for Albania and a sensitive issue at the global level as well. The "Eco card" campaign was launched in all communication channels. The creativity of the spot launched in the media was very impressive and it attracted public attention for conveying the message of protecting our planet. The values and policies of Credins Bank rank it as a responsible and educative corporate, having an impact on the community.



Digital transformation of the bank and addressing of clients to digital channels in line with the contemporary developments and trends, was the focus of the campaigns for the Credins online application held during May-September. The key messages of the campaigns were information and motivation of clients to carry out various banking transactions, independently, 24/7, with preferential terms and conditions compared to branches, online applications, comfort payments from office or home. The campaigns were designed with dedicated communication strategies, followed by various television spots, use of digital channels, such as: sms, e-mail marketing, Facebook Ads, Instagram, Linkedin, or use of influential images in social media, echoing even more Credins bank. Another important factor that was given high priority in the overall campaign communications is achievement of their results in digital channels, which are monitored and improved as per the objectives set. The bank has more than 165K followers in social media, which opt to apply online for the various products and services by giving their feedback on the banking services, products, etc.

The campaigns were followed by activities or events organized with the bank's clients in some of the main regions, such as in Tirana, Durrës, Korça, etc. These campaigns promoted both the lastest developments in the individual and business applications, and re-established communication bridges directly with the bank's clients, after the pandemic lockdown.

The launch of the "Youth Package" campaign was a novelty for the market. Credins bank designed a special product package, with attractive terms and conditions, to be close to the segment that does not consider itself connected to the bank. The objective was not only to sell the packages, but also to make aware young people aged 18-25 years old to establish a partnership with the bank and educate them to be economically independent. The concept of this campaign was characterized by a youthful and contemporary style.

The trendy elements, such as music, concert, costume design, etc., were the main components of the spot, bringing about a colorful, frenetic and dynamic language of communication, similar to the young people. The key message of the campaign was the philosophy to support the youth, helping them to make their dreams and desires come true with economical product packages. The image of Credins as the bank of the youth was strengthened even more by incorporating elements such as the selection of young people as brand ambassadors, blogs, reels, etc., accompanied by participation in all communication channels.

In addition to the product and service campaigns, the Marketing department has been attending over 140 social responsibility activities, with a special focus on environmental protection, the fight against poverty, innovation and education, art, culture, in line with the 17 Goals of the UN Global Compact, for a developed and emancipated society. Credins bank promotes many issues such as: gender equality, promotion of social-economic independence of women in Albanian society, etc.

The Marketing Department, in cooperation with the Human Resources Department, have undertaken many important activities during the year to motivate and enhance cooperation between Credins bank staff through many initiatives such as: "Credins Fun Zone", "Tirana Marathon", "Bike To Work", etc. A specialized and dedicated staff attended the projects and campaigns with maximum dedication.

The targets for 2023 will be even more challenging for the Marketing Department, as it will continue to be the drive of contemporary and efficient communication to serve the bank's business strategy. In the 20th Anniversary of Credins bank, the year '23 will be full of surprises in terms of creative ideas, social responsibility or specific campaigns for Credins bank clients, but many surprising events will also be organized for the bank's staff.

PRODUCT AND INSTITUTIONS MANAGEMENT DEPARTMENT

Products and Services

The main objective of Credins bank throughout 2022 has been designing competitive products or services in terms of both products and efficient delivery. The bank launched many new services and products, being closer to the growing needs and demands of clients. The most important are as follows:

- The Safe Deposit Box service, offered in one of the bank's main branches, enables customers to store their valuables with maximum security in the bank's premises.
- Another important focus of the bank has been information and education of clients to use bank cards based on the initiative of educating clients about the use of bank cards and reducing use of cash in the economy.

  To reward customers and increase the use of cards during March, the bank launched the offer "20% cashback for every fuel refill made with Visa cards", in partnership with:

  a. Local fuel companies

  b. Visa International

- In April, the bank launched the Leasing product for purchasing watercrafts, based on the growing market demand and increased interest from companies dealing with the watercraft trading. This product is offered to businesses or individuals who want to invest in watercrafts for business or personal purposes.
- Consumer loan, as one of the most preferred products of the retail segment, offered financing up to ALL 2,000,000 with attractive terms and conditions. Clients received well this product, which share in the new consumer loan portfolio was quite significant.
- In 2022, the newest product "Flexi Progressive Deposit" was added to the investment products portfolio at Credins. Customers can invest funds for a 3-year term in ALL or EUR, and they can withdraw them at any time together with the progressive interest rate. The results were satisfactory showing that clients rely on Credins for medium-term investments.

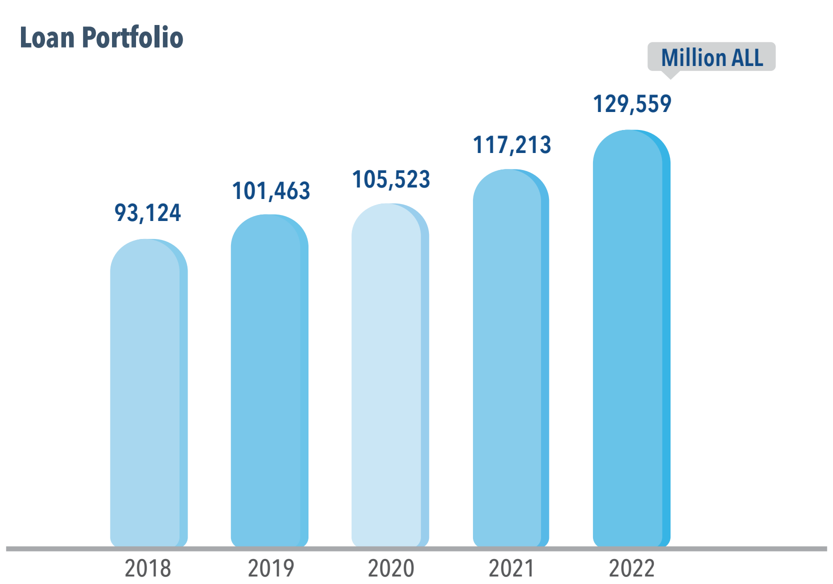
- At the beginning of the university season, Credins launched the "Youth Package" dedicated to young people. The target group, young people of 18-25 years old, have the opportunity to familiarize themselves with the banking services and products, use of cards and online services. The bank's aim is to build a good customer base for the future. This package is designed commission free for some main services, to encourage young people to familiarize themselves with Credins bank.
- The "Green" consumer loan product was designed in line with the bank's policies on environmental protection. This product was created in partnership with business customers that offer energy efficient products, aiming at encouraging customers to invest in energy saving projects or power alternative production.

Institutions

The Institutions Management Sector has monitored the growth and development of relations with this segment, which has an important impact on Credins bank. The transactions of these institutions are at high volumes and they have a large number of payroll accounts. In 2022, total number of payroll customers increased by 7% compared to a year ago, due to continuous follow-up of the growing demands of this segment, personalized relations, the very good service offered at all branches of Credins bank, or online services.

Payroll clients are offered Salary Packages, which are divided into Basic Packages and Plus Packages. This has led to the channeling of payroll clients, bringing them much closer to the bank. Payroll packages have increased by 60% compared to the same period a year ago. 56% of clients have chosen the Basic Package and 44% the Plus Package.

Customers who use lending products prefer more the Plus Package as they are offered benefits for the overdraft and loan interest rate.



Also, optimization of packages and the increasing volume of transactions has increased commissions from this segment by 28% compared to the same period a year ago. Commissions from lending products make up about 69% and non-lending products make up 31% of total commission income.

Total number of products has increased by 12% compared to the same period in 2021.

- Lending products have increased by 6%
- Non-lending products have increased by 10%
- Deposits have increased by 15%.

During 2022, funds in accounts and deposits have increased in general compared to the same period a year ago. The volume of deposits has increased by 56% and the volume of current accounts has increased by 20%. Profitability from state institutions for 2022 has increased by 25% compared to the same period a year ago.

DEPARTMENT OF ALTERNATIVE BUSINESSES

Year 2022 marked the most successful period for Alternative Businesses Department (2018), since its establishment. The expertise acquired in the last 4 years in the field of insurance market, collective investment undertakings (CIU) as well as capital markets has affected positively both the more effective management of these activities and better adaptation and positioning of the bank in the new markets.

Revenues generated by ABD in 2022 increased by 35% compared to the previous year, while the weighted annual rate of revenue growth for the last 3 years is 51% (CAGR). On the other hand, the department personnel has increased and trained regularly over the years to support the potential of alternative businesses on the line as well as to support significant growth of the business. The activity of ABD focuses on the management of non-traditional banking activities, which are offered to customers and non-customers, at all branches of Credins bank, increasing the number of products to be benefitted by a customer. Our branches have been transformed into a "one stop shop" for any financial service.

1. Intermediation in Insurance – this activity is carried out in accordance with the two licenses of Credins bank and it continues to be the most profitable activity of ABD. Incomes generated throughout 2022 from insurance policy intermediation amounted to 47.6 Mln/ALL, and the largest contribution was made by borrowers' insurance policy intermediation (97% of income). One of the innovations of 2022 was the launch of intermediation of other insurance products (in addition to borrowers' products) at the branch network of Credins bank. Starting from last year, all the branches of Credins bank intermediate various insurance products, such as: Life and Health Insurance, Voluntary Property Insurance, Travel Life Insurance, Vehicle Insurance, Liability Insurance, etc.

The objectives for 2023 are even more ambitious. There is a forecast to further increase incomes generated from insurance intermediation, increase the share of voluntary insurance intermediation (not related to borrowers) and enhance the bank's role to financially educate customers as per the needs for individual and business insurance.

2. The activity of the Depositary for Collective Investment Undertakings (CIU) – which is carried out in accordance with the license issued by the Financial Supervisory Authority, has continued at the same pace as in 2021. The bank, in the capacity of the depository, controls how a partnership company manages funds raised from the public in the form of an investment fund. The bank started to offer this service in December 31, 2022, for the "ABI EIA" fund, which is administered by the company ABI Invest sh.a. Incomes generated from the depository service are mainly in the form of a fee, the percentage applied on the size of the collective investment undertaking. Therefore, profitability of the activity is directly linked to the "client" of the bank and the progress of its business.

Regarding priority issues throughout 2022, Credins bank, in accordance with the provisions of Law No. 56/2020 "On Collective Investment Undertakings", successfully adapted the activity of the depository to the requirements of the new law and was granted approval by the FSA to adapt the activity. The new license was granted on January 31, 2022.

In 2023, at least one new client is expected to be approached, which shall significantly affect incomes generated from this activity.

3. Investment Banking (Subscription of Securities and Auxiliary Services)

Following the request of Credins bank, on February 28, 2022, the FSA Board licensed for the first time in the Albanian market, Credins bank for:

A. Providing investment services:

- Subscribing financial isntruments and/or launching financial instruments on the market based on involvement in transactions.
- Launching financial instruments on the market without sales committment.

B. providing the auxiliary service:

- Advising companies on the capital structure, industrial strategy and related issues, advising and providing services for merging and acquiring companies.

The new Investment Banking Unit has just started its work to prepare the important clients of the bank for issuing debt securities in the market. This Unit is expecting to enter into the first contracts for 2023 regarding subscription of securities.

LEASING AND SALES SUPPORT DEPARTMENT

Year 2022 was characterized by an unprecedented geopolitical turmoil and global economic impacts caused by the war in Ukraine. This had a significant impact on the automotive market; both in the volume of transactions carried out and in the timely planning of goods delivered.

In addition to the difficulties faced by the bank, the financing amount increased sharply, maintaining an absolute record since its establishment. In terms of the leasing product, Credins bank continues to maintain a strong position and constantly grow over the years. In 2022 were disbursed 10.8 Mln/EUR

and the projected surplus increase was at the level of 13% compared to 2021, with a total realization of 114%.

Automotive sector makes up the main share (80%) of the financing portfolio. Thanks to the yearlong experience and professionalism, our main orientation and focus has been to provide and meet customer demands with a fast and timely service. Credins leasing continues to be the main choice for businesses and individuals, who want to be financed for machineries, equipment, vehicles and cars. The diverse products, flexibility, partnership, etc., increased not only the financing amount, but also the number of disbursements. This department set a record in handling various cases. The quality of the loan portfolio was good with a low level of non-performing loans.

The leasing market portfolio is in the amount of 134 Mln/EUR and Credins leasing continues to hold the second place in the market with a share of 15.5%. The portfolio outstanding in 2022 was accompanied by a 28% increase compared to the market average of 16% in 2021. Interest incomes were at the level of 114% compared to 2021. In 2022, the financing of branches in this product was at significant levels, 60% thanks to the good coordination with the staff of Credins bank branches. This is a very positive moment to engage the branch network, as well.

The objectives and forecasts for 2023 continue to be aggressive and they can be fulfilled by engaging and having the support of the entire branch network in terms of new sales. One of the key elements of this process shall be maintaining good relations with the concessionaires by adapting them to the market through custom-tailored attractive financing schemes. Efforts shall be made to improve continuously existing products in terms of processing time or duration as well as to further increase leasing for equipment and machineries as per the various industries.

Maintaining non-performing loans at acceptable levels shall be another challenge throughout 2023. Watercraft leasing shall continue to be an innovation for 2023, as well as the growing demand to be financed for electric vehicles and photovoltaic energy. This product was launched considering the growing demand of our customers as well as market availability to offer it. Several concentrated concessionaires have been created and the bank shall be actively involved to provide leasing.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RISK DIVISION

During 2022, the Risk structures as well as the Risk Committees, Audit Committee, ALCO and the Board of Directors have ensured prudent management of the situation and the direct and indirect effects of Russia's military attack on Ukraine and the related risks in accordance with the regulatory framework.

The sanctions imposed on Russia throughout 2022 and the increasing volatility and uncertainty in international markets have created a new economic reality, full of macroeconomic and financial challenges. The investment policy at Credins bank sets out the main criteria to manage the bank's financial investments in accordance with its business strategy. The bank determines through this policy the investments permitted by taking into consideration their potential risk, their relation to other risk management policies on investments and risk limits.

Credins Bank continued even throughout 2022 to apply a prudent policy in accordance with regulatory and strategic needs for assessing and controlling various main risks, such as credit risk, credit concentration, operational, liquidity and market risk. This policy is reviewed on a periodic basis in line with the bank's strategy. The bank reviews its "Risk Appetite" policy on an annual basis to control at all times its key risks, such as credit risk concentration, liquidity risk, etc. in accordance with business the strategy and model.

In accordance with the regulatory requirements of the Bank of Albania, the bank, starting from 2021, was committed to design an action plan to enable implementation of a new regulation for measuring and controlling liquidity risk, "On the Net Stable Funding Ratio of banks" (NSFR). This regulation is a follow-up to the regulation on the liquidity coverage ratio (LCR), which required banks to maintain levels of available financing, in the form of high quality liquid assets, adequate to cover each case within 30 days. All measures were taken in 2022 to comply with the regulation and to report this indicator on 31.03.2023 along with the final data of 2022.

Unlike the LCR, which is a 30-day short-term indicator, compliance with the NSFR shall have a broad impact on long-term financing requirements and, following the example of banks in the European Union, could lead to structural changes in business and balance sheet. Banks, to cope with this transition, must report to BOA, until this regulation comes into force, their action plan in order to observe the deadline for the first reporting. The bank took in 2022 all the measures to assess and comply with the regulatory requirements.

In 2022, a working group was established. It was committed to implement "the internal liquidity adequacy assessment process (ILAAP)", which shall be reported for the first time to the Bank of Albania in the first quarter of 2023. This process shall ensure its integration in the bank's risk appetite and the regulatory framework on risk management.

Year 2022 was marked by significant challenges in various aspects of the banking system. The risk of the pandemic even though stabilized, would give way to the Russia-Ukraine conflict and inflationary pressures, posing a challenge for managing risks in terms of lending, regulatory changes, liquidity management, operations, investments and human resources. Credins Bank, as one of the market developers for establishing and maintaining the secondary market of government securities through daily issues and quotations for reference securities prices, has significantly contributed to increasing transactions and efficiency of this major project. Our focus on investment diversification has been to find and monitor low risk exposure investments. Attention has also been paid to diversify exposures towards major investment counterparties in debt securities, particularly by the countries that make up total investment portfolio. This has also been associated with the diversification of this portfolio for risk indicators as per the financial maturity 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. Regardless of the interbank and securities market challenges, the Risk Division, in cooperation with the Treasury Department, have applied a prudent approach to liquidity management, maintaining a good performance in a challenging environment in terms of considerable volatilities of financial markets at the outbreak of the pandemic and the Russia-Ukraine conflict.

The Bank, in full compliance with the international standards, has applied the latest Basel 3 revisions in terms of liquidity and interest rate risk measurement and monitoring. Actions have been taken to automate the process for calculating the indicators according to the regulatory and internal requirements.

The main focus of risk management has been on assessing, measuring and diversifying the capital requirement based on specific classes of assets and their exposure to risk. At the same time, the bank has conducted an internal capital adequacy assessment, including various specific risks, which are not included 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 day-to-day 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 risk weighted exposures, the Bank is also committed to enhance exposure coverage ratios through instruments for protecting the loans granted.

The Bank has been focused on improving and enhancing the investment efficiency in accordance with the objectives for fund volumes, provision expenses throughout the year and mid-term budgeting.

In order to be protected against operational risk, the bank has designed a regulation on operational risk which contains clear definitions of this risk including all the bank's units, and an exposure self-assessment philosophy of the business processes towards this risk. It has also developed a set of internal key risk indicators by proactively monitoring their performance in accordance with the limits set. Events and operational risk factors are prudently analyzed and monitored, in order to manage this risk in the most proactive way possible.

In the Business Continuity Plan and its integral parts, the bank has been focused on both continuous improvement and introduction of new scenarios such as the pandemic case. The continuity plan comprises new solutions such as remote work, replacement of key persons, etc.

Lending throughout 2022 was based on the good acknowledgement of clients and on the specifics of their business sectors. The focus for this year was to support sectors, such as tourism, production and various social services.

Credins Bank has aimed to balance the funds absorption in different currencies and their investment by granting loans in these currencies. In terms of lending, the bank has applied the policy of mitigating the exposure to indirect credit risk due to the exchange rate, recommending clients to apply for loans in the same currency as their income.

Regardless of the fact that 2022 is considered a difficult year for the economy, the banks reduced substantially the ratio of non-performing loans, bringing it to a single-figure, a level which has not been reached for over a decade. The non-performing loans ratio at the end of the year is 5%, and it has reduced by 0.6% compared to 2021. The result ensures that the activity of the Albanian banking sector will enhance and improve to face all the complex challenges and will always be in the avanguard.

Credins Bank closed 2022 with a satisfactory financial performance and in line with the strategic objectives set out. This year was characterized by a significant decrease of non-performing loans in the line, due to the prudent lending of the banking system and effective management of the arrears' portfolio. The ratio of non-performing loans at the end of the year is 6.8%, and it has reduced by 1.1% compared to the previous year.

Credins Bank has a special structure in place for managing non-performing loans at the department level, part of the Risk Division. The Debt Recovery Department has been developed and improved over the years both from a structural and operational point of view.

The challenges for 2023 are the same, but market developments shall be followed up carefully, reflecting the measures to be taken to successfully manage any situation by relying on our professionals.


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OPERATIONAL DIVISION

TREASURY DEPARTMENT

Year 2022 marked another year full of challenges for the activity of the Treasury Department. After the difficult period of the Covid-19 pandemic, the war in Ukraine significantly affected volatility of financial markets. Central banks changed the monetary policy by bringing an end to the stimulus measures introduced during the pandemic crisis. The change of monetary policy led to a rapid rise of securities interest rates and significant exchange rate volatility. Regardless of these circumstances, the Treasury Department met successfully its objectives such as: effective liquidity management, support of the bank's key activities, increase of income from main activities, channeling of transactions to Credins Online.

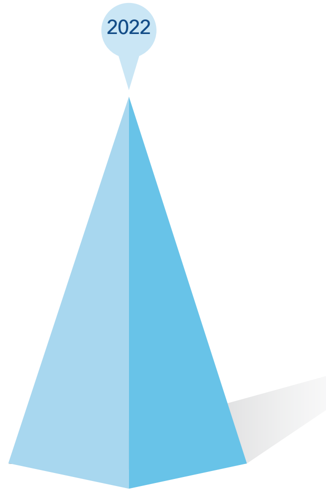
Incomes generated from the activity of Money and Securities Market Sector increased by 27% compared to 2021. In addition to the main objective of managing liquidity, one of the main challenges for this sector has been management of the situation created by the war in Ukraine, in the securities market with fixed income by adapting its investment strategy with the situation created. As far as the domestic interbank market is concerned, the Money and Securities Market Sector has been quite active, supporting the local market with liquidity. In 2022, a special place was given also to the frequent trading of the Albanian Eurobond in the secondary market as per the requests of the bank's clients, which issued abroad, makes Albania present in the World Capital Markets.

Throughout 2022, the focus of Credins Bank as one of the five banks selected, as Market Developer for reference bonds, was to increase bond trading in the secondary market, by revitalizing this market, which is not being used by market players.

The qualified and dedicated staff in customer securities trading continues to train the branch sales staff on a regular basis, in order to provide clients with complete information on the operation and rules of reference bond auctions. Any investor can find information online, on the bank's official website, about the quotation of reference bonds by finding the right moment to invest.

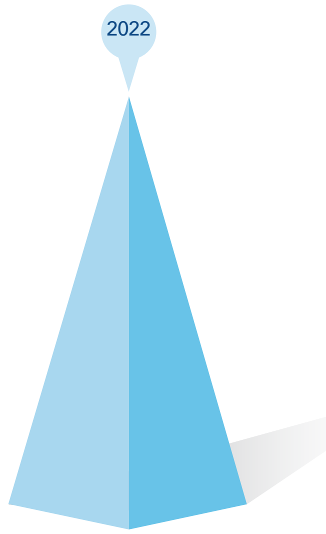
In order to be as close as possible to the clients' investment needs, the Treasury Department created a specialized structure for receiving and executing client orders. The clients of Credins bank are provided with a wide range of products, but they can also invest in various financial products.

The Treasury Department cooperates with well-known international financial institutions/brokers offering clients the best prices in the market. Another important sector that closed 2022 with high results is the Forex Sector, which carefully managed the foreign exchange position, based at all times on the daily analysis of the foreign exchange rate progress in the domestic and international market. The sector has offered customers the opportunity to trade many foreign currencies and to carry out gold transactions with the most preferential and competitive rates in the local market. Fast and transparent customer service also led to rising foreign exchange trading



31% INCREASE

The number of virtual e-commerce terminals



33% INCREASE

The number of Visa and MC Business cards issued

volumes. Efficient cash management has reduced the cost of transportation to the Bank Branches and at the same time, has met the needs of Individual and Business customers.

Year 2022 marked increasing exchanges with preferential rates through the e-banking platform. The latter is particularly preferred by the entities, which find it more convenient to carry out daily foreign exchange operations. The yearlong expertise of the Treasury Department in the foreign exchange and securities market has made Credins bank one of the most preferred banks for customer, which use it for carrying out various transactions. In June 2022, the Treasury Department, which plays a supporting role in raising funds, launched its newest and most successful customer-tailored product, the Flexi Progressive Deposit, giving customers the opportunity to benefit from rising interests and competitive rates in the market.

New issuances of bonds in 2022, through private offering, were successful as the demand was higher than the offer. This product is considered by the clients as a very good investment alternative. This is the 12th year in a row that Credins Bank continues to be the leading 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.

The main objectives of the Treasury Department for 2023 are: effective liquidity management, lower operational costs, promotion of FX forwards, increasing foreign exchange transactions carried out through e-banking, provision of treasury products through Credins online, promotion and increasing transactions in the secondary securities market and securities stock exchange.

CARDS DEPARTMENT

The dynamic developments in the field of electronic payments exposed the Cards Department to constant challenges, which aim to expand and upgrade products and services, but also improve the quality and maintain the standard while providing them. In 2022, several projects were successfully undertaken and closed, which improved the quantitative and qualitative indicators in providing card products, increased the security level and improved the online transactions parameters.

The bank has significantly increased its presence in the market with physical POS terminals, and a sharp increase has been observed in the new number of e-commerce clients (virtual POS). The number of POS terminals has increased by 29% (compared to 2021), while the volume of transactions at Credins merchants has increased by 41%. The number of virtual e-commerce terminals has increased by 31%, and the most significant increase was in the volume of transactions at Credins e-commerce terminals, by 54% compared to 2021.

Transition to the new VPOS platform and provision of service in Euro currency to customers that sell their products online, were some of the innovations of 2022 that had a positive impact on increasing figures and indicators for this service. The service provided in a currency other than ALL was a response to the demands and needs of customers who use this service to market their products and services in Euro. This led to increasing volumes and improved indicators.

The new VPOS platform is a more developed version that makes integration easier to customers and provides more options. The bank follows up integration at every step until it goes live, facilitating the integration process for the client. Customers can make reservations/bookings, payment refunds, order refunds, monitor transactions in real time, etc., through Credins VPOS platform. We are currently in the final phase of migrating to the new platform existing e-commerce customers who, like new customers, benefit all the advantages compared to the old platform, both in terms of additional functionality and in terms of improved quality and parameters.

Other quality indicators of using Credins cards and terminals have also improved. The portfolio of Credins Visa & MasterCard cards with ECO material 99% environmentally soluble has increased by 15% compared to 2021. Cards offered to businesses (Visa and MC Business cards) have had the biggest increase, at the level of of 33%. The growth figure for prepaid cards has also been at high levels, at 30% compared to 2021. The bank has continued to serve public institutions by offering the specific Visa Business Credit product, tailored specifically for them and for the features of putting this category in operation. The relations with these institutions have strengthened and customers are provided with a product that helps them control the activity as per the nature and special requirements. Personalization of cards locally has reduced the time of receiving the card from its application, making the process more flexible for customers.

The Cards Department has been committed to the best possible to timely follow up and implement the projects related to any new developments in electronic card payments, providing a complete package of products and services, personalized for each customer of Credins Bank, as per the requirements, needs and desires, and as per their age, profession, status and income.

Year 2023 will be even more challenging. Innovative projects will continue to be implemented to adapt to the payment changes and developments in electronic channels and the ever-increasing demands of our customers for fast, quality and above all safe products and services.


CREDINS bank
VISA
CREDINS bank
VISA
1234 5678 9012 3456
EMËR MBIEMËR
eco
Card
The Planet card

CORPORATE SOCIAL RESPONSIBILITY

In today's global market, identification of the corporate role and importance is evolving every day. Therefore, it is necessary to regulate the scope of their action, to apply at the highest possible level ethical and moral standards in addition to legal ones. This is the only way to understand their awareness and responsibility towards continuous development of the local economy, the consumer/client, environment or many other areas that have an impact on the society as a whole. In this regard, contribution of social responsibility at the corporate level and beyond, remains the main connecting and interactive bridge among different actors of a country.

Social responsibility continues to be one of the main pillars of Credins Bank. It is an indicator of our great and sustainable development. Our goal has been to integrate the principles of responsible and sustainable banking activity at all levels of our business. For this reason, social initiatives have been comprehensive throughout 2022.

An added value for us is also cooperation with non-profit organizations, investors, or state institutions, which have helped us to achieve and implement our objectives on social care and the general development of society.

Our philosophy of responsibility extends more than that, combining the social values of the corporate

MONIKA MILO
DEPUTY CEO

as a whole, with those of the employees. Thanks to their harmonious combination, we have a consolidated and long-lived staff. Our internal and external policies and our collaborators have had an impact on the employees by emotionally motivating them to serve in many humanitarian, social, educational causes, etc., turning them into true ambassadors of the bank's good image.

In this sense, the spirit of our social responsibility has enhanced the value of customers' perception towards our bank, has grown their loyalty and belief in our values. We have managed to interact even more with our customers, who know that our bank offers services and products of contemporary standards, but also are aware that we are a bank that promotes care, reward and trust for them. We are aware that we live in a global commercial world, which is in the function of the business, but our obligation is to be as careful as possible towards certain segments of society, which are somewhat marginalized.

The strategy of selecting our activities, which have become an important integral part of our culture at the bank, has been quite dimensional and demanding. We have to think about the future of the community and its development by investing in sustainable business practices. Our social activities in 2022 were divided into several types, which are as follows:

- Education, Technology, Culture, Sports: Involvement in development, informative, entertaining and educational policies with the relevant units to help new generations to be competitive and to be decently represented outside the borders of the country.
- Economy, Ecology, Tourism, Health: Including various initiatives on environmental protection, information and awareness of the community about global atmospheric changes and impact on the planet Earth. Promotion of Albanian tourism values, which, in addition to natural and historical beauties, is also a potential voice of the future Albanian economy. Health causes, being close to the sick in cooperation with the Albanian Red Cross.
- Various donations: The fight against poverty is practically a timeless mission, which is somewhat mitigated by the moral obligation. Commitment to invest and contribute to the vital improvement of the vulnerable has been one of the most important causes handled by Credins bank.

In 2022, over 140 projects were implemented in accordance with the 17 Sustainable Development Goals, as well as with the social responsibility strategy. This helps us to have a society and youth with an emancipated, cultured and more ambitious mindset to require more from ourselves regarding integration into the European Union. Becoming a member of UN Global Compact, Credins Bank is now committed more than ever to make its principles part of our strategy, culture and our daily way of work by engaging in projects to help further advancement and development of the Albanian society, based on the best global practices.

The last few years have been very challenging for everyone, as the socio-economic policies have been characterized by many fluctuations over the last 3 years in many economic, political and social aspects, having a global impact.

In this regard, Credins bank is determined and willing to apply with integrity its policies of responsibility throughout 2023. The focus of our bank is to do the best for the country and the community.

PROJECT MANAGEMENT DEPARTMENT

During 2022, in line with the bank's medium-term strategy, the Projects Department was engaged in several important projects which scope was to innovate and enhance the digital capacities of the bank as well to constantly upgrade the processes for a better efficiency.

The bank has been undertaking the digital transformation program for many years now with the aim of building and expanding its digital capacities. In addition to constant upgrades of the digital platform and sales channels by providing them with a contemporary format and bringing them closer to customer requirements, investments have continuously been made to automate and digitalize many internal processes for an increased efficiency.

In 2022, there have been important developments in the project of establishing the electronic archive and digitizing historical documentation. A large number of physical documents have been scanned, converted to electronic documents and then stored in the document management system. Creation of electronic customer files shall significantly facilitate the management of customer documentation and it shall also reduce physical storage capacities.

During 2022, one of the main activities of the department in terms of improving customer service and experience, has been upgrade of the bank's internal processes. A significant number of processes involving large human and material resources were automated and standardized, and many other processes were simplified to be carried out within a shorter period of time.

Credins bank, through the "Cosme" project in cooperation with the European Investment Fund, part of the European Investment Bank, has managed to finance a growing number of businesses which, due to the lack of guarantee, did not meet the standard requirements for financing. This scheme does not apply additional commissions to customers and about 140 customers with a portfolio of approximately Euro 10,500 million have been financed through it.

CREDINS bank

YOUTH PACKAGE

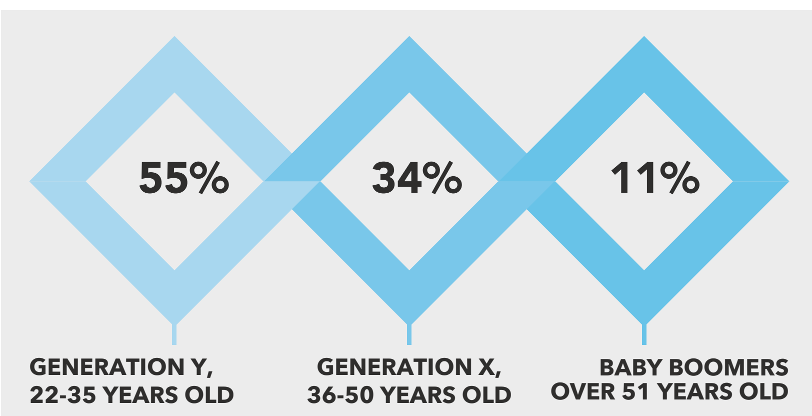
HUMAN RESOURCES DEPARTMENT

In 2022, the Human Resources Department has been focused on carrying out many activities and innovations in managing human resources aiming at motivating and encouraging bank employees to develop further cooperative skills and teamwork. The main objective of the Department continues to be quality recruitment, professional growth through constant development and fair competitive remuneration.

Some of the main innovative projects completed and successfully launched are:

- Learning Management System (LMS), an online training program, accessible 24/7, that has provided employees with quality training and online testing of the knowledge acquired.
- The launch of the first FIN Tech master in cooperation with the European University of Tirana, an innovation for the banking system, encouraging students to specialize in order to be employed at the bank upon completion of their studies.
- The HRMIS program started in the second half of the year and the needs for managing the information shall be updated throughout 2023. Everyone will have the opportunity to be included on the personal Self Service site.

Year 2022 was closed with 1038 employees or 3.5 % more than in 2021, ranking us among the major local corporates in terms of employment, talent development, promotion and continuous training of our employees. The average age of the staff is 36.3 years old and staff division as per different generation is:



The focus of our policies has been also gender equality, reflected in the female/male ratio, which by the end of 2022 was as follows: 76% versus 24% in favor of women. The number of employees at managerial level was 20%, of which 72% are female managers. Credins Bank promotes continuously its employees, ensuring their professional growth. In 2022, were promoted 126 employees, of which 17 hold managerial positions.

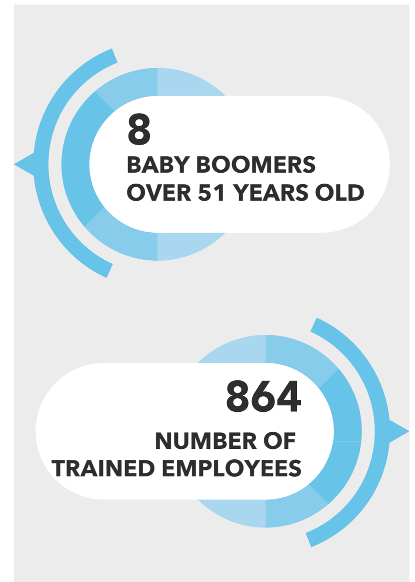
Credins bank is leader in providing various benefits to all employees, given that it considers very important the work-life balance. Today, Credins bank is highly appreciated for the contribution it gives for its employees for both the private health and life insurance and the private pension fund. Moreover, reward of the best employees based on the results achieved is constantly the focus of the strategy of this department. 609 employees were evaluated and financially rewarded throughout 2022.

Recruitment and Training. In 2022, special attention has been paid to quality recruitment. 1,884 job interviews and 398 tests were conducted. 151 employees were recruited in total; about 74 % were employed in the branch network.

Attention has also been paid to the staff training, focusing particularly on the branch staff. About 65% of the training hours were performed for existing employees of the branch network. A total of 56.677 training hours were conducted, of which:

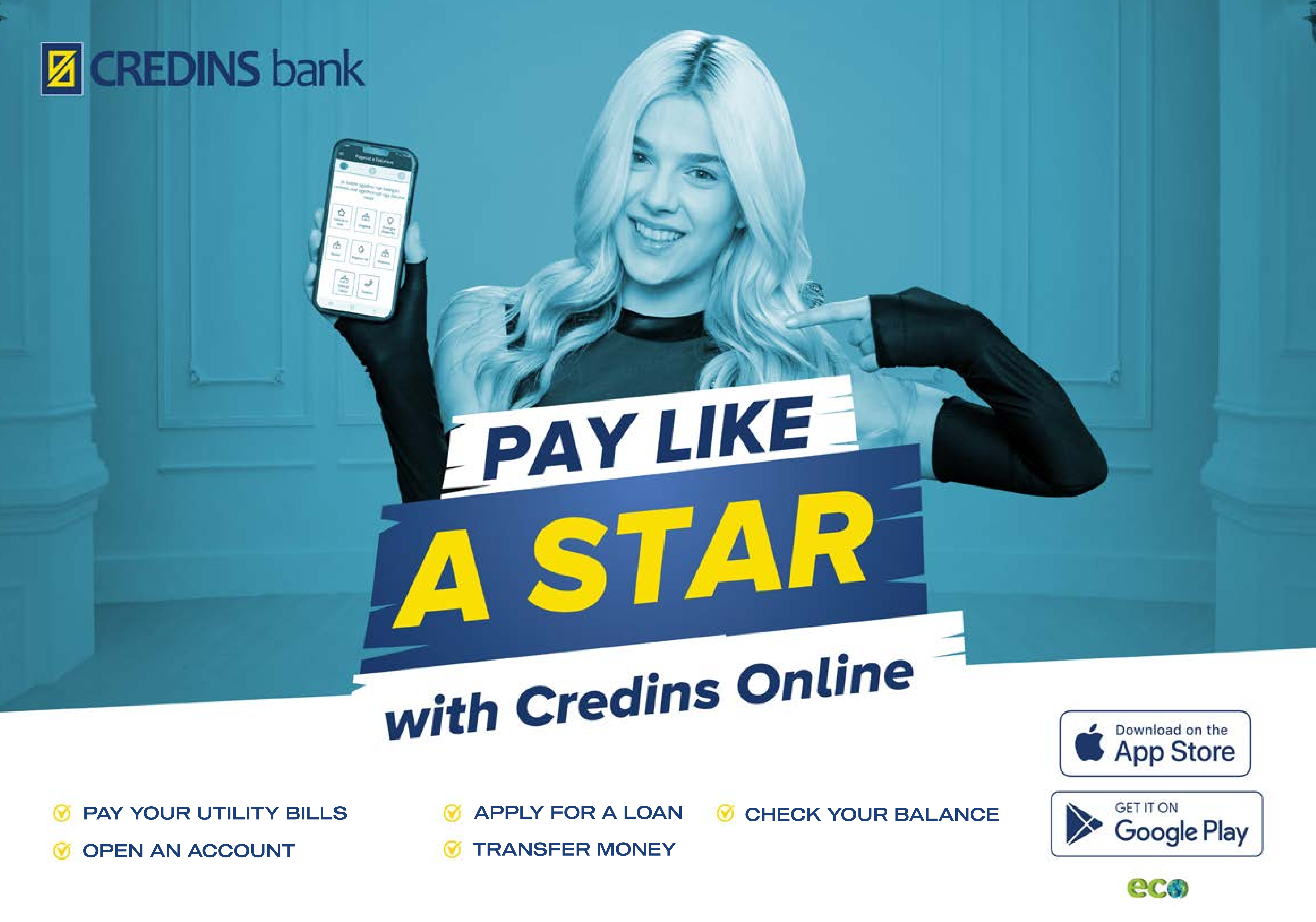
- 10.467 training hours for the existing staff
- 27.000 training hours for the new employees
- 18.160 training hours for the staff promoted or that has been appointed to new job positions
- 1.050 online training hours, LMS

The statistics of trainings are shown in the following diagram:



#youarecredins program: a specific program takes place 2 times a year (in May and November). There have been 243 applications, which candidates have been graduated in the economic, information and legal sciences, with an average grade above 8. 34 candidates were selected to be employed. The selection process was based on group tests and evaluations. The bank's best experts trained trainees in theory and practice. Statistics related to this program are as follows:

The objectives for 2023 shall be the professional growth and development of the staff through quality training, continuous promotion providing a career for everyone, recruitment of talents and their development as well as increasing activities to provide a cooperative and pleasant environment. The focus shall always be on continuously growing the benefits to our employees.



CREDINS bank
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A STAR
with Credins Online
Download on the
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GET IT ON
Google Play
PAY YOUR UTILITY BILLS
OPEN AN ACCOUNT
APPLY FOR A LOAN
TRANSFER MONEY
CHECK YOUR BALANCE
eco

CORPORATE GOVERNANCE

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

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

- Transparency: The bank shall ensure that the public and interested third parties are provided with a timely and accurate information on all material matters regarding the corporate, including the financial situation, performance, ownership and governance of the bank.
- Accountability: Directors shall be held accountable for their decisions and actions to shareholders, and, in certain cases, to key stakeholders.
- Fairness: The bank is obliged to protect shareholder rights and ensure equitable treatment of all shareholders, including minority shareholders.
- Responsibility: Directors shall carry out their duties with honesty, impartiality and integrity. The bank recognizes the rights of other stakeholders as provided for in laws and regulations, and encourages co-operation between the bank and stakeholders in establishing sustainable and financially sound enterprises.

STRUCTURE OF GENERAL GOVERNANCE OF THE BANK

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

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

The Board of Directors held 5 meetings in 2022 according to the annual plan. The meetings were held with a quorum of at least 5 members, the necessary quorum to take decisions.

Through periodic reporting of the Bank’s main units, the Board of Directors supervises the financial situation of the bank; the functioning of the organization structures and the activity of Senior Management; implementation of the Bank’s policies and strategies related to business plan, risk management, annual budget by setting out and monitoring achievement of long-term objectives and the efficiency of the bank’s management practices. In the first meeting of the year, the Board of Directors monitored the medium-term strategic plan and projects of strategic importance for the Bank. The preliminary financial result for 2022, the budget and business plan for the next year were discussed in the December meeting.

The Board of Directors approves by 2/3 of the votes all the bank’s actions, which increase the Bank’s exposure to clients with an exposure over 10% of the regulatory capital and to persons having a special relation with the bank. These decisions were taken throughout the year in full compliance with the regulation of the Board of Directors, through conference calls held via the Zoom platform. In 2022, the Board of Directors held 15 conference calls. This body has regularly

monitored and addressed potential conflicts of interest of Managers, members of the Board of Directors and shareholders, including potential conflicts of interest that may arise from misuse of the Bank’s funds and actions with related parties.

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

Current composition of the Board of Directors is as follows:

Member	Position	Term
Saimir Sallaku	Chairman	June 2022 - June 2026
Clive Moody	Deputy Chairman	June 2022 - June 2026
Monika Milo	Member	June 2022 - June 2026
Maltin Korkuti	Member	June 2022 - June 2026
Elton Toro	Member	September 2017 - September 2025
Raimonda Duka	Member	May 2020 - May 2024
Jonas Hasselrot	Member	February 2020 - February 2024

The majority of the members of the Board of Directors must be individuals who, at the moment they are appointed and throughout the 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. Members of the Board of Directors, while performing their duties shall comply with the highest ethical standards and act upon sufficient and adequate information, in good faith and at the best interest of the Bank with the due care and responsibility, fully committed to their responsibilities, in the best interest of the safety and sustainability of the banking and financial activity of the bank.

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

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

Member	Position	Term
Maltin Korkuti	Chief Executive Officer	May 2020 - May 2023
Monika Milo	Deputy Chief Executive Officer	December 2020 - December 2023

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

Senior Management shall inform the Board of Directors, in a duly and timely manner, on a regular basis, about important issues related to the bank operations, in particular related to the risk management, implementation of strategies and policies, as well as any deviation from the approved objectives. It is responsible for keeping the Bank's accounts in a proper manner and preparation of the financial statements in conformity with the law. Senior Management shall present to the Board of Directors the financial statements at least three months after the closure of the financial year.

Committees at Board of Directors and Bank level

According to the Articles of Association, the Board of Directors has approved establishment of the following committees. All the committees are formalized in the internal regulatory acts.

	Committees of the Board of Directors			Committees at the Bank level				
	Audit Committee	**Risk Committee**	**Remuneration and Nomination Committee**	**ALCO Committee**	**IT and Projects Steering Committee**	**Strategy Implementation Committee**	**Policy and Procedure Review Committee**	**Product and Service Committee**
Chairman	Elton Toro	Jonas Hasselrot	Raimonda Duka	CEO	CEO	Head of Project Management Department	CEO	CEO
Member	Erjon Saraçi	Maltin Korkuti	Clive Moody	Deputy CEO	Deputy CEO	Head of Risk Management Division	Deputy CEO	Deputy CEO
Member	Eva Pango	Saimir Sallaku	Jonas Hasselrot	Head of Financial Division	Head of Risk Management Division	Head of Financial Division	Head of Legal Department	Head of Financial Division
Member				Head of Operational Division	Head of Project Management Department	Head of IT Department	Head of Compliance and AML Department	Head of Operational Division
Member				Head of Risk Management Division	Head of Operational Division	Head of Branch Sales Management Department		Head of Risk Management Division
Member				Head of Business Development Division	Head of Business Development Division	Head of Marketing Department		Head of Business Development Division
Member				Head of Treasury Department	Head of IT Department	Head of Performance Management Unit		Head of Legal Department
Member					Head of Financial Division			Head of Marketing Department
Member					Chief of Information Security Sector			
Member					Head of Performance Management Unit			

The Audit Committee is composed by three members appointed by the Shareholders' assembly. This Committee audits and supervises implementation of accounting procedures and internal audit of the Bank; including the procedures defined by the Bank of Albania, audits the bank accounts and relevant registrations; examines internal audit reports and monitors the way conclusions from such reports are dealt with; proposes the authorized statutory auditor and enables communication between him/her and the internal audit of the Bank; evaluates the financial situation of the Bank based on the report of the authorized statutory auditor; controls compliance of the activity of the Bank with its laws and by-laws and notifies the Board of Directors of the Bank about the conclusions; provides an opinion to the Board of Directors of the bank in relation to issues, for which the latter has requested such an opinion; approves the financial reports and statements prepared by the Bank and which the bank intends to publish.

In 2022, the Audit Committee held four ordinary meeting with the participation of all members.

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

This committee held four meetings in 2022. It evaluated and reviewed the information provided by CRO regarding all risks to which the bank was exposed at every quarter, credit, market, liquidity, reputational, operational risk, fraud, etc. Based on the reporting to the Board of Directors, this Committee has advised and assisted the latter in fulfilling the responsibilities related to the current profile and future risk strategy of the Bank taking into account the current and future financial and macroeconomic environment; harmonization of the bank's internal activity with the external legal and regulatory framework; data security and business continuity, as well as review and recommendation for approval by the Board of Directors of the general credit risk appetite and risk governance framework. The Risk Committee has actively examined and monitored, throughout the year, the performance of large exposures making up over 10% of the regulatory capital and of the people with a special relation to the bank, advising the risk unit, case by case. It has given the relevant recommendations to the Board of Directors, so that sound decisions can be taken in accordance with the Risk Strategy of the Bank.

The Board Remuneration and Nomination Committee is composed of at least three members, who are Non-executive directors entitled to vote. The Chairman is an independent Non-executive director. In May 2022, the Committee appointed a new member, Mr. Jonas Hasselrot, to complete its composition of three members. This Committee monitors the nominations and compensation system; reviews, assesses and recommends to the Board for approval nomination and remuneration policies, and practices; reviews the nominations of Executive and Non-Executive managers and their remuneration, ensuring that compensation is appropriate, consistent and in line with: the strategic objectives of the Bank, long term business and risk strategies, performance and control environment, expectations and requirements of regulations.

The committee convened four times in 2022, and reviewed the activity of the Human Resources Department on a quarterly basis, reviewed the annual objectives set for the Heads of Divisions and the Head of Internal Audit Department, as well as achievement of the objectives of the previous year. This Committee has also managed the performance and suitability self-assessment process for the members of the Board of Directors, individually and collectively. In addition, it has also examined the performance and salary review process based on the budget, and has reviewed the performance and remuneration of the Senior Management.

Loan approving committees are ranked from the Risk Division according to the amounts and profile of the borrower's and segment's risk profile. These committees review and approve credit exposures and any lending issues.

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

The main 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 relevant laws and internal regulations. ALCO Committee is convened 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.

The Products & Services Committee (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 indefinite term.

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

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

It ensures and advices 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, 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 ITPSC shall meet whenever it is necessary and when it is required by the chairman and/or members.

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

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

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

THE CRITERIA FOR SELECTING AND NOMINATING ADMINISTRATORS

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

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

Interviews for new appointments shall also take into account the behaviors that non-executive directors are likely to show in order to ensure that the environment of the Board of Directors Room is appropriate for the challenges expected and achieved. The Board aims that the majority of its members shall consist of independent non-executive directors, including the chairman of the Board and the Chairmen of the main Board committees, who must have experience in the banking and/or financial sector.

Some of the factors that play a role in identifying the inherent and perceived independence of the BD member are:

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

  He/she is not a member of the board or has no significant affiliation with other board members by being involved in companies or other bodies.
- Does not represent a significant shareholder.
- Is not a member of the Board for a long period.

The review of the Board composition shall consider the advantages of diversity, including gender composition of the Board, and shall also seek to provide a geographical mix of directors, along with experience in various industry sectors. All nominees must have the financial knowledge required to understand properly the Bank's operations and their related risks.

During the process of selecting candidates for members of the BD or during the process of reassessing or re-electing current members, the Board of Directors ensures that knowledge, experiences and qualifications are combined at the same time with those of other members, in order to provide a collective, appropriate and balanced qualification.

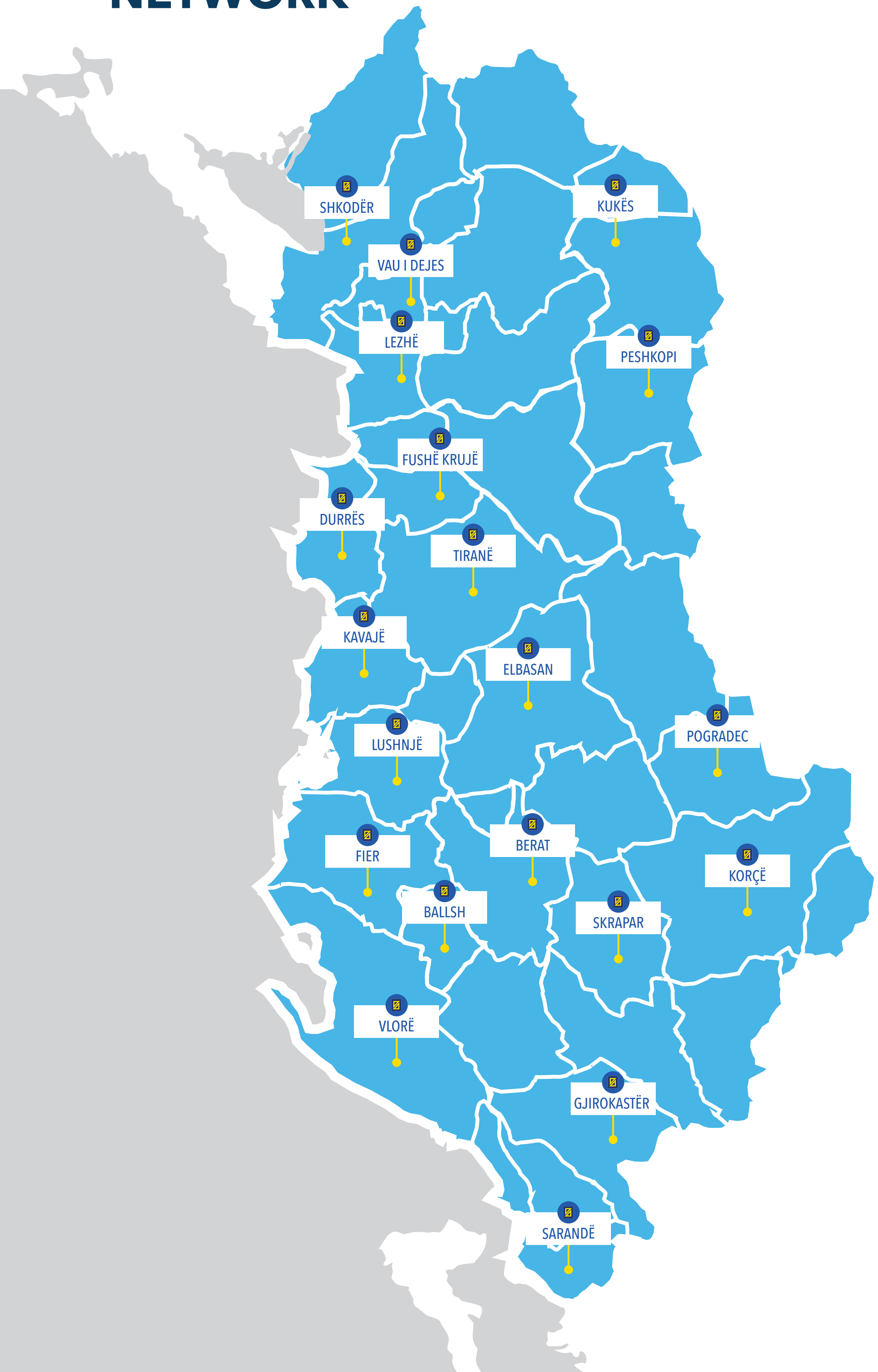
INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM RELATED TO FINANCIAL REPORTING

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

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

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

BRANCH NETWORK



50 BRANCHES

71 ATM

AUDITORS' REPORT

BANKA CREDINS SHA

Consolidated Financial Statements for the year ended on 31 December 2022

CONTENTS

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Banka Credins Sh.a (hereafter referred as the "Group") which comprise the consolidated statement of financial position as at 31 December 2022 the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton sh.p.k.

Tirana, Albania
24 July 2023

Kledian Kodra, FCCA

Grant Thornton Sh.p.k. NIPT K 91326007 N Tirana ALBANIA

Banka Credins sh.a.

Consolidated statement of profit or loss

for the year ended 31 December 2022[1]

	Notes	Year ended 31 December 2022 ALL '000	Year ended 31 December 2021 ALL '000
Interest income	3	11,805,479	9,479,432
Interest expense	3	(2,259,563)	(2,133,198)
Net interest income	3	**9,545,916**	**7,346,234**
Fee and commission income	4	1,859,592	1,658,281
Fee and commission expense	4	(214,260)	(185,127)
Net fee and commission income	4	**1,645,332**	**1,473,154**
Other expenses	5	(393,048)	(891,045)
Other income	5	954,866	1,007,520
(Loss)/profit from foreign exchange transactions		78,430	489,532
Net other income		**640,248**	**606,007**
Net impairment loss on financial assets	6	(3,899,631)	(2,099,817)
Losses from unrecoverable loans	19,20	-	(9,749)
Depreciation of property and equipment	23	(456,961)	(443,937)
Amortization of intangible assets	24	(91,001)	(88,487)
Depreciation of right-of-use assets	25	(447,884)	(370,531)
Personnel expenses	7	(2,002,019)	(1,803,194)
Administrative expenses	8	(3,394,005)	(2,864,946)
		(10,291,501)	(7,680,761)
Share of loss of associates	18	(3,071)	(4,368)
Profit before taxes		1,536,924	1,740,266
Income tax expense	9	(452,904)	(423,628)
Deferred tax income	9	-	-
Profit for the year		1,084,020	1,316,638

[1]The notes 1 to 42 in pages 5 to 72 are an integral part of these consolidated financial statements.

Banka Credins sh.a.

Consolidated statement of other comprehensive income

for the year ended 31 December 2022[1]

	Notes	Year ended 31 December 2022 Lek '000	Year ended 31 December 2021 Lek '000
Profit for the year		1,084,020	1,316,638
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods.			
Investment securities at fair value through other comprehensive income:			
Revaluation of debt instruments at fair value through other comprehensive income	15	(157,462)	292 409
Income tax effect		23,721	(43,319)
Net gains/(loss) on debt instruments at fair value through other comprehensive income		(133,741)	249,090
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		(133,741)	249,090
Other comprehensive income for the year, net of income tax		(133,741)	249,090
Total comprehensive income for the year, net of tax		950,279	1,566,728
Attributable to:			
Equity holders of the parent		1,021,891	1,612,542
Non-controlling interests		(71,612)	(46 814)
		950,279	1,565,728

The consolidated financial statements have been approved by the Board of Directors of Banka Credins Sh.a on 13 June 2023 and signed on its behalf:

Mr. Mallin KORKUTI
Chief Executive Officer

Mrs. Valentina PRODANI
Head of Accounting and Finance Department

[1]The notes 1 to 42 in pages 5 to 73 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2022[1]

	Notes	31 December 2022	31 December 2021
		ALL '000	ALL '000
Assets			
Cash and cash equivalents	10	41,112,315	32,482,672
Restricted balances with Central Bank	11	19,353,410	18,258,643
Loans and advances to banks	12	339,291	3,925,172
Reverse repurchase agreement	13	968,294	-
Financial assets at fair value through profit or loss	14	-	310,058
Debt instruments at fair value through other comprehensive income	15	17,333,177	65,650,648
Debt instruments at amortised cost	16	70,789,612	26,478,555
Quota in investment funds		47,850	88,626
Investments in associates	18	11,268	14,644
Goodwill	17	43,371	43,371
Leasing	19	1,874,722	1,521,855
Loans and advances to customers	20	133,552,337	118,512,816
Repossessed properties	21	4,703,470	4,231,602
Investment property	22	4,600,220	4,205,394
Property and equipment	23	3,450,443	3,620,941
Intangible assets	24	459,434	499,326
Right-of-use assets	25	3,174,670	2,594,588
Other assets	26	2,354,628	2,163,315
Total assets		**304,168,512**	**284,602,226**
Liabilities			
Due to banks and other financial institutions	28	3,565,242	3,412,660
Due to customers	29	265,608,932	249,052,994
Borrowing	30	170,000	825,324
Subordinated debt	31	7,924,658	7,287,955
Current tax liabilities		12,259	58,986
Deferred tax liabilities	27	23,779	149,335
Lease liability	32	3,330,299	2,725,821
Other liabilities	33	3,534,501	482,395
Provisions	34	75,843	38,982
Total liabilities		**284,245,513**	**264,034,452**
Equity			
Share capital	35	11,503,786	10,717,161
Share premium	36	3,855,876	3,833,794
General reserve	37	3,341,663	2,834,923
Revaluation reserve of investment securities	15	(9,443)	1,203,789
Retained earnings		776,368	1,606,584
Total equity attributable to equity holders of the parent		**19,468,250**	**20,196,251**
Non-controlling interest ("NCI")		**454,749**	**371,523**
Total equity		**19,922,999**	**20,567,774**
Total liabilities and equity		**304,168,512**	**284,602,226**

[1]The notes 1 to 42 in pages 5 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022[1]

	Share capital	Share premium	General reserve	Revaluation reserve of investment securities	Retained earnings	Total	NCI	Total equity
	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000	ALL '000
Balance at 1 January 2021	**10,213,523**	**3,787,278**	**2,533,854**	**957,133**	**996,332**	**18,488,120**	**47,123**	**18,535,243**
Profit of the year	-	-	-	-	1,365,886	1,365,886	(49,248)	1,316,638
Other comprehensive income	-	-	-	246,656	-	246,656	2,434	249,090
Total comprehensive income	-	-	-	**246,656**	**1,365,886**	**1,612,542**	**(46,814)**	**1,565,728**
Foreign exchange rate differences	-	-	-	-	1,082	1,082	(23)	1,059
Appropriation of retained earnings (note 35, 37)	451,603	-	301,069	-	(752,671)	1	-	1
Dividends	-	-	-	-	(4,045)	(4,045)	(851)	(4,896)
Issue of share capital (note 35)	52,035	46,516	-	-	-	98,551	-	98,551
Increase/(decrease in the capital from NCI	-	-	-	-	-	-	372,088	372,088
Balance at 31 December 2021	**10,717,161**	**3,833,794**	**2,834,923**	**1,203,789**	**1,606,584**	**20,196,251**	**371,523**	**20,567,774**
Profit of the year	-	-	-	-	1,157,867	1,157,868	(73,847)	1,084,020
Other comprehensive income	-	-	-	(135,976)	-	(135,976)	2,235	(133,741)
Total comprehensive income	-	-	-	**(135,976)**	**1,157,867**	**1,021,891**	**(71,612)**	**950,279**
Foreign exchange rate differences	-	-	-	407	38,879	39,286	(45,650)	(6,364)
Change in business model	-	-	-	(1,077,663)	-	(1,077,663)	-	(1,077,663)
Appropriation of retained earnings (note 35, 37)	760,111	-	506,740	-	(1,266,851)	-	-	-
Dividends	-	-	-	-	(760,111)	(760,111)	(1,054)	(761,165)
Issue of share capital (note 35)	26,514	22,082	-	-	-	48,596	-	48,596
Regain of control on a subsidiary	-	-	-	-	-	-	201,542	201,542
Balance at 31 December 2022	**11,503,786**	**3,855,876**	**3,341,663**	**(9,443)**	**776,368**	**19,468,250**	**454,749**	**19,922,999**

[1]The notes 1 to 42 in pages 5 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2022[1]

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
		ALL'000	ALL'000
Cash flows from operating activities			
Profit before income tax		**1,536,924**	**1,740,266**
Adjustments for:			
Depreciation and amortization	23,24	547,957	532,423
Disposed fixed assets	23	(244,000)	(11,993)
Right-of-use assets	25	(580,082)	406,654
Net impairment loss on financial assets	6	612,772	1,851,149
Other losses from unrecoverable loans	19,20	-	9,750
Share of loss from associate	18	3,071	4,368
Fair value of investment properties and securities		40,776	(271,431)
Impairment on repossessed properties	21	99,016	102,734
Net interest income	3	(9,545,916)	(7,346,234)
Foreign exchange effect		2,141,667	(13,456)
Cash flows (used in) operating activities before changes in working capital		**(5,387,816)**	**(2,995,770)**
Change in loans and advances to banks	12	3,585,881	(3,753,567)
Change in Repo/ Reverse Repo	13	(968,294)	-
Change in loans and advances to customers	20	(15,640,712)	(14,855,212)
Change in leasing	19	(364,447)	(233,484)
Change in restricted balances with Central bank	11	(1,094,767)	(2,647,124)
Change in repossessed properties	21	(570,884)	571,960
Change in investment properties	22	(394,826)	(1,629,379)
Change in other assets	25	(191,314)	(306,441)
Change in due to banks and financial institutions	28	164,898	(1,044,587)
Change in due to customers	29	16,555,938	35,179,874
Change in lease liability	32	604,478	(384,779)
Change in other liabilities	33,34	2,987,132	(39,499)
Interest received		11,805,479	9,479,432
Interest paid		(2,301,924)	(2,133,198)
Income tax paid		(499,631)	(388,008)
Net cash from operating activities		**8,289,191**	**14,820,218**
Cash flows used in investing activities			
Purchase of investment securities	14,15,16	(19,124,231)	(35,187,003)
Sales of investment securities	14,15,16	1,082,996	3,504,180
Investment securities matured	14,15,16	18,890,822	20,899,053
Investment in subsidiaries and associates	18	-	-
Purchase of quotas in investment funds		-	(65,373)
Purchase of property and equipment	23	(42,458)	(640,284)
Purchase of intangible assets	24	(51,108)	(184,644)
Net cash used in investing activities		**756,021**	**(11,674,071)**
Cash flows from financing activities			
Proceeds from issued subordinated liabilities	31	1,181,314	2,214,065
Repayments of subordinated debt	31	(418,218)	(838,054)
Repayments of borrowings	30	(667,639)	420,785
Dividend payment		(761,165)	(4,896)
Issue of share capital		250,139	470,639
Net cash from financing activities		**(415,569)**	**2,262,539**
Net increase, in cash and cash equivalents		**8,629,643**	**5,408,686**
Cash and cash equivalents at 1 January	10	32,482,672	27,073,986
Cash and cash equivalents at 31 December	10	**41,112,315**	**32,482,672**

[1]The notes 1 to 42 in pages 5 to 72 are an integral part of these consolidated financial statements.

1 General information

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

As at 31 December 2022, the Credins Bank Sh.a was operating through a head office located in Tirana, 49 branches located in Tirana, Durres, Fier, Lezha, Elbasan, Vlora, Shkodra, Korca, Shijak, Shkozet, Kavaja, Lushnja, Fushe Kruje, Kukes, Burrel, Ballsh, Berat, and Peshkopi and 1 agency in Durres. (31 December 2021: 49 branches and 8 agencies).

The Group's Shareholders acquired 76% of the shares of "CREDINS INVEST sh.a. - Shoqeri administruese e Fondeve 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 approval for the change in the shareholding structure and change in control of "Shoqeria Administruese e Fondit te Pensionit "Credins Invest" sh.a. was approved by the Financial Supervisory Authority on 28 April 2015. This was registered with the National Registration Center on 10 June 2015, which is the date when the change in control becomes effective. During the following years, the Group has injected additional capital in "Credins Invest".

The Group's Shareholders have agreed that the Group would acquire 95% of the shares of "Regjistri Shqiptar i Titujve ALREG" sh.a." for an amount of ALL 3,325 thousand. This has been registered with the National Registration Center on 16 March 2016. The Group's shareholding of ALREG sh.a on 20 April 2018 was 47.5%. On October 2019 the Group purchased an additional 5% in the shareholding from an existing shareholder resulting in a participation of 52.5% and gaining control of the company. Additional capital was injected in the following years in ALREG sh.a.

The Group's Shareholders have agreed that the Group would acquire 42.5% of the shares of "Bursa Shqiptare e Titujve ALSE" sh.a." for an amount of ALL 21,250 thousand. This has been registered with the National Registration Center on 28 July 2017. The group injected additional capital during the years in the company.

The Group's Shareholders have agreed that the Bank would acquire 100% of the shares of "Banka Credins Kosova Sh.a. for an amount of EUR 8 million. Credins Bank Kosovë operates in the territory of Kosovo since October 2020. The Bank operated as a bank with full rights, in compliance with the Law No. 04/L-093 On Banks micro financing institutions and non-banking financial institutions and offers services for all client categories in the Republic of Kosovo through its branch network comprised of four branches located in Prishtina, Ferizaj, Prizren. In 2021, Credins Bank Kosova Sh.a issued additional capital which was acquired by new shareholders. As of 31 December 2022, the shareholding of Banka Credins Sh.a. in Banka Credins Kosove is 66.35% (2021: 75.11%).

As at 31 December 2022 the Group had 1,162 employees (31 December 2021: 1,086 employees).

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

2 Accounting Policies

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments, other financial assets and liabilities at FVPL and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value and repossessed properties which are measured at the lower of cost or net realizable value.

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

2.1.1 Statement of Compliance

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

2.1.2 Presentation of Consolidated Financial Statements

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non–current) is presented in note 38.

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

2. Accounting Policies (continued)

2.1 Basis of preparation (continued)

2.1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2022. 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.

2.1.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Parent re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities (if any). Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Accounting Policies (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

2.2.1 Impairment losses on financial assets

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

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

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

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

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

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

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

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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

2.2.2 Going concern

During the beginning of 2020, the pandemic of COVID-19 was spread globally. In response to the situation, in March 2020 the Government of Albania took drastic measures by suspending all activities that were not vital. Furthermore, facing the consequences of the COVID-19 Pandemic, which go far beyond the crucial element of public health, both the Government of Albania and Bank of Albania implemented immediate measures during in order to mitigate the social and economic impact of the outbreak. The government announced a sovereign guarantee to all the business facing liquidity problems and sought financing. Further, Bank of Albania announced that customers that will face liquidity problems could request a postponement of the settlement of their liabilities toward the Banks until 31.12.2020.

The post pandemic situation was coupled with the international financial market fluctuations due to the Ukrainian conflict in 2022. However, the Group managed to maintain in the year 2022 and 2021 a positive result for its operations, which was also in line with budget. The activity of the Group has continued without suspension during 2022 and 2021, and there has been a steady performance on the customers' collection.

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.

(Amounts in ALL'000, unless otherwise stated)

2. Accounting Policies (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

2.2.2 Going concern (continued)

The Group performs regularly, stress test exercises, to test the possible impact of macroeconomic indicators in Bank'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.

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.

For the year ending 2022, the Group has met the budgeted results and expects the same for 2023.

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. For additional disclosures on capital management refer to note 41.6.

2.2.3 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 2.4.3.

2.2.4 Effective Interest Rate (EIR) method

The Group's EIR method, as explained in Note 2.4.7.1, recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans and deposits and recognizes the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments.

2.2.5 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized. Although in Albania tax losses can be utilized within 3 years of the date it occurred, judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies (see Note 9 and Note 27).

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset) or any other event that prevents the Group to use the premises.

2.2.7 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

2. Accounting Policies (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

2.2.8 Impairment of investment securities

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

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

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

2.3 Changes in accounting policies and disclosures

2.3.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These amendments had no impact on the financial statements of the Group, therefore no additional disclosure have been presented in the financial statements.

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

Other Standards and amendments that are not yet effective and have not been adopted early include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

2.4.1 Foreign currency transactions

In preparing the consolidated financial statements, transactions in currencies other than the Group's functional currency are recognized at the spot rates of exchange prevailing at the dates of the transactions.

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The applicable rate of exchange (ALL to foreign currency unit) for the principal currencies as at 31 December 2022 and 31 December 2021 were as follows:

	31 December 2022	31 December 2021
USD	107.05	106.54
EUR	114.23	120.76
GBP	128.92	143.95
CHF	116.13	116.82
CAD	79.04	83.78
XAU	6,247.70	6,231.47

2.4.2 Financial instruments – initial recognition and subsequent measurement

2.4.2.1 Date of recognition

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

2. Accounting Policies (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

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

2.4.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.4.4.1.1 and 2.4.4.1.2. Financial instruments are initially measured at their fair value (as defined in Note 2.4.3), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below:

Day 1 profit or loss

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

2.4.2.3 Measurement categories of financial assets and liabilities

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

- Amortized cost, as explained in Note 2.4.4.1
- FVOCI, as explained in Notes 2.4.4.4 and 2.4.4.5
- FVTPL, as set out Note 2.4.4.6.

The Group classifies and measures its derivative and trading portfolio at FVPL, as explained in Notes 2.4.4.2 and 2.4.4.3. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 2.4.4.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 2.4.4.6.

2.4.2.4 De-recognition of financial assets

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

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

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

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

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

2.4.2.4.2 De-recognition other than for substantial modification

2.4.2.4.2.1 Financial assets

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

- The Group has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

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

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

2.4.2.4.2.1 Financial assets (continued)

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

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

A transfer only qualifies for de-recognition if either:

- The Group has transferred substantially all the risks and rewards of the asset

Or

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

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

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

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

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

2.4.2.4.2.2 Financial liabilities

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

2.4.3 Determination of fair value

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

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

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.3 Determination of fair value (continued)

approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Group estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself. Details of this are further explained in Note 41.7 (Fair value measurement). The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

2.4.4 Financial assets and liabilities

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

The Group measures *Due from banks*, *Loans and advances to customers* and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2.4.4.1.1 Business model assessment

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

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

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

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

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

2.4.4.2 Derivatives recorded at fair value through profit or loss.

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

An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a consolidated financial instrument. Financial assets are classified based on the business model and SPPI assessments as outlined in Note 2.4.4.1.1 and 2.4.4.1.2.

2.4.4.3 Financial assets or financial liabilities at FVPL

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

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.4 Financial assets and liabilities

2.4.4.4 Debt instruments at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost as explained in Note 2.4.2. The ECL calculation for Debt instruments at FVOCI is explained in Note 2.4.6.3 Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On de-recognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

2.4.4.5 Debt issued and other borrowed funds

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

The Group has issued financial instruments with equity conversion rights. When establishing the accounting treatment for these non-derivative instruments, the Group first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. Once the Group has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for (as outlined in Note 2.4.4.2). Disclosures for the Group's issued debt are set out in Note 30 and Note 31.

2.4.4.6 Financial assets and financial liabilities at fair value through profit or loss

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

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

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis,

Or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy,

Or

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

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

2.4.4.7 Financial guarantees, letters of credit and undrawn loan commitments

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

Financial guarantees are initially recognized in the financial statements (within *Provisions*) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and an ECL allowance.

The premium received (if any) is recognized in the income statement in *Net fees and commission income* on a straight-line basis over the life of the guarantee.

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.4 Financial assets and liabilities (continued)

2.4.4.7 Financial guarantees, letters of credit and undrawn loan commitments (continued)

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

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 39.

2.4.5 Reclassification of financial assets and liabilities

Starting from 31 January 2022, following Board of Directors and ALCO decision, the Group has made a reclassification of financial instruments from FVOCI to amortized cost category. Such reclassification was as a result of a change in the business model of the Group to maintain to maturity the majority of its financial instruments. The change of business model is very rare for the Group. Based on the new business model, the Group's objective is to keep the majority of its financial instruments at Amortized Cost by holding to collect their contractual cash flows for this group of financial assets.

In view of the above, the Group has reclassified a significant portion of its FVOCI financial instruments as financial instruments at amortized cost except the following

- Treasury bills, which have a maturity of up to one year
- Government bonds which the bank considers as highly likely to be sold within a year, or, have a maturity up to one year at the acquisition moment.

When changing the Business Model, the Group has considered all available information.

Financial liabilities are never reclassified. The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

As a result, the FVOCI financial instruments portfolio decreased significantly by the end of 2022 where securities in a nominal value of ALL 43,800 thousand were reclassified to Amortized cost. The comparative proportion of both categories carrying value from 29% of the securities categorized at amortized cost in 2021 resulted to 81% in 2022.

According to IFRS 9, an entity is required to reclassify financial assets if the entity changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties. Accordingly, based on the accounting requirements for asset reclassifications from FVOCI to Amortized Cost, any cumulative gain or loss previously recognized in OCI has been removed from equity and applied against the fair value of the financial asset at the reclassification date.

Given the current Bank of Albania supervisory requirements, the reclassification of securities has been also performed in accordance with the requirements of financial reporting methodology and accounting manual of the Bank of Albania and has been in compliance with the liquidity requirements for the Group through the eligibility criteria applied for these financial assets.

Below is presented the difference between the book value and the fair value of the reclassified portfolio and the possible impact it would have in the Group's revaluation reserve in equity.

Currency	Nominal value original currency	Nominal value '000 ALL equivalent	Difference between Fair value and Book Value				
			31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23
ALL	24,607,200,000	24,607,200	918,617	251,094	(661,534)	(1,463,363)	(208,804)
EUR	140,650,000	16,066,450	(947,000)	(1,884,024)	(2,301,616)	(2,136,666)	(1,923,260)
USD	29,200,000	3,125,860	(6,490)	(102,399)	(229,642)	(198,627)	(131,029)
		43,799,510	**(34,873)**	**(1,735,329)**	**(3,192,791)**	**(3,798,655)**	**(2,263,093)**

Following the change in the Business Model, no sales were performed from the Amortized Cost category

Financial liabilities are never reclassified.

2.4.6 Impairment of financial assets

2.4.6.1 Overview of the ECL principles

The Group records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under IFRS 9.

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.6 Impairment of financial assets (continued)

2.4.6.1 Overview of the ECL principles (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 41.2.

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

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 41.2.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 41.2

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

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

2.4.6.2 The calculation of ECL

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

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

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

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

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

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 39.

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

***2.4.6 Impairment of financial assets* (continued)**

2.4.6.2 The calculation of ECL (continued)

The mechanics of the ECL method are summarized below:

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

2.4.6.3 Debt instruments measured at fair value through OCI

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

2.4.6.4 Purchased or originated credit impaired financial assets (POCI)

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

2.4.6.5 Forward looking information

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

GDP growth

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

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 41.2.

2.4.6.6 Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.4.7 Recognition of interest income and expenses

2.4.7.1 The effective interest rate method

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

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

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Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Recognition of interest income and expenses (continued)

2.4.7.1 The effective interest rate method (continued)

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

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

2.4.7.2 Interest and similar income/expense

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

In its Interest income/expense calculated using the effective interest method, the Group only includes interest on those financial instruments that are set out in Note 2.4.7.1 above.

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

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

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

2.4.8 Fee and commission income and expense

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

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

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

2.4.9 Net trading income

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

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

2.4.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.4.12 Investments securities

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

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.13 Property Plant and equipment and right-of-use assets

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as consolidated items (major components) of property and equipment.

(ii) Subsequent Cost

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

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

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

2.4.14 Intangible assets

(i) Software

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

(ii) Licenses

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

2.4.15 Impairment of non – financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.4.16 Financial guarantees

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

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

Banka Credins sh.a.
Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.17 Pension benefits

(i) Compulsory social security contributions

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

(ii) Paid annual leave

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

(iii) Employee health insurance

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

(iv) Voluntary pension contribution for employees

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

2.4.18 Provisions for contingent liabilities and commitments

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

2.4.19 Taxes

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

(i) Current tax

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

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

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

(ii) Deferred tax

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

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

(iii) Current and deferred tax for the year

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

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.20 Repossessed properties

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

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

2.4.21 Deposits and subordinated liabilities

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

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

2.4.22 Dividends

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders.

For the year ending on 31 December 2022, the Group has declared and paid dividends to shareholders in the amount of ALL 761,165 thousand.

2.4.23 Equity reserves

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

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

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

2.4.24 Write-offs

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

2.4.25 Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

2.4.26 Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.4.26.1 Group as a lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payables are recognized as an expense in the period in which they are incurred.

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Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.26 Leases (continued)

2.4.26.2 Group as a lessor

Leases where the Group transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. In the statement of financial position, the Group presents the receivable amount equal to the net investment value. The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The sales revenue recognized at the commencement of the lease term by a manufacturer or dealer lessor is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest.

2.4.27 Leases

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

2.4.27.1 Group as a lessee

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 25 Right-of-use assets and are subject to impairment in line with the Group's policy as described in Note 2.4.15 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

2.4.27.1 Group as a lessor

Leases where the Group transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. In the statement of financial position, the Group presents the receivable amount equal to the net investment value. The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The sales revenue recognized at the commencement of the lease term by a manufacturer or dealer lessor is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest.

(Amounts in ALL'000, unless otherwise stated)

3 Net Interest income

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income		
Loans and advances to customers	9,573,973	7,691,724
Net trading income	19,800	81,518
Investment securities	1,960,547	1,663,628
Cash and cash equivalents	136,417	9,742
Loans and advances to banks	48,625	6,461
Restricted cash with Central Bank	66,117	26,359
Total interest income	***11,805,479***	***9,479,432***
Interest expense		
Deposits from banks	(77,102)	(92,604)
Deposits from customers	(1,661,520)	(1,575,491)
Subordinated liabilities	(369,749)	(326,342)
Interest expense on lease liabilities	(147,666)	(129,619)
Reverse Repo	(3,526)	(9,142)
Total interest expense	***(2,259,563)***	***(2,133,198)***
Net interest income	**9,545,916**	**7,346,234**

4 Net Fee and commission income and expense

	Year ended 31 December 2022	Year ended 31 December 2021
Fee and commission income		
Grouping customer fees	1,780,374	1,549,354
Fee and commissions from lending services	79,218	108,927
Total fee and commission income	***1,859,592***	***1,658,281***
Fee and commission expense		
Inter bank transaction fees	(61,289)	(69,529)
Treasury operations	(110,921)	(85,710)
Other	(42,050)	(29,888)
Total fee and commission expense	***(214,260)***	***(185,127)***
Net fee and commission income	**1,645,332**	**1,473,154**

5 Net other income/(expense)

	Year ended 31 December 2022	Year ended 31 December 2021
Other income		
Reversals from written of loans	496,718	327,240
Other income	458,148	680,280
Total other income	***954,866***	**1,007,520**
Other expenses		
Other expenses related to the Grouping activity	(393,048)	(891,045)
Total other expenses	***(393,048)***	**(891,045)**
Net other income/(expenses)	**561,818**	**116,475**

Other expenses related to banking activity include expenses for impairment on repossessed properties, which for the year ended on 31 December 2022 amounts to ALL 99,015 thousand (31 December 2021: ALL 102,734 thousands) (note 21). Other income includes the revaluation gain of the assets invested in the alternative fund "Green View – Alternative Investment Fund" and the gain from the increase in the fair value of the quotas invested in "Sea Land – Alternative Investment Fund".

6 Net impairment loss on financial assets

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Charges for ECL on cash and cash equivalents	10	49,752	15,224
Charges for ECL on restricted balances with Central Bank	11	8,919	6,707
Charges for ECL on loans and advances to banks	12	(9,631)	10,948
Charges for ECL on investment securities	15,16	18,735	5,625
Charges for ECL on loans and advances to customer and leasing	19,20	3,794,877	2,021,166
Impairment charges on other financial assets (debtors)	26	-	20,849
Charges for ECL on guaranties and letter of credits	39	36,979	19,398
		3,899,631	**2,099,917**

7 Personnel expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Salaries	1,598,716	1,432,707
Social insurance	195,430	174,152
Life insurance premium	36,738	36,945
Other	171,135	159,390
	2,002,019	**1,803,194**

8 Administrative expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Insurance and surveillance	835,961	803,175
Third parties fees	780,317	688,478
Rent	32,083	16,105
Marketing and subscriptions	578,392	560,397
Maintenance	720,626	398,320
Utilities	148,303	139,479
Supplies	115,532	78,219
Other	82,324	76,985
Local and other taxes	31,657	39,177
Transport and travel	68,810	64,611
	3,394,005	**2,864,946**

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

9 Income tax expense, net

	Year ended 31 December 2022	Year ended 31 December 2021
Current tax expense	391,250	378,943
Income tax expense from subsidiary's profit	1,021	3,935
Deferred tax income (note 26)	60,633	40,750
Income tax expense	**452,904**	**423,628**

The impairment allowances charged by the Group in accordance with IFRS are considered as tax deductible expenses, provided that they are certified by the external auditors. In accordance with Albanian tax regulations, the applicable income tax rate for the year ended 31 December 2022 is 15% (31 December 2021: 15%). The reconciliation of effective income tax rate is summarized as follows:

9 Income tax expense, net (continued)

	Year ended 31 December 2022	Year ended 31 December 2021
Profit before tax in income statement	1,536,924	**1,740,266**
Prima facie tax calculated at 15%	230,539	261,040
Adjustment for unrecognized loss of associate	461	655
Adjustment for non-taxable profit/(loss) of subsidiary	2,411	(17,036)
Non tax deductible expenses	157,839	134,284
Income tax expense	**391,250**	**378,943**

Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Albanian tax laws and regulations are subject to interpretations by the tax authorities. Un-deductible expenses comprise losses from unrecoverable loans, losses from decreases in the value of repossessed properties, provisions created, depreciation charge for leasehold improvements that is not recognized as deductible for fiscal purposes, and other expenses not recognized as tax deductible based on current tax legislation. The Group is audited by tax authorities up to the year 2020.

10 Cash and cash equivalents

	31 December 2022	31 December 2021
Current accounts with banks	4,577,790	3,167,352
ECL impairment for CA balances with banks	*(917)*	*(1,298)*
Money market placements	7,693,689	2,962,717
ECL impairment for placements with banks	*(38,890)*	*(1,045)*
Cash on hand	4,216,379	3,936,794
Unrestricted balances with central bank	26,231,791	23,244,751
ECL impairment for balances with central bank	*(70,953)*	*(58,691)*
In transit	(1,496,574)	(767,908)
	41,112,315	**32,482,672**

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

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	***60,984***	-	-	***60,984***
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	49,753	-	-	49,753
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(3)	-	-	(3)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**110,734**	-	-	**110,734**

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	***45,760***	**-**	**-**	***45,760***
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-		-
New financial assets originated or purchased	15,274	-	-	15,274
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**61,034**	**-**	**-**	**61,034**

Money market placements include placements with resident and non-resident banks, bearing short-term maturity, up to 3 months. Cash in transit represents transactions as agents for payments made by customers in behalf of fiscal authorities, initiated within 31 December 2022 and settled with the current account at the Central Bank within the first days in January 2023. Details on impairment allowance on balances with Central Bank is provided in note 11.1.

Banka Credins sh.a.
Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

11 Restricted balances with Central Bank

In accordance with the Bank of Albania's requirement relating to the Statutory Reserve, Credins Bank maintains a minimum percentage of customers' deposits (reserve base) with the Central Bank as a required reserve. The reserve ratio is calculated as:

- 7.5% for the customers' deposits denominated in ALL with a maturity term up to 12 months and 5% for the customers' deposits denominated in ALL with an initial maturity term of over 12 months to 2 years.
- 12.5% for the customers' deposits denominated in foreign currency, when the ratio of "customer deposits in the relevant currency divided by the total of customers' deposits in foreign currencies is up to 50% and 20% for the customers' deposits denominated in foreign currency, when the ratio of "customer deposits in the relevant currency divided by the total of customers' deposits in foreign currencies" is higher than 50% per cent.

In its day to day operations the Bank can use up to 70% the Statutory Reserve, provided that it maintains the required levels at the end of day of the reporting months. For the year ended on 31 December 2022 and 31 December 2021, the Bank has not used the reserve.

Currently only ALL is remunerated. Interest on Statutory reserves with the Central Bank is calculated at 100% of the repurchase agreements rate which is at 2.75% p.a. as of 31 December 2022 (31 December 2021: 0.5%) on deposits balance denominated in ALL. Balances denominated in USD are not remunerated.

Current accounts with the Central Bank bear no interest.

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

The reserve expressed in euro represents an interest rate that is equal to the deposit rate announced by the European Central Bank which on 31 December 2022 was (0.0%) (2021 was (-0.7%). The Central Bank will calculate interest on the mandatory reserve starting from January 2023 at 0.15%.

11.1 Impairment allowance for restricted cash with Central Bank

	31 December 2022	31 December 2021
Restricted balances with Central Bank	19,409,048	18,305,450
ECL impairment	*(55,638)*	*(46,807)*
Balances with Central Bank, net	**19,353,410**	**18,258,643**

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

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	***46,807***	**-**	**-**	***46,807***
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	***8,919***	-	-	***8,919***
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(88)	-	-	(88)
Change in PV of the allowance Account		-	-	
Balance 31 December	**55,638**	**-**	**-**	**55,638**

11 Restricted balances with Central Bank (continued)

11.1 Impairment allowance for restricted cash with Central Bank (continued)

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	***40,011***	-	-	***40,011***
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	***6,796***	-	-	6,796
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**46,807**	-	-	**46,807**

12 Loans and advances to banks

	31 December 2022	31 December 2021
Non- Resident banks and financial institutions	**230,957**	**48,889**
In foreign currency	230,957	48,889
Resident banks and financial institutions	**109,825**	**3,887,382**
In ALL	72,133	3,853,646
In foreign currency	37,692	33,736
Total balances for loans and advances to banks, gross	**340,782**	**3,936,271**
ECL impairment	*(1,491)*	*(11,099)*
Loans and advances to banks, net	**339,291**	**3,925,172**

12.1 Impairment allowance for loans and advances to banks

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

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

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Low- fair risk	3,936,271	-	-	3,936,271
Less: allowance	(11,099)	-	-	(11,099)
Carrying amount	**3,925,172**	-	-	**3,925,172**

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	***11,099***	-	-	***11,099***
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased		-	-	
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	(9,608)	-	-	(9,608)
Balance 31 December	**1,491**	-	-	**1,491**

Banka Credins sh.a.
Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

12 Loans and advances to banks (continued)

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

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	***201***	-	-	***201***
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-		-
New financial assets originated or purchased	10,898	-	-	10,898
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**11,099**	-	-	**11,099**

13 Reverse repurchase agreement

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

	31 December 2022				
	Interest rates	*Nominal value*	*Premium to be amortized*	*Accrued Interest*	*Book value*
	Min	*ALL '000*	*ALL '000*	*ALL '000*	*ALL '000*
6 days	2.80%	*458,372*	-	*35*	*458,407*
5 days	2.80%	*509,848*	-	*39*	*509,887*
		968,220	-	**74**	**968,294**

14 Financial assets measured at fair value through profit or loss

Investment securities measured at FVPL as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Corporate bonds	-	310,058
Total	**-**	**310,058**

Corporate bonds
As at 31 December 2022 and 2021 the Group had a portfolio of 7-years corporate bonds, denominated in EUR and ALL. Interest is received semi-annually at a respective coupon rate of from 5.5% to 6.0%.

	31 dhjetor 2021						
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
84 months ALL	*157,000*	-	-	*3,114*	-	*652*	*160,766*
84 months EUR	146,120	-	-	2,642	-	530	*149,292*
	303,120	**-**	**-**	**5,756**	**-**	**1,182**	**310,058**

15 Debt instruments at fair value through other comprehensive income

Debt instruments measured at FVOCI as at 31 December 2022 and as at 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Treasury Bills	10,915,483	9,248,206
Government bonds	6,168,232	56,510,736
Corporate bonds	284,295	-
Total investment securities at FVOCI	**17,368,010**	**65,758,942**
ECL impairment	*(34,833)*	*(108,294)*
Total, net of impairment	**17,333,177**	**65,650,648**

(Amounts in ALL'000, unless otherwise stated)

15 Debt instruments at fair value through other comprehensive income (continued)

Treasury bills

The effective interest rates on treasury bills for the year ended 31 December 2022 fluctuated between 1.0% and 6.40% (31 December 2021: 1.0% and 2.29%). Details of treasury bills as at 31 December 2022 and 31 December 2021, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31 December 2022					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
3 months	*1,231,180*	*(9,275)*	*4,154*	*1,226,059*	*105*	*1,226,164*
6 months	*1,586,390*	*(24,443)*	*12,615*	*1,574,562*	*358*	*1,574,920*
12 months	8,256,360	(220,562)	100,763	*8,136,561*	(22,162)	8,114,399
	11,073,930	**(254,280)**	**117,532**	**10,937,182**	**(21,699)**	**10,915,483**

	31 December 2021					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
3 months	*300,000*	*(746)*	*246*	*299,500*	*75*	*299,575*
6 months	*800,000*	*(5,118)*	*2,663*	*797,545*	*530*	*798,075*
12 months	8,212,950	(142,653)	65,805	*8,136,101*	14,455	8,150,556
	9,312,950	**(148,517)**	**68,713**	**9,233,146**	**15,060**	**9,248,206**

Albanian and Foreign Government bonds

As at 31 December 2022, the Bank had a portfolio of 2-years, 3-years, 5-years, 7-years and 10-years government bonds, denominated in the local currency, Euro and US dollar. Interest is received semi-annually at a respective coupon rate of 1.90% to 2.65% (2-years), 1.1% to 6.60% (3-years), 1.81% to 5.45% (5-years), 2.90% to 5.50% (7-years) and 3.85% (10-years) (31 December 2021: 0.13% to 2.65% (2-years), 2.30% to 2.80% (3-years), 0.25% to 5.45% (5-years), 3.75-7.80% (7-years) and 2.25% to 9.34% (10-years)).

Details of government bonds as at 31 December 2022 and 31 December 2021, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31 December 2022						
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
24 months	1,902,800	1,292	0	16,053	1,920,145	(3,351)	1,916,794
36 months	1,738,515	224	(949)	18,580	1,756,370	(1,360)	1,755,010
60 months	223,653	287	(612)	2,510	225,838	1,402	227,239
84 months	1,959,214	699	(1,113)	26,466	1,985,266	6,495	1,991,761
120 months	267,298	477	(3,210)	1,701	266,266	11,162	277,428
	6,091,480	**2,979**	**(5,884)**	**65,310**	**6,153,885**	**14,348**	**6,168,232**

	31 December 2021						
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
24 months	8,899,973	8,416	(1,925)	63,772	8,970,236	45,879	9,016,115
36 months	4,877,178	8,503	(3,639)	44,232	4,926,274	48,443	4,974,717
60 months	7,993,900	149,540	(29,160)	103,533	8,217,813	123,851	8,341,664
84 months	8,593,906	120,127	(5,743)	119,310	8,827,600	147,372	8,974,972
120 months	23,362,134	663,987	(166,298)	294,028	24,153,851	1,049,417	25,203,268
	53,727,091	**950,573**	**(206,765)**	**624,875**	**55,095,774**	**1,414,962**	**56,510,736**

Corporate bonds

	31 dhjetor 2022						
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
84 months ALL	157,000	546	-	3,140	160,686	(34)	160,652
84 months EUR	121,084	359	-	2,220	123,663	(20)	123,643
	278,084	**905**	**-**	**5,360**	**284,349**	**(54)**	**284,295**

15 Debt instruments at fair value through other comprehensive income (continued)

15.1 Impairment allowance for debt instruments at fair value through other comprehensive income

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

				31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
AAA	-	-	-	-
AA+ to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	16,668,037	-	-	16,668,037
Lower than BBB-	-	-	-	-
Unrated	699,973	-	-	699,973
Exposure before impairment	**17,368,010**	-	-	**17,368,010**
Loss allowance	(34,833)	-	-	(34,833)
Carrying amount	**17,333,177**	-	-	**17,333,177**

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
AAA	59,218,634	-	-	59,218,634
AA+ to AA-	629,419	-	-	629,419
A+ to A-	-	-	-	-
BBB+ to BBB-	3,391,093	-	-	3,391,093
Lower than BBB-	1,925,470	-	-	1,925,470
Unrated	594,325	-	-	594,325
Exposure before impairment	**65,758,941**	**-**	**-**	**65,758,941**
Loss allowance	(108,293)	-	-	(108,293)
Carrying amount	**65,650,648**	**-**	**-**	**65,650,648**

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

				31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
--**Balance at 1 January**	**65,650,648**	**-**	**-**	**65,650,648**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	16,790,017	-	-	16,790,017
De-recognition of financial assets	(16,396,435)	-	-	(16,396,435)
Change in fair value	(1,425,500)	-	-	(1,425,500)
Write-offs	-	-	-	-
Changes in models/risk parameters	(47,218,582)	-	-	(47,218,582)
Foreign exchange and other movements	(32,138)	-	-	(32,138)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**17,368,010**	**-**	**-**	**17,368,010**

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**59,527,208**	**-**	**-**	**59,527,208**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	26,576,578	-	-	26,576,578
De-recognition of financial assets	(20,734,675)	-	-	(20,734,675)
Change in fair value	389,831	-	-	389,831
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**65,758,942**	**-**	**-**	**65,758,942**

15 Debt instruments at fair value through other comprehensive income (continued)

15.1 Impairment allowance for debt instruments at fair value through other comprehensive income (continued)

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

ECL				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**108,294**	**-**	**-**	**108,294**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	3,755	-	-	3,755
De-recognition of financial assets	(33,399)	-	-	(33,399)
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	(43,817)	-	-	(43,817)
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**34,833**	**-**	**-**	**34,833**

ECL				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**116,471**	**-**	**-**	**116,471**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	51,700	-	-	51,700
De-recognition of financial assets	(59,877)	-	-	(59,877)
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**108,294**	**-**	**-**	**108,294**

16 Debt instruments at amortized cost

Debt instruments measured at amortized cost as at 31 December 2022 and as at 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Government bonds	70,912,816	26,509,563
Total investment securities FVPL	**70,912,816**	**26,509,563**
ECL impairment	(123,204)	(31,008)
Total, net of impairment	**70,789,612**	**26,478,555**

As at 31 December 2022, the Bank had a portfolio of 5-years, 7-years, and 10-years government bonds. Interest is received semi-annually at a respective coupon rate of 0.95% (5-years), 0.85% to 3.5% (7-years) and 0.25% to 3.88% (10-years), (31 December 2021: 0.95% (5-years), 0.85% to 3.5% (7-years) and 0.25% to 3.88% (10-years)). Details of government bonds as at 31 December 2022, showing their initial maturity, their book value and respective fair value as at the reporting date, by type, are presented as follows:

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

Banka Credins sh.a.
Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

16 Debt instruments at amortized cost (continued)

	31 December 2021				
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*
60 months	7,004,080	79,381	-	1,141	7,084,602
84 months	9,096,005	415,505	(2,197)	111,201	9,620,514
120 months	9,073,001	671,043	(39)	60,442	9,804,447
	25,173,086	**1,165,929**	**(2,236)**	**172,784**	**26,509,563**

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

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
AAA	59,784,114	-	-	59,784,114
AA+ to AA-	585,318	-	-	585,318
A+ to A-	576,612	-	-	576,612
BBB+ to BBB-	4,122,487	-	-	4,122,487
Lower than BBB-	5,844,285	-	-	5,844,285
Unrated	-	-	-	-
Exposure before impairment	**70,912,816**	**-**	**-**	**70,912,816**
Loss allowance	(123,204)	-	-	(123,204)
Carrying amount	**70,789,612**	**-**	**-**	**70,789,612**

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
AAA	20,522,236	-	-	20,522,236
AA+ to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	1,006,268	-	-	1,006,268
Lower than BBB-	4,981,059	-	-	4,981,059
Unrated	-	-	-	-
Exposure before impairment	**26,509,563**	**-**	**-**	**26,509,563**
Loss allowance	(31,008)	-	-	(31,008)
Carrying amount	**26,478,555**	**-**	**-**	**26,478,555**

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

ECL				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**31,009**	**-**	**-**	**31,009**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	92,195	-	-	92,195
De-recognition of financial assets	-	-	-	-
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**123,204**	**-**	**-**	**123,204**

(Amounts in ALL'000, unless otherwise stated)

16 Debt instruments at amortized cost (continued)

ECL				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**17,206**	**-**	**-**	**17,206**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	13,802	-	-	13,802
De-recognition of financial assets		-	-	0
Change in fair value	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**31,008**	**-**	**-**	**31,008**

17 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 Fondeve te Pensionit dhe Sipermarrjeve te Investimeve Kolektive" former "Shoqeria Administruese e Fondit te Pensionit "SiCRED" sh.a." from "SICRED sh.a.", through a share purchase agreement signed on 22 December 2014 for a total consideration of an amount of ALL 65,205 thousand. The goodwill resulted from this purchase amounted to ALL 43,371 thousand.

During the years, the Bank has injected further new capital in Credins Invest. During the year ended 31 December 2022 and 31 December 2021 no additional capital is injected by the Bank. Credins Invest is an investment management company administering four separate funds: a voluntary private pension fund, an investment fund denominated in ALL and two alternative investment funds in Albania. As at 31 December 2022 Credins Invest added a profit of ALL 10,188 thousand (31 December 2021: ALL 16,691 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 years ended 31 December 2022 and 31 December 2021.

During 2016 the Group's Shareholders decided that the Group would acquire 95% of the shares of "Regjistri 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 the license received from the Financing Supervisory Board of Albania. 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). From this purchase resulted negative goodwill from of the additional shares amounting to ALL 3,400 thousand. "ALREG" SHA" for the year ended 31 December 2022 added a loss of ALL 6,592 thousand (31 December 2021: ALL 6,924 thousand) to profit before tax from continuing operations of the Group.

The Group's Shareholders invested in the shares of Banka Credins Kosovë Sh.a. for an amount of EUR 8 million. Credins Bank Kosovë Sh.a. operates in the territory of Kosovo since October 2020. During the year 2022 another shareholder joined Credins Bank Kosovo taking the shareholding of the Bank at 66.35% (2022 three other shareholders joined Credins Bank in Kosovo, taking the shareholding of Credins Bank to 75.11%).

18 Investments in associates

During 2017 the Group's Shareholders decided that the Group would acquire 42.5% of the shares of ALSE SHA for an amount of ALL 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. No additional capital is injected during the year ending 31 December 2022 and 2021.

The share of loss in the associate for the year ended 31 December 2022 added a loss of ALL 3,071 thousand (31 December 2021: ALL 4,368 thousand) to profit before tax from continuing operations of the Group.

The Group during 2018 bought shares in SWIFT SCR for an amount of EUR 46,650 consisting of 10 shares of their capital.

	31 December 2022	31 December 2021
Net investment in ALSE	5,939	9,010
Cost of investment in Swift SCR	5,329	5,634
Total	**11,268**	**14,644**

19 Leasing

	31 December 2022	31 December 2021
Gross investment in finance leases, receivable		
- Not later than 1 year	684,890	554,966
- Later than 1 year and not later than 5 years	1,294,861	1,075,850
- More than 5 years	-	2,804
	1,979,751	**1,633,620**
Less: Unearned finance income	(28,530)	(23,686)
Net investment in finance leases	**1,951,221**	**1,609,934**
Less allowances for impairment	(76,499)	(88,079)
Total	**1,874,722**	**1,521,855**

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

	Year ended 31 December 2022	Year ended 31 December 2021
Balance at the beginning of the year	**88,079**	**86,194**
Allowance for loss impairment	11,586	25,158
Recoveries	(21,587)	(22,093)
Effect of foreign currency movements	(1,579)	(1,180)
Balance at the end of the year	**76,499**	**88,079**
	31 December 2022	**31 December 2021**
Collective impairment	76,499	88,079
	76,499	**88,079**

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

ECL				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**16,783**	**13,485**	**55,926**	
Transfer to Stage 1 (from 2 or 3)	324	(22)	(303)	
Transfer to Stage 2 (from 1 or 3)	(814)	814	-	
Transfer to Stage 3 (from 1 or 2)	(12)	0	12	
Net re-measurement of loss allowance	(12,664)	(4,749)	(4,830)	
New financial assets originated or purchased	11,558	1,333	11,238	
De-recognition of financial assets	-	-	-	
Write-offs	-	-	-	
Changes in models/risk parameters	-	-	-	
Foreign exchange and other movements	-	-	-	
Change in PV of the allowance Account	-	-	-	
Balance 31 December	**15,175**	**10,861**	**62,043**	

(Amounts in ALL'000, unless otherwise stated)

19 Leasing (continued)

19.1 Impairment allowance for leasing (continued)

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

	Stage 1		Stage 2		Stage 3		POCI		31 December 2022
Gross carrying amount	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Total**
Leasing	928,554	725,093	3,458	156,120	1,712	136,284	-	-	1,951,221
Total	**928,554**	**725,093**	**3,458**	**156,120**	**1,712**	**136,284**	**-**	**-**	**1,951,221**
ECL allowance	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Total**
Leasing	(1,057)	(806)	(58)	(7,640)	(162)	(66,776)	-	-	(76,499)
Total	**(1,057)**	**(806)**	**(58)**	**(7,640)**	**(162)**	**(66,776)**	**-**	**-**	**(76,499)**
Net carrying amount	**927,497**	**724,287**	**3,400**	**148,480**	**1,550**	**69,508**	**-**	**-**	**1,874,722**

	Stage 1		Stage 2		Stage 3		POCI		31 December 2021
Gross carrying amount	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Total**
Leasing	1,166,105	201,760	7,595	106,923	-	127,551	-	-	1,609,934
Total	**1,166,105**	**201,760**	**7,595**	**106,923**	**-**	**127,551**	**-**	**-**	**1,609,934**
ECL allowance	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Total**
Leasing	13,140	2,035	102	10,760	-	62,042	-	-	88,079
Total	**13,140**	**2,035**	**102**	**10,760**	**-**	**62,042**	**-**	**-**	**88,079**
Net carrying amount	**1,152,965**	**199,725**	**7,493**	**96,163**	**-**	**65,509**	**-**	**-**	**1,521,855**

20 Loans and advances to customers

Loans and advances to customers consisted of the following:

	31 December 2022	31 December 2021
Loans and advances to customers at amortized cost	142,436,567	127,998,237
Loan loss allowances for impairment	(8,884,230)	(9,485,421)
	133,552,337	**118,512,816**

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

	31 December 2022	31 December 2021
Corporate lending	118,258,333	108,381,432
Mortgage lending	13,423,319	11,078,005
Private individuals lending	2,303,812	2,316,488
Other secured lending	8,451,103	6,222,312
Total gross	***142,436,567***	**127,998,237**
Impairment allowance	(8,884,230)	(9,485,421)
	133,552,337	**118,512,816**

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

	Year ended 31 December 2022	Year ended 31 December 2021
Balance at the beginning of the year	**9,483,844**	**11,341,587**
Allowance for loan loss impairment	3,823,517	2,021,229
Writte offs	(4,379,884)	(3,821,307)
Effect of foreign currency movements	(43,247)	(56,088)
Balance at the end of the year	**8,884,230**	**9,485,421**

For the year ended 31 December 2022, the Group had not unrecoverable late payment interest on loans (31 December 2021: ALL 9,749 thousand).

20.1 Impairment allowance for loans and advances to customers

ECL				**31 December 2022**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**1,961,346**	**773,026**	**6,751,050**	**9,485,422**
Transfer to Stage 1 (from 2 or 3)	53,127	(19,543)	(33,584)	-
Transfer to Stage 2 (from 1 or 3)	(305,783)	334,993	(28,572)	638
Transfer to Stage 3 (from 1 or 2)	(112,073)	(466,946)	580,499	1,480
Net re-measurement of loss allowance	(383,517)	(135,836)	3,050,124	2,530,771
New financial assets originated or purchased	123,373	81,421	121,977	326,771
De-recognition of financial assets	(55,185)	3,718	-	(51,466)
Write-offs	-	-	(4,042,130)	(4,042,130)
Changes in models/risk parameters	(618,018)	815,033	-	197,015
Foreign exchange and other movements	(1,577)	213	437,095	435,731
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**661,692**	**1,386,079**	**6,836,459**	**8,884,230**

ECL				**31 December 2021**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**3,230,767**	**1,213,020**	**6,897,800**	**11,341,587**
Transfer to Stage 1 (from 2 or 3)	1,056,152	(979,893)	(76,259)	-
Transfer to Stage 2 (from 1 or 3)	(148,404)	182,601	(34,197)	-
Transfer to Stage 3 (from 1 or 2)	(6,102)	(120,193)	126,295	-
Net re-measurement of loss allowance	(2,592,487)	483,412	3,584,552	1,475,477
New financial assets originated or purchased	435,411	2,424	107,813	545,648
De-recognition of financial assets	(3,024)	-	-	(3,024)
Write-offs	-	-	(3,818,180)	(3,818,180)
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(10,969)	(4,413)	(40,705)	(56,087)
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**1,961,346**	**776,958**	**6,747,119**	**9,485,421**

20 Loans and advances to customers (continued)

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

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

									31 December 2022
Gross carrying amount	**Stage 1**		**Stage 2**		**Stage 3**		**POCI**		**Total**
	Non Past Due	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	
Retail lending	9,707,933	2,502,921	272,590	204,752	453,547	281,576	-	-	13,423,319
Mortgage	789,625	16,581	158,954	9,181	74,792	93,810	-	-	1,142,943
Consumer	224,005	4,409	45,752	2,777	17,735	7,912	-	-	302,590
Credit cards	4,679,806	1,197,367	250,833	171,342	237,816	134,356	-	-	6,671,520
Other (incl. SBL)	**60,634,716**	**35,801,541**	**5,410,701**	**9,420,506**	**804,825**	**8,823,906**	-	-	**120,896,195**
Corporate lending	41,832,835	30,678,985	5,109,371	8,669,012	744,705	7,481,966	-	-	94,516,874
Large	18,801,881	5,122,556	301,330	751,494	60,120	1,341,940	-	-	26,379,321
SME's	-	-	-	-	-	-	-	-	-
Public sector	**76,036,085**	**39,522,819**	**6,138,830**	**9,808,558**	**1,588,715**	**9,341,560**	-	-	**142,436,567**
Total	9,707,933	2,502,921	272,590	204,752	453,547	281,576	-	-	13,423,319

ECL allowance	**Stage 1**		**Stage 2**		**Stage 3**		**POCI**		**Total**
	Non Past Due	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	
Retail lending	**(49,723)**	**(7,875)**	**(23,594)**	**(9,856)**	**(257,033)**	**(195,460)**	-	-	**(543,541)**
Mortgage	(14,104)	(2,365)	(4,094)	(2,990)	(110,794)	(62,991)	-	-	(197,338)
Consumer	(10,213)	(206)	(4,684)	(823)	(40,519)	(85,091)	-	-	(141,536)
Credit cards	(3,511)	(55)	(1,649)	(47)	(10,660)	(5,905)	-	-	(21,827)
Other (incl. SBL)	(21,895)	(5,249)	(13,167)	(5,996)	(95,060)	(41,473)	-	-	(182,840)
Corporate lending	**(335,944)**	**(268,150)**	**(307,865)**	**(1,044,763)**	**(475,764)**	**(5,908,203)**	-	-	**(8,340,689)**
Large	(199,337)	(227,007)	(294,142)	(951,917)	(468,065)	(5,300,264)	-	-	(7,440,732)
SME's	(136,607)	(41,143)	(13,723)	(92,846)	(7,699)	(607,939)	-	-	(899,957)
Public sector	-	-	-	-	-	-	-	-	-
Total	**(385,667)**	**(276,025)**	**(331,459)**	**(1,054,619)**	**(732,797)**	**(6,103,663)**	-	-	**(8,884,230)**
							-	-	
Net carrying amount	**75,650,418**	**39,246,794**	**5,807,371**	**8,753,939**	**855,918**	**3,237,897**	-	-	**133,552,337**

Banka Credins Sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

20 Loans and advances to customers (continued)

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

									31 December 2021
Gross carrying amount	**Stage 1**		**Stage 2**		**Stage 3**		**POCI**		**Total**
	Non Past Due	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	
Retail lending	**13,919,930**	**2,502,426**	**670,970**	**189,755**	**862,130**	**705,107**	-	-	**18,850,318**
Mortgage	8,222,450	1,588,630	272,679	139,626	571,834	282,787	-	-	11,078,006
Consumer	456,015	14,695	102,281	5,844	44,016	85,199	-	-	708,050
Credit cards	214,874	7,262	44,930	2,627	14,183	5,480	-	-	289,356
Other (incl. SBL)	5,026,591	891,839	251,080	41,658	232,097	331,641	-	-	6,774,906
Corporate lending	**58,877,992**	**35,020,175**	**3,117,475**	**2,641,133**	**3,363,658**	**6,127,486**	-	-	**109,147,919**
Large	55,775,759	34,820,930	3,012,244	2,639,879	3,362,055	6,040,568	-	-	105,651,435
SME's	3,102,233	199,245	105,231	1,254	1,603	86,918	-	-	3,496,484
Public sector	-	-	-	-	-	-	-	-	-
Total	**72,797,922**	**37,522,601**	**3,788,445**	**2,830,888**	**4,225,788**	**6,832,593**	-	-	**127,998,237**

ECL allowance	**Stage 1**		**Stage 2**		**Stage 3**		**POCI**		**Total**
	Non Past Due	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	**Non Past Due**	**Past due**	
Retail lending	**(77,396)**	**(10,392)**	**(32,750)**	**(6,512)**	**(249,639)**	**(223,048)**	**-**	**-**	**(599,737)**
Mortgage	(24,730)	(3,944)	(8,993)	(2,797)	(129,598)	(61,597)	-	-	(231,659)
Consumer	(11,015)	(399)	(4,003)	(216)	(24,549)	(79,147)	-	-	(119,329)
Credit cards	(8,402)	(197)	(2,475)	(73)	(8,677)	(2,839)	-	-	(22,663)
Other (incl. SBL)	(33,249)	(5,852)	(17,279)	(3,426)	(86,815)	(79,465)	-	-	(226,086)
Corporate lending	**(892,971)**	**(976,656)**	**(139,633)**	**(598,061)**	**(1,746,096)**	**(4,532,267)**	**-**	**-**	**(8,885,684)**
Large	(874,031)	(975,986)	(139,560)	(598,061)	(1,745,655)	(4,510,178)	-	-	(8,843,471)
SME's	(18,940)	(670)	(73)	-	(441)	(22,089)	-	-	(42,213)
Public sector	-	-	-	-	-	-	-	-	-
Total	**(970,367)**	**(987,048)**	**(172,383)**	**(604,573)**	**(1,995,735)**	**(4,755,315)**	**-**	**-**	**(9,485,421)**
	71,827,555	**36,535,553**	**3,616,062**	**2,226,315**	**2,230,053**	**2,077,278**	**-**	**-**	**118,512,816**
Net carrying amount	**(77,396)**	**(10,392)**	**(32,750)**	**(6,512)**	**(249,639)**	**(223,048)**	**-**	**-**	**(599,737)**

(Amounts in ALL'000, unless otherwise stated)

21 Repossessed properties

The Group management classified those properties possessed as result of foreclosures on loans that were in default. The carrying amount of the repossessed properties is the fair market value existing as at 31 December 2022 and 31 December 2021.

Repossessed assets by type as at 31 December 2022 and 31 December 2021 are presented as following:

	31 December 2022	31 December 2021
Land	4,102,806	3,720,528
Residential building	117,139	165,524
Commercial Building	457,649	320,348
Vehicle	25,876	25,202
Total	**4,703,470**	**4,231,602**

Movements in repossessed assets as at 31 December 2022 and 31 December 2021 are as following:

	31 December 2022	31 December 2021
Opening balance at 1 January	**4,231,602**	4,906,296
Additions	933,228	2,461,023
Disposals	(362,344)	(3,032,983)
Net loss from a fair value adjustment	(99,016)	(102,734)
Closing balance at 31 December	**4,703,470**	**4,231,602**

The repossessed properties are measured at the lower of the auction value and fair value and where deemed necessary reduced for any net realizable cost variation. As at 31 December 2022, repossessed properties include land, buildings, residential apartments, and commercial and/or business premises. It is the Bank intention to sell the repossessed properties as soon as it is feasible. For the year ended as at 31 December 2022 the Bank sold ALL 362,344 thousand (31 December 2021: ALL 1,759,629 thousands sold and 1,273,354 thousands invested in Green View Alternative Investment Fund – SIK) from the repossessed properties portfolio, from which the Bank recognized ALL 95,851 thousand as loss on their sale (31 December 2021: ALL 584,037 thousands).

22 Investment properties

On December 2020, Credins Bank's Shareholders invested in Sea Land alternative investment fund – SIK a pool of repossessed assets located south of Albania with solid potential for tourism development. Initially the assets invested were measured at the fair value at the date of the investment, valued by an independent valuator on 25 November 2020. On 15 December 2022 (2021: 30 December 2021), an independent valuer assessed the fair value of the investment property, which resulted in a higher fair value of ALL 224,736 (2021: ALL 271,431). Such revaluation effect for investment property of the Sea Land alternative investment fund – SIK is recognised in Other Income, Note 5.

On December 2021, the Bank's Shareholders invested in Green View alternative investment fund – SIK a pool of repossessed assets located south of Albania with solid potential for agritourism development. The assets invested were initially measured at their fair value at the date of the investment, valued by an independent valuator on 1 October 2021. On 15 December 2022 (2021: 30 December 2021), an independent valuer assessed the fair value of the investment property, which resulted in a higher fair value of ALL 170,091. Such revaluation effect for investment property of the Sea Land alternative investment fund – SIK is recognised in Other Income, Note 5.

	31 December 2022	31 December 2021
Sea Land alternative investment fund – development property	2,800,752	2,576,016
Green View alternative investment fund – development property	1,799,468	1,629,378
Total	**4,600,220**	**4,205,394**

23 Property and equipment

	Buildings	Electronic and office equipment	Vehicles, Furniture & Fittings	Leasehold improvements	Prepayment	Total
Cost						
Balance at 1 January	**1,637,730**	**1,503,977**	**626,468**	**1,443,213**	**398,746**	**5,610,134**
Effect of foreign currency movements	-	(1,080)	(460)	(2,376)	(2,275)	(6,191)
Acquisitions	-	107,937	57,671	93,588	441,073	700,269
Transfers	-	114,834	90,621	176,161	(96,329)	285,287
Transfers to inventory warehouse	-	(63,145)	(10,220)	-	(321,372)	(394,737)
Disposals	-	(3,973)	(4,588)	-	(3,432)	(11,993)
Balance at 31 December 2021	**1,637,730**	**1,658,550**	**759,492**	**1,710,586**	**416,411**	**6,182,769**
Effect of foreign currency movements	-	(3,887)	(2,958)	(9,130)	(3,890)	(19,865)
Acquisitions	-	76,917	49,035	191,516	80,977	398,445
Transfers	-	64,771	30,429	65,335	(104,510)	56,025
Transfers to inventory warehouse	-	(28,071)	(4,613)	(27,284)	(19,948)	(79,916)
Disposals	-	(205,106)	(25,615)	0	(12,950)	(243,671)
Balance at 31 December 2022	**1,637,730**	**1,563,174**	**805,770**	**1,931,023**	**356,090**	**6,293,787**
Depreciation						
Balance at 1 January	**(492,363)**	**(845,771)**	**(309,645)**	**(549,754)**	-	**(2,197,533)**
Effect of foreign currency movements	-	45	16	46	-	107
Depreciation for the period	(81,873)	(177,514)	(75,513)	(109,037)	-	(443,937)
Transfers to inventory warehouse	-	71,877	10,363	(4,637)	-	77,603
Disposals	-	1,932	-	-	-	1,932
Balance at 31 December 2021	**(574,236)**	**(949,431)**	**(374,779)**	**(663,382)**	**-**	**(2,561,828)**
Effect of foreign currency movements	-	802	543	908	-	2,253
Depreciation for the period	(81,873)	(165,007)	(77,850)	(132,231)	-	(456,961)
Transfers to inventory warehouse	-	63,941	14,112	(3,662)	-	74,391
Disposals	-	93,477	5,324	0	-	98,801
Balance at 31 December 2022	**(656,109)**	**(956,218)**	**(432,650)**	**(798,367)**	-	**(2,843,344)**
Net Book Value						
Balance at 31 December 2021	**1,063,494**	**709,119**	**384,713**	**1,047,204**	**416,411**	**3,620,941**
Balance at 31 December 2022	**981,621**	**606,956**	**373,120**	**1,132,656**	**356,090**	**3,450,443**

(Amounts in ALL'000, unless otherwise stated)

24 Intangible assets

Cost	Software	Patents and licenses	Total
Balance at 1 January	**760,514**	**72,592**	**833,106**
Additions	164,482	7,855	172,337
Transfers	11,379	-	11,379
Disposals	-	-	-
Balance at 31 December 2021	**936,375**	**80,447**	**1,016,822**
Effect of foreign currency movements	(3,029)	(289)	**(3,318)**
Additions	54,338	-	**54,338**
Transfers	(169)	-	**(169)**
Disposals	(329)	-	**(329)**
Balance at 31 December 2022	**987,186**	**80,158**	**1,067,344**
Amortization			
Balance at 1 January	**(365,723)**	**(64,214)**	**(429,937)**
Effect of foreign currency movements			
Amortization charge for the year	(86,981)	(1,506)	(88,487)
Disposals	928	-	928
Balance at 31 December 2021	**(451,776)**	**(65,720)**	**(517,496)**
Effect of foreign currency movements	49	5	54
Amortization charge for the year	(90,359)	(642)	(91,001)
Disposals	532	1	533
Balance at 31 December 2022	**(541,554)**	**(66,356)**	**(607,910)**
Carrying amounts			
Balance at 31 December 2021	**484,599**	**14,727**	**499,326**
Balance at 31 December 2022	**445,632**	**13,802**	**459,434**

25 Right-of-use assets

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

Cost	Right of use asset	Total
Balance at 1 January 2021	**3,675,121**	**3,675,121**
Additions	485,149	485,149
Disposals	(508,512)	(508,512)
Effect of foreign currency changes	(4,844)	(4,844)
Balance at 31 December 2021	**3,646,914**	**3,646,914**
Additions	1,123,602	1,123,602
Disposals	(87,114)	(87,114)
Effect of foreign currency changes	(12,980)	(12,980)
Balance at 31 December 2022	**4,670,422**	**4,670,422**
Amortization		
Balance at 1 January	**(673,879)**	**(673,879)**
Amortization charge for the year	(378,585)	(378,585)
Reversal of amortization charge	-	-
Effect of foreign currency changes	138	138
Balance at 31 December 2021	**(1,052,326)**	**(1,052,326)**
Amortization charge for the year	(444,909)	(444,909)
Reversal of amortization charge	-	-
Effect of foreign currency changes	1,483	1,483
Balance at 31 December 2022	**(1,495,752)**	**(1,495,752)**
Carrying amounts		
Balance at 31 December 2021	**2,594,588**	**2,594,588**
Balance at 31 December 2022	**3,174,670**	**3,174,670**

25 Right of use assets (continued)

The following are the amounts recognized in profit or loss:

	31 December 2022	31 December 2021
Depreciation expense of right-of-use assets	(444,909)	(364,544)
Interest expense on lease liabilities	(147,666)	(128,442)
Expense relating to short-term leases	(15,299)	(15,749)
Expense relating to leases of low-value assets	(186)	(326)
Total amount recognized in profit or loss	**(608,060)**	**(509,061)**

26 Other assets

	31 December 2022	31 December 2021
Debtors	836,648	717,622
Inventory warehouse	114,040	77,680
Prepaid expenses	1,403,940	1,368,013
	2,354,628	**2,163,315**

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

	31 December 2022	31 December 2021
Debtors, gross	1,007,902	892,431
ECL/Impairment	(171,254)	(174,809)
	836,648	**717,622**

	31 December 2022	31 December 2021
Impairment allowance as at 1 January	174,809	156,352
Impairment charge for the year (ECL) (note 6)	(3,555)	18,457
Total impairment losses as at 31 December	**171,254**	**174,809**

27 Deferred tax assets/liabilities

Deferred tax is attributable to the following:

	31 December 2022			31 December 2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Repossessed properties	74,604	-	74,604	103,778	-	103,778
Debt instruments at FVOCI	2,966	(1,233)	1,733	-	(212,224)	(212,224)
Investment properties		(99,939)	(99,939)	-	(40,715)	(40,715)
Property and equipment		(177)	(177)	-	(174)	(174)
Net deferred tax liability	**77,570**	**(101,349)**	**(23,779)**	**103,778**	**(253,113)**	**(149,335)**

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

28 Due to banks and other financial institutions

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

	31 December 2022	31 December 2021
Current accounts – resident	1,409,090	1,543,509
Money market deposits – resident	1,966,570	1,774,819
Interbank loans – resident	189,582	94,332
	3,565,242	**3,412,660**

29 Due to customers

	31 December 2022	31 December 2021
Private individuals	197,000,137	187,688,687
Sovereign governments	24,349,180	23,838,292
Corporate	40,956,569	34,347,369
Other customers	3,303,046	3,178,646
	265,608,932	**249,052,994**

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

	31 December 2022	31 December 2021
Current accounts		
Local currency	43,537,812	40,283,996
Foreign currency	31,113,636	25,120,803
Saving accounts		
Local currency	14,173,234	14,412,494
Foreign currency	36,232,206	34,907,223
Term deposits		
Local currency	80,064,364	77,499,808
Foreign currency	55,586,218	52,843,496
Other customers accounts		
Local currency	1,481,136	1,281,603
Foreign currency	3,420,326	2,703,571
	265,608,932	**249,052,994**

30 Borrowing

Borrowing as at 31 December 2022 and 31 December 2021 are composed of the following items:

	31 December 2022	31 December 2021
Ministry of Economic Development, Trade and Entrepreneurship (ex-METE)	170,000	209,823
Other borrowing	-	615,501
	170,000	**825,324**

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

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

The annual interest rate is fixed at 0.2% p.a. for lending in EURO. Repayment to the Ministry is according to the same repayment terms settled with the final users of the loan contracts (ultimate borrowers). As at 31 December 2022, the outstanding amount of borrowings is ALL 170,000 thousands (31 December 2021: ALL 209,823 thousand), and there are no balances in default related to this borrowing either at 31 December 2022 or at 31 December 2021.

31 Subordinated debt

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 2022, and 31 December 2021 the instruments are detailed as follows:

Currency	Units of Instruments	31 December 2022	31 December 2021
ALL	4,406	4,466,464	4,110,925
EUR	2,490	2,873,745	2,645,015
USD	541	584,449	532,015
	7,437	**7,924,658**	**7,287,955**

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Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

31 Subordinated debt (continued)

Tranches	Issue date	Maturity date	Units of Instruments	31 December 2022	31 December 2021
10	05.01.2016	05.01.2022	-	-	418,218
11	25.08.2016	25.08.2023	388	447,331	469,530
12	07.02.2017	07.02.2024	482	509,240	515,178
13	02.06.2017	02.06.2024	647	681,488	694,140
14	03.11.2017	03.11.2024	622	664,585	678,620
15	08.03.2018	08.03.2025	500	533,750	543,408
16	28.12.2018	28.12.2025	550	564,407	567,163
17	17.10.2019	17.10.2026	598	629,387	639,704
18	26.06.2020	26.06.2027	502	522,521	531,041
19	02.03.2021	02.03.2028	735	794,055	813,553
20	26.08.2021	26.08.2028	1,317	1,394,635	1,417,400
21	03.02.2022	03.02.2029	576	626,216	-
22	05.10.2022	05.10.2029	520	557,043	-
Totali			**7,437**	**7,924,658**	**7,287,955**

32 Lease liability

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

	31 December 2022	31 December 2021
As at 1 January	**2,725,358**	**3,110,600**
Additions	1,069,487	484,520
Accretion of interest	147,665	129,618
Disposals	(42,457)	(521,437)
Payments	(569,754)	(477,480)
Balance as at 31 December	**3,330,299**	**2,725,821**

The maturity analysis of lease liabilities are disclosed in Note 39. The Group had total cash outflows for leases of ALL 569,760 thousand. Minimal lease payments related to lease contracts for buildings of the branches' operations are analyzed as follows:

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

						Minimal lease payments	
31 December 2021	**Within the year**	**1-2 years**	**2-3 years**	**3-4 years**	**4 - 5 years**	**After 5 years**	**Total**
Lease payments	438,257	413,125	413,461	394,906	462,342	1,547,095	3,669,186
Finance charges	(97,380)	(56,676)	(55,573)	(70,577)	(73,744)	(589,415)	(943,365)
Total	**340,877**	**356,449**	**357,888**	**324,329**	**388,598**	**957,680**	**2,725,821**

33 Other liabilities

Other liabilities are comprised of the following:

	31 December 2022	31 December 2021
Transactions as agents	3,392,742	290,885
Suppliers and accrued payables	141,759	191,510
Total	**3,534,501**	**482,395**

34 Provisions

Provisions as at 31 December 2022 and 31 December 2021 are composed of the following:

	31 December 2022	31 December 2021
Provisions for litigations	8,766	4,267
ECL impairment for off balance sheet items	62,477	25,560
Other provisions	4,600	9,155
	75,843	**38,982**

34 Provisions (continued)

In the table below are presented the movements in provisions occurred during the year ended 31 December 2022 and 31 December 2021.

	31 December 2022	31 December 2021
Balance 1 January	37,861	17,264
ECL charge/(recovery) for off balance sheet items	38,038	19,397
Legal provisions	4,634	3,585
Recovery of other provisions	(4,555)	(1,264)
Foreign exchange rate effect	(135)	-
Balance 31 December	**75,843**	**38,982**

During the year ended 31 December 2022 the provisions amount of ALL 38,038 thousand (31 December 2021: ALL 19,397 thousand) for off balance sheet items and also other provision recoveries of an amount of ALL 4,555 thousand (31 December 2021: ALL 1,264 thousand). Legal provision charges amount to ALL 4,634 thousand (31 December 2021: 3,585 ALL).

35 Share Capital

The share capital is composed of type A shares and normal shares both with a nominal value of 1 USD for each share. The subscribed share capital contributed by the shareholders of the Parent is denominated in USD, EUR and ALL and is reported in the Financial Statements with the historical rates of exchange. As at 31 December 2022 the subscribed share capital amounts to USD 18,665 thousand, EUR 37,760 thousand and ALL 4,388,750 thousand. Shares are ranked as normal and type A and are owned by the following shareholders:

Share Capital	31 December 2022 (%)	31 December 2021 (%)
Renis Tershana	18.116%	18.158%
Aleksander Pilo	7.666%	7.683%
B.F.S.E Holding BV	15.099%	15.133%
Group Executive Directors	6.880%	6.896%
Other (less than 5% of shareholding)	52.240%	52.130%
Total	**100.00%**	**100.000%**

The paid up capital of the Parent as of 31 December 2022 is ALL 11,503,786 thousand translated at the historical rate of exchange (31 December 2021: ALL 10,717,160 thousand) with a nominal value of USD 1 each.

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 by 29th September 2019. On 1 October 2019 the Assembly decided for another issuance of new capital at the amount of EUR 24 million with a deadline for subscription 30th June 2020. As of 31 December 2019, the amount of capital of EUR 3,800 thousand out of the EUR 24 million is subscribed to and registered in the national business center (NBC).

The Assembly decided for the extension of the prior decision for the issuance of new share capital amounting to EUR 24 million with a deadline for subscription on 30 June 2021, which subsequently was extended by Shareholders' Assembly Decision to 30 June 2022. On 23 June 2022, the Assembly decided to issue new shares in the amount of EUR 5,000 thousand, valid until 30 June 2023. During the year 2022 were subscribed, paid and registered with the National Business Center shares in the amount EUR 232 thousand (2021: EUR 329 thousand)

The shares of the Parent have a nominal value and are indivisible. Each share gives its owner the right to one vote. The Parent holds "ordinary shares" and "class A" shares, where each of these shares has a nominal value of USD 1 per share. The "class A" shares afford to their holder certain rights and privileges, mainly in relation to the transfer of shares, sale of shares, conversion of "class A" shares into ordinary shares, and the right to propose to appoint and remove 2 members of the BOD. The holders of the class "A" shares acting jointly through an appointed representative will have the rights and privileges attached to their class "A" shares with regard to "pre-approval" of certain changes and decisions, and certain "information rights".

All shares held by B.F.S.E Holding BV shall at all times be "A" shares. All other shareholders of the Bank hold ordinary shares. A reconciliation of share capital at the beginning and end of the year are as follows:

	Normal shares		Type A shares	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
As at 1 January	83,235,158	78,957,716	14,842,180	14,162,029
Increase in number of shares:	5,958,971	4,277,442	1,019,848	680,151
As at 31 December	**89,194,129**	**83,235,158**	**15,862,028**	**14,842,180**

On 17 May 2022 the shareholders' assembly decided on the distribution of 2021 net profits by allocating ALL 760,111 as capital increase, while as of 27 May 2021, the shareholders' assembly decided on the distribution of the result of 2020 profit, out of which ALL 451,603 thousand allocated to capital increase.

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Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

36 Share Premium

During the year ended 31 December 2022, the Bank has issued new shares generating a share premium in the amount of EUR 183 thousand from emission of new capital (31 December 2021: EUR 580 thousand).

37 General reserve

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

	31 December 2022	31 December 2021
General reserve	2,784,524	2,379,132
Statutory reserve	557,139	455,791
Total	**3,341,663**	**2,834,923**

38 Maturity analysis of assets and liabilities

31 December 2022	< 12 months	> 12 months	Total
Assets			
Cash and cash equivalent	41,112,315	-	41,112,315
Restriced balances with Central Bank	15,438,033	3,915,377	19,353,410
Reverse repurchase agreement	268,466	70,825	339,291
Loans and advances to banks	968,294	-	968,294
Financial assets at fair value through profit or loss	-	-	-
Debt instruments at fair value through other comprehensive income	16,365,260	967,917	17,333,177
Debt instruments at amortised cost	7,952,104	62,837,508	70,789,612
Quotas in Investment Funds	-	47,850	47,850
Investment in associates	-	11,268	11,268
Goodwill	-	43,371	43,371
Leasing	63,324	1,811,398	1,874,722
Loans and advances to customers	39,695,253	93,857,084	133,552,337
Prepayment of income tax	-	4,703,470	4,703,470
Repossessed properties	-	4,600,220	4,600,220
Investment properties	5,081	3,445,361	3,450,442
Property and equipment	13,172	446,263	459,435
Intangible assets	12,234	3,162,436	3,174,670
Right-of-use assets	749,828	1,604,800	2,354,628
Total	**122,643,364**	**181,525,148**	**304,168,512**
Liabilities			
Due to banks and other financial institutions	3,171,354	393,888	3,565,242
Due to customers	205,358,657	60,250,275	265,608,932
Borrowing	73,129	96,871	170,000
Subordinated debt	534,813	7,389,845	7,924,658
Current tax liabilities	12,259	-	12,259
Deferred tax liabilities	1,233	22,546	23,779
Lease liability	-	3,330,299	3,330,299
Other liabilities	3,531,560	2,941	3,534,501
Provisions	1,781	74,062	75,843
Total	**212,684,788**	**71,560,726**	**284,245,514**
Net	**(90,041,424)**	**109,964,422**	**19,922,998**

(Amounts in ALL'000, unless otherwise stated)

38 Maturity analysis of assets and liabilities (continued)

31 December 2021	< 12 months	> 12 months	Total
Assets			
Cash and cash equivalent	32,482,672	-	32,482,672
Restriced balances with Central Bank	15,171,104	3,087,540	18,258,644
Loans and advances to banks	3,883,740	41,433	3,925,173
Financial assets at fair value through profit or loss	5,756	304,302	310,058
Debt instruments at fair value through other comprehensive income	17,540,636	48,110,012	65,650,648
Debt instruments at amortised cost	188,746	26,289,809	26,478,555
Prepayment of income tax	-	88,626	88,626
Investment in subsidiaries and associates	-	14,644	14,644
Goodwill	-	43,371	43,371
Leasing	497,996	1,023,859	1,521,855
Loans and advances to customers	39,443,675	79,069,141	118,512,816
Current tax assets	-	-	-
Repossessed properties	-	4,231,602	4,231,602
Investment properties	-	4,205,394	4,205,394
Property and equipment	77,790	3,543,151	3,620,941
Intangible assets	13,114	486,212	499,326
Right of use asset	37,379	2,557,209	2,594,588
Other assets	**109,342,608**	**173,096,305**	**282,438,913**
Total			
Liabilities	1,568,323	1,844,337	3,412,660
Due to banks and other financial institutions	119,006,624	130,046,370	249,052,994
Due to customers	615,501	209,823	825,324
Borrowing	494,662	6,793,294	7,287,956
Current tax liabilities	58,986	-	58,986
Deferred tax liabilities	1,087	148,248	149,335
Subordinated debt	19,440	2,706,381	2,725,821
Other liabilities	475,375	7,020	482,395
Provisions	1,120	37,861	38,981
Total	**122,241,118**	**141,793,334**	**264,034,452**
Net	**(12,898,510)**	**31,302,971**	**18,404,461**

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

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

39 Contingent liabilities and commitments

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

39 Contingent liabilities and commitments (continued)

Guarantees and letters of credit

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

	31 December 2022	31 December 2021
Guarantees in favour of customers	5,152,180	5,451,591
Commitments in favour of customers	4,617,233	4,850,820
ECL impairment	(60,696)	*(24,439)*
Net of impairment	**9,708,717**	**10,277,972**
Guarantees pledged from credit customers	4,017,899	3,698,062
Guarantees received from credit customers	513,922,659	915,270,741
Commitments on securities	420,705	344,270
Commitments from financial institutions	-	7,589,515

Guarantees received from customers include cash collateral, mortgages, inventory and other assets pledged in favor of the Group from its borrowers. The Group issues guarantees and letters of credit for its customers. These instruments bear a credit risk similar to that of loans granted. Based on management's estimate, no material losses related to guarantees and letters of credit outstanding at 31 December 2022 will be incurred.

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

Guarantees and letters of credit

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**24,439**	-	-	**24,439**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	36,257	-	-	36,257
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**60,696**	-	-	**60,696**

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**6,163**	**-**	**-**	**6,163**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	18,276	-	-	18,276
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**24,439**	**-**	**-**	**24,439**

39 Contingent liabilities and commitments (continued)

Operating Lease commitments – Group as lessee

The Group leases office premises in Tirana, Durres, Fier, Vlora, Lezha, Elbasan, Shkodra, Korca, Shijak, Kavaja, Kukes, Berat, Ballsh, Mat, Peshkopi and Vora mostly under ten year operating leases, as a lessee. Further, the Group rents premises in Prishtina, Ferizaj, and Prizren through its subsidiary in Kosovo. Below is presented information on future commitments for the years ended 31 December 2022 and 31 December 2021:

	Year ended 31 December 2022	Year ended 31 December 2021
Not later than 1 year	530,461	425,260
Later than 1 year and not later than 5 years	1,884,104	1,809,508
Later than 5 years	1,582,677	1,599,207
Total	**3,997,242**	**3,833,975**

Lease commitments – Group as lessor

The Group has issued financial leases to its customers, amounting ALL 1,979,751 thousand (31 December 2021: ALL 1,633,620 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 2022 and 31 December 2021 are detailed as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Not later than 1 year	684,890	554,966
Later than 1 year and not later than 5 years	1,294,861	1,075,850
Later than 5 years	-	2,804
Total	**1,979,751**	**1,633,620**

Litigation and claims

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

Legal claims

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

The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing.
At year end, the Group had several unresolved legal claims with no probable adverse effects. Accordingly, no provision, except for the amounts included in provision note 34, has been made in these Financial Statements.

40 Related party disclosures

In the following tables, the Group presents the relationships that existed between the Group and its related parties, the nature of the transactions, outstanding amounts and expenses and/or income recognized as at 31 December 2022 and 31 December 2021.

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

Related party transactions

	31 December 2022		31 December 2021	
Transaction	**Key Management Personnel**	**Other related parties**	**Key Management Personnel**	**Other related parties**
Lease expense	-	31,995	-	32,177
Income	2,301	127,274	768	150,167
Expenses	79,471	187,784	65,600	41,898

40 Related party disclosures

	31 December 2022		31 December 2021	
Type of transaction	**Key Management Personnel**	**Other related parties**	**Key Management Personnel**	**Other related parties**
	ALL '000	**ALL '000**	**ALL '000**	**ALL '000**
Credit Line		575,324	8,008	237,275
Overdrafts	598	1,526,900	52,048	1,859,530
Term Loans	89,191	3,707,207	2,216	18,721
Leasing	723	14,154	-	7,108
LCs + LGs	-	9,571	6,852	118,448
Current accounts	19,949	1,407,354	47,493	217,111
Term deposits	193,767	261,198	(93,730)	(8,686,758)
Collateral placed in favour of the Group	128,910	20,590,116	8,008	237,275

	Interest rates (in %)	
Type of transaction	**31 December 2022**	**31 December 2021**
Credit Line	6.56%	0.00%
Overdrafts	1.89%-24%	1.76%-16%
Term Loans	1%-10.47%	0.5%-8%
Leasing	4%-6.5%	5.8%-6.5%
Current accounts	0.00%	0.00%
Term deposits	0.0%-4.5%	0.0%-4.5%

In addition, the key management personnel remuneration has been as follows, with no other benefits to disclose as at 31 December 2022 and 31 December 2021:

	Salaries	Bonuses
Year ended 31 December 2022		
Key management remuneration	66,576	20,270
Board of Directors remuneration	4,703	2,895
Year ended 31 December 2021		
Key management remuneration	66,599	12,043
Board of Directors remuneration	5,152	6,021

41 Risk management

41.1 Introduction and overview

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

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

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

Risk management framework

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

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

41 Risk management (continued)

41.1 Introduction and overview (continued)

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

41.2 Credit risk

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

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

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

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

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

Since 31 December 2020, the spread of COVID-19 has severely affected many local economies around the globe. In many countries, businesses were forced to cease or limit operations for undefined periods. 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 even in 2021. As the impact of the pandemic becomes less pronounced, it is expected that banks would continue to reconsider and redefine their macroeconomic scenarios and underlying assumptions to reflect this. For 2021, in view of the continuous volatility of the markets and the expected economic developments, the Bank continued to apply the negative outlook of 2020 in forward looking marginal probability of default.

Banka Credins sh.a.
Notes to the consolidated financial statements for the year ended 31 December 2022
(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.2 Credit risk (continued)

Regular audits of business units and Group Credit processes are undertaken by Internal Audit. Based on the Group's internal rating policy, the portfolio rating as at 31 December 2021 and 31 December 2020 is as follows:

Group's Credit Rating	31 December 2022	% to Total Gross	31 December 2021	% to Total Gross
A+	1,776,455	1.23%	568,941	0.44%
A	15,629,630	10.82%	11,316,286	8.73%
A-	20,249,232	14.02%	20,196,542	15.58%
B+	15,391,583	10.66%	13,132,857	10.13%
B	48,733,940	33.75%	42,245,975	32.60%
B-	1,454,949	1.01%	2,065,048	1.59%
C+	457,643	0.32%	809,949	0.62%
C	247,815	0.17%	262,287	0.20%
D+	-	0.00%	1,122,523	0.87%
D	1,304,465	0.90%	3,106,352	2.40%
E+	4,707,488	3.26%	359,985	0.28%
E	345,814	0.24%	2,224,851	1.72%
E-	833,529	0.58%	1,424,449	1.10%
Loans with a credit rating	**111,132,543**	**76.97%**	**98,836,045**	**76.26%**
Loans with no rating	7,695,282	**5.33%**	8,433,616	6.51%
Loans with credit score	24,411,233	**16.91%**	21,488,484	16.58%
Total Gross Loan portfolio	**143,239,058**	**99.20%**	**128,758,145**	**99.35%**
Leasing with no rating	1,148,730	0.80%	850,027	0.66%
Total Gross Loan & Leasing portfolio	**144,387,788**	**100.00%**	**129,608,172**	**100.00%**

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

	31 December 2022		31 December 2021	
Group's Internal Credit Rating	**Default rates in %**	**Total**	**Default rates in %**	**Total**
High grade		**44,768,278**		**38,389,243**
Risk rating class 1	3.42%	4,939,672	2.01%	2,607,710
Risk rating class 2	10.95%	15,813,870	8.89%	11,515,791
Risk rating class 3	16.63%	24,014,736	18.72%	24,265,742
Standard grade		**77,412,777**		**67,280,714**
Risk rating class 4	16.99%	24,535,917	16.79%	21,761,836
Risk rating class 5	36.62%	52,876,860	35.12%	45,518,878
Sub–standard grade		**13,362,721**		**14,654,572**
Risk rating class 6 and lower	9.25%	13,362,721	11.31%	14,654,572
No rating	5.33%	**7,695,282**	6.51%	8,433,616
Leasing with no rating	0.80%	**1,148,730**	0.66%	850,027
Total		**144,387,788**		**129,608,172**

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

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk

	Gross maximum exposure	
	31 December 2022	31 December 2021
Cash and cash equivalent (exluding cash on hand)	36,895,936	28,545,878
Restricted balances with Central Bank	19,353,410	18,258,643
Loans and advances to banks	339,291	3,925,172
Financial assets measured at FVPL	-	310,058
Debt instruments at fair value through other comprehensive income	17,333,177	65,650,648
Debt instruments at amortised cost	70,789,612	26,478,555
Quotas on investment fund	47,850	88,625
Leasing (gross)	1,951,221	1,609,934
Loans and advances to customers (gross)	142,436,567	127,998,237
Other assets (Debtors)	836,648	717,622
Total	**289,983,712**	**273,583,372**
Undrawn credit commitments	4,631,348	4,979,074
Letters of credit	196,647	-
Guarantees in favor of customers	5,152,180	5,451,591
Total Credit related commitments	**9,980,175**	**10,430,665**
Total Credit Risk Exposure	**299,963,887**	**284,014,037**

The aging of past due and not impaired exposures for loans and advances to customers as at 31 December 2022 and 31 December 2021 is presented in the following table:

	31 December 2022	31 December 2021
Past due but not individually impaired		
0-30 days	111,122	66,419
31- 60 days	20,611	-
61 - 90 days	-	-
over 90 days	565,923	295,776
Total	**697,656**	**362,195**

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk (continued)

The table below shows the credit quality for loans and advances to customers for the year as at 31 December 2022 and 31 December 2021, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

31 December 2022	Neither past due nor impaired				Past due but not impaired	Individually impaired	Total
	Investment grade	Standard grade	Sub standard grade	Without rating			
Corporate lending	26,397,901	54,090,360	1,837,841	3,951,785	492,089	7,734,582	94,504,558
Small business lending	11,319,561	10,442,670	542,719	2,845,539	68,709	1,172,439	26,391,637
Consumer lending	2,367,474	3,981,781	1,444,913	173,527	25,366	123,992	8,117,053
Residential mortgage	3,025,688	7,393,521	1,992,778	512,622	120,003	378,707	13,423,319
Total	**43,110,624**	**75,908,332**	**5,818,251**	**7,483,473**	**706,167**	**9,409,720**	**142,436,567**
Allowances for impairment of loans	(348,811)	(1,465,528)	(329,076)	(122,782)	(5,836)	(6,612,197)	(8,884,230)
Loan exposure, net of allowances	**42,761,813**	**74,442,804**	**5,489,175**	**7,360,691**	**700,331**	**2,797,523**	**133,552,337**

31 December 2021	Neither past due nor impaired				Past due but not impaired	Individually impaired	Total
	Investment grade	Standard grade	Sub standard grade	Without rating			
Corporate lending	24,306,049	47,739,896	2,537,835	5,021,760	175,014	7,196,764	86,977,318
Small business lending	8,368,967	7,566,836	958,551	3,315,339	107,796	1,853,113	22,170,602
Consumer lending	2,177,324	3,971,962	976,274	332,013	47,428	267,311	7,772,312
Residential mortgage	2,629,589	6,136,000	1,202,367	509,811	31,956	568,281	11,078,004
Total	**37,481,929**	**65,414,694**	**5,675,027**	**9,178,923**	**362,194**	**9,885,469**	**127,998,236**
Allowances for impairment of loans	(841,965)	(1,546,216)	(286,242)	(288,583)	-	(6,551,584)	(9,514,590)
Loan exposure, net of allowances	**36,639,964**	**63,868,478**	**5,388,785**	**8,890,340**	**362,194**	**3,333,885**	**118,483,646**

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

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk (continued)

The table below shows the credit quality for leasing for the year as at 31 December 2021 and 31 December 2020, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

31 December 2022	Neither past due nor impaired				Past due but not impaired	Individually impaired	Total
	High grade	Standard grade	Sub standard grade	Without rating			
Corporate	396,705	196,609	-	334,739	274	115,403	1,043,730
Small business	63,958	37,822	-	471,445	586	-	573,811
Consumer	6,020	-	-	327,660	-	-	333,680
Residential mortgage	-	-	-	-	-	-	-
Total	**466,683**	**234,431**	**-**	**1,133,844**	**860**	**115,403**	**1,951,221**
Allowances for impairment of leasing	(6,761)	(872)	-	(6,455)	-	(62,411)	(76,499)
Leasing exposure, net of allowances	**459,922**	**233,559**	**-**	**1,127,389**	**860**	**52,992**	**1,874,722**

31 December 2021	Neither past due nor impaired				Past due but not impaired	Individually impaired	Total
	High grade	Standard grade	Sub standard grade	Without rating			
Corporate	202,483	64,886	-	144,603	810	99,915	512,697
Small business	172,423	207,220	-	423,982	-	14,901	818,526
Consumer	12,171	-	-	266,540	-	-	278,711
Residential mortgage	-	-	-	-	-	-	-
Total	**387,077**	**272,106**	**-**	**835,125**	**810**	**114,816**	**1,609,934**
Allowances for impairment of leasing	(15,586)	(2,643)	-	(10,306)	-	(59,544)	(88,079)
Leasing exposure, net of allowances	**371,491**	**269,463**	**-**	**824,819**	**810**	**55,272**	**1,521,855**

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk (continued)

The following tables set out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed. Explanation of the terms: Stage 1, Stage 2 and Stage 3 are included in Note 2.4.6.1.

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

				31 December 2021
Cash and Cash equivalents	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts with banks				
Low- fair risk	3,126,337	-	-	3,126,337
Less: allowance	*(1,298)*	-	-	*(1,298)*
Carrying amount	**3,125,039**	**-**	**-**	**3,125,039**
Money market placements				
Low- fair risk	2,962,717	-	-	2,962,717
Less: allowance	*(1,045)*	-	-	(1,045)
Carrying amount	**2,961,672**			**2,961,672**
Unrestricted balances with central bank				
Low- fair risk	23,420,591	-	-	23,420,591
Less: allowance	*(58,691)*	-	-	*(58,691)*
Carrying amount	**23,361,900**			**23,361,900**
Total	**29,448,611**	**-**	**-**	**29,448,611**

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

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Restricted cash at Central Bank				
Low- fair risk	18,305,362	-	-	18,305,362
Less: allowance	*(46,719)*	-	-	*(46,719)*
Carrying amount	**18,258,643**	**-**	**-**	**18,258,643**

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk (continued)

				31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt instruments at fair value through other comprehensive income				
Low- fair risk	17,368,010	-	-	17,368,010
Less: allowance	*(34,833)*	-	-	*(34,833)*
Carrying amount	**17,333,177**	**-**	**-**	**17,333,177**

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities				
Low- fair risk	65,758,942	-	-	65,758,942
Less: allowance	*(108,294)*	-	-	*(108,294)*
Carrying amount	**65,650,648**	**-**	**-**	**65,650,648**

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

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt instruments at amortized cost				
Low- fair risk	26,509,564	-	-	26,509,564
Less: allowance	(31,009)	-	-	(31,009)
Carrying amount	**26,478,555**	**-**	**-**	**26,478,555**

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

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Leasing				
Low- fair risk	1,357,727	48,654	-	1,406,381
Monitoring	10,138	34,794	-	44,932
Substandard	-	30,776	80,120	110,896
Doubtful	-	-	30,528	30,528
Lost	-	294	16,903	17,197
Less: allowance	(15,175)	(10,862)	(62,043)	(88,080)
Carrying amount	**1,352,690**	**103,656**	**65,508**	**1,521,854**

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk (continued)

				31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to customers				
Low- fair risk	109,807,801	10,757,086	1,281,439	121,846,326
Monitoring	5,646,772	3,686,361	1,457,392	10,790,525
Substandard	66,028	858,169	1,965,765	2,889,962
Doubtful	35,640	644,644	4,035,643	4,715,927
Lost	2,663	1,129	2,190,034	2,193,826
Less: allowance	(661,692)	(1,386,078)	(6,836,460)	(8,884,230)
Carrying amount	**114,897,212**	**14,561,311**	**4,093,813**	**133,552,336**

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to customers				
Low- fair risk	107,163,155	1,289,152	1,063,333	109,515,640
Monitoring	3,009,197	4,695,942	281,671	7,986,810
Substandard	134,994	629,595	925,868	1,690,457
Doubtful	409	4,094	3,658,880	3,663,383
Lost	12,658	550	5,128,629	5,141,837
Less: allowance	(1,957,414)	(776,957)	(6,751,048)	(9,485,419)
Carrying amount	**108,362,999**	**5,842,376**	**4,307,333**	**118,512,708**

				31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial guarantees and other commitments				
Low- fair risk	9,980,175	-	-	9,980,175
Less: allowance	(60,696)	-	-	(60,696)
Carrying amount	**9,919,479**	**-**	**-**	**9,919,479**

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial guarantees and other commitments				
Low- fair risk	10,430,665	-	-	10,430,665
Less: allowance	(24,439)	-	-	(24,439)
Carrying amount	**10,406,226**	**-**	**-**	**10,406,226**

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk (continued)

The table below shows the net exposure to loans and advances to customers and leasing as at 31 December 2022 and 31 December 2021, categorized as per individual and collective impaired portfolio:

	Net exposure to Loans and advances to customers and leases	
	31 December 2022	**31 December 2021**
Individually impaired		
Past due and impaired	10,223,640	10,363,397
Allowance for impairment	(6,674,608)	(6,607,195)
Carrying amount	**3,549,032**	**3,756,202**
Collectively assessed for impaired		
Past due but not impaired	28,758,547	7,358,693
Carrying amount	**28,758,547**	**7,358,693**
Neither past due nor individually impaired	105,405,601	111,886,079
Allowance for impairment	(2,286,121)	(2,966,303)
Carrying amount	**103,119,480**	**108,919,776**
Total carrying amount on loans and advances to customers	**135,427,059**	**120,034,671**

Impaired loans and securities

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

Allowances for impairment

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

Write-off policy

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

Loans and advances to customers

The Group holds collateral against loans and advances to customers and leasing in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2021 or 31 December 2020. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

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

	31 December 2022	**31 December 2021**
Against individually impaired:	**12,406,964**	**16,199,097**
Property	10,758,729	12,667,995
Other	1,648,235	3,531,102
Against collectively impaired:	**275,630,808**	**676,538,199**
Property	182,811,256	172,850,340
Other	92,819,552	503,687,859
	288,037,772	**692,737,296**

41 Risk management (continued)

41.2 Credit risk (continued)

Exposure to credit risk (continued)

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

	31 December 2022	**31 December 2021**
Gross amount of loans	144,387,788	129,608,061
Provisions if no collateral would be considered	(19,985,125)	(17,564,390)
Total carrying amount on loans and advances to customers	**124,402,663**	**112,043,671**

Risk concentration

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

Loans and advances to customers and leasing	**31 December 2022**			**31 December 2021**		
	Albania	**Others**	**Total**	**Albania**	**Others**	**Total**
Construction	17,391,872	8,453,968	25,845,840	16,674,760	6,281,374	22,956,134
Commerce	39,516,004	3,419,645	42,935,649	38,499,825	1,624,093	40,123,918
Consumer loans	8,241,333	648,507	8,889,840	7,591,160	202,152	7,793,312
Public,social and personal services	19,727,462	2,167,571	21,895,033	17,931,442	1,226,016	19,157,458
Processing industry	5,077,920	1,856,737	6,934,657	6,103,333	440,319	6,543,652
Hotels and restaurants	5,277,162	222,350	5,499,512	5,902,566	742,262	6,644,828
Production and distribution of electricity/water	5,660,416	86,283	5,746,699	4,684,694	-	4,684,694
Real estate	1,236,712	203,893	1,440,605	1,472,857	153	1,473,010
Transport and telecommunication	2,986,779	1,018,064	4,004,843	603,392	4,957	608,349
Agriculture	1,789,621	562,307	2,351,928	1,657,568	510,642	2,168,210
Mining	380,813	577,370	958,183	1,267,255	-	1,267,255
Health and social activities	1,034,526	131,483	1,166,009	1,002,113	777,188	1,779,301
Fishery	29,390	-	29,390	50,010	-	50,010
Other	16,219,352	470,248	16,689,600	14,124,007	234,034	14,358,041
	124,569,362	**19,818,426**	**144,387,788**	**117,564,982**	**12,043,190**	**129,608,172**

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

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

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.2 Credit risk (continued)

Risk concentration (continued)

31 December 2021	Corporate lending	Small business lending	Consumer lending	Residential mortgage	Total
Individuals	-	2,581,437	8,050,853	11,077,065	21,709,355
Public Sector	653,757	-	-	-	653,757
Trade	35,272,239	4,906,791	-	-	40,179,030
Manifacturing	7,866,896	3,361,449	-	-	11,228,345
Construction	19,660,024	3,296,110	-	-	22,956,134
Services	13,169,241	3,502,985	-	-	16,672,226
Others	10,889,064	5,320,261	-	-	16,209,325
Total	**87,511,221**	**22,969,033**	**8,050,853**	**11,077,065**	**129,608,172**
Financial Services	**1,037**	**85,060**	**-**	**-**	**86,097**

41.3 Liquidity risk

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

Management of liquidity risk

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

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

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

Exposure to liquidity risk

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

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

	31 December 2022	31 December 2021
Average for the period	34.83%	77.63%
Minimum for the period	26.01%	58.21%
Maximum for the period	45.17%	93.90%

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

Maturity gaps for each major currency are calculated and analyzed by the Group on a monthly basis. The tables below show an analysis of the Group's assets and liabilities as of 31 December 2022 and 31 December 2021 according to their remaining maturity.

41 Risk management (continued)

41.3 Liquidity risk (continued)

Exposure to liquidity risk (continued)

The table shows the liquidity situation of the Group as currently monitored by the Group's management, as at 31 December 2021. It considers the undiscounted cash flows in/out of the Group for on and off financial assets and liabilities, reflecting any earlier repayment or retention history assumptions.

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

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2022

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.3 Liquidity risk (continued)

Exposure to liquidity risk (continued)

31 December 2021	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
ASSETS (Cash flow in)	**45,758,711**	**9,471,938**	**54,730,043**	**81,907,222**	**76,080,473**	**45,758,711**
Cash and cash equivalents	32,416,253	66,419	-	-	-	32,416,253
Restriced balances with Central Bank	6,764,475	2,076,203	6,330,425	3,087,540	-	6,764,475
Loans and advances to banks	-	-	3,884,432	19,178	21,563	-
Financial Assets measured at FVPL	-	5,756	-	-	304,302	-
Financial Assets measured at FVOCI	2,602,530	3,696,504	11,241,603	22,764,795	25,345,217	2,602,530
Debt instruments at amortised cost	1,426	51,649	119,342	12,558,585	13,747,554	1,426
Quotas of investment fund	37,302	-	-	-	51,324	37,302
Leasing	43,671	94,786	359,540	1,011,961	11,898	43,671
Loans and advances to customers	3,175,432	3,480,612	32,792,994	42,465,163	36,598,615	3,175,432
Other assets (debtors)	717,622	9	1,707	-	-	717,622
LIABILITIES(Cash flow out)	**84,777,304**	**30,291,070**	**90,572,446**	**52,682,944**	**2,737,564**	**84,777,304**
Deposits from bank and customers-Current account	72,142,927	30,030,412	89,384,883	48,242,648	-	72,142,927
Current account with banks	1,620,441	-	-	-	-	1,620,441
Current account with customers	70,522,486	30,030,412	89,384,882	48,242,648	-	70,522,486
Deposits from banks	269,598	183,391	1,113,568	225,663	-	269,598
Deposits from customers-Time deposits	10,857,565	-	15,000	-	-	10,857,565
Borrowing	615,501	14,077	43,862	143,750	8,134	615,501
Subordinated debt	418,218	61,309	15,134	4,063,864	2,729,430	418,218
Other liabilities (suppliers)	473,495	1,881	-	7,019	-	473,495
TOTAL GAP ON BALANCE SHEET	**(39,018,593)**	**(20,819,132)**	**(35,842,403)**	**29,224,278**	**73,342,909**	**(39,018,593)**
Off Balace sheet (Cash flow in)		-	-	-	-	
Off Balace sheet (Cash flow out)	**(1,349)**	**-**	**-**	**-**	**-**	**(1,349)**
TOTAL GAP OFF BALANCE SHEET	**(1,349)**	**-**	**-**	**-**	**-**	**(1,349)**
Total GAP 31 December	**(39,019,942)**	**(20,819,132)**	**(35,842,403)**	**29,224,278**	**73,342,909**	**6,885,710**
Cumulative GAP 31 December 2021	**(39,019,942)**	**(59,839,074)**	**(95,681,478)**	**(66,457,200)**	**6,885,710**	

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2022

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.3 Liquidity risk (continued)

Exposure to liquidity risk (continued)

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

	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
31 December 2022						
Deposits from bank and customers-Current account	75,236,928	30,272,416	92,399,234	60,250,275	-	258,158,853
Current account with banks	1,610,987	-	-	-	-	1,610,987
Current account with customers	73,625,941	30,272,416	92,399,234	60,250,275	-	256,547,866
Deposits from banks	288,307	227,683	1,056,693	393,888	-	1,966,571
Deposits from customers-Time deposits	8,736,065	-	325,000	-	-	9,061,065
Borrowing	-	15,242	45,572	93,821	3,050	157,685
Subordinated debt	-	73,946	460,867	4,069,668	3,320,177	7,924,658
Other liabilities (suppliers)	129,678	9,140	-	2,941	-	141,759
	84,390,978	**30,598,427**	**94,287,366**	**64,810,593**	**3,323,227**	**277,410,591**
31 December 2021						
Deposits from bank and customers-Current account	**72,142,927**	**30,030,412**	**89,384,882**	**48,242,648**	**-**	**239,800,869**
Current account with banks	1,620,441	-	-	-	-	1,620,441
Current account with customers	70,522,486	30,030,412	89,384,882	48,242,648	-	238,180,428
Deposits from bank	269,598	183,391	1,113,567	225,663	-	1,792,219
Deposits from customers-Time deposits	10,857,565	-	15,000	-	-	10,872,565
Borrowing	418,218	61,309	15,134	4,063,864	2,729,430	7,287,955
Subordinated debt	615,501	14,077	43,862	143,750	8,134	825,324
Other liabilities (suppliers)	473,495	1,881	-	7,019	-	482,395
	84,777,304	**30,291,070**	**90,572,445**	**52,682,944**	**2,737,564**	**261,061,327**

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.4 Market risk

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

Management of market risks

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

Exposure to foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ALCO has set limits on positions by currency. In accordance with the Group's policy, positions are monitored on a daily basis to ensure positions are maintained within established limits.
The analysis of assets and liabilities as of 31 December 2022 and 31 December 2021 by the foreign currencies in which they were denominated is as follows:

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

31 December 2021	ALL	USD	EUR	OTHER	TOTAL
Cash and Cash equivalent	10,470,522	9,255,501	7,493,109	5,263,540	32,482,672
Restricted balances with Central Bank	5,608,167	1,182,016	11,468,459	-	18,258,642
Loans and advances to banks	3,853,646	42,617	28,910	-	3,925,173
Financial Assets measured at FVPL	160,765	-	149,293	-	310,058
Debt instruments at FVOCI	43,207,527	3,090,582	19,352,540	-	65,650,649
Debt instruments at amortized cost	16,329	-	26,462,226	-	26,478,555
Quotas in investment fund	88,626	-	-	-	88,626
Leasing	16,984	-	1,504,871	-	1,521,855
Loans and advances to customers	72,337,302	-	45,823,226	-	118,160,528
Other assets (debtors)	573,596	90,982	51,816	1,229	717,623
Total assets	**136,333,464**	**13,661,698**	**112,334,450**	**5,264,769**	**267,594,381**
Due to banks and other financial institutions	1,694,579	531,803	1,173,377	12,901	3,412,660
Due to customers	131,856,017	10,252,425	101,884,509	5,060,043	249,052,994
Borrowings	615,501	-	209,823	-	825,324
Subordinated debt	4,110,925	532,016	2,645,015	-	7,287,956
Other liabilities (suppliers)	453,594	152	28,462	187	482,395
Total liabilities	**138,730,616**	**11,316,396**	**105,941,186**	**5,073,131**	**261,061,329**
Net position	**(2,397,152)**	**2,345,302**	**6,393,264**	**191,638**	**6,533,052**

41 Risk management (continued)

41.4 Market risk (continued)

Exposure to foreign exchange risk (continued)

The table below shows the sensitivity analysis on currency risk as at 31 December 2022 and 31 December 2021 for a change of +/(-) 100 basis points and the respective effect in pretax profit and loss. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Albanian ALL (all other variables being held constant) on the income statement (due to the fair value of currency sensitive non–trading monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Albanian ALL would have resulted in an equivalent but opposite impact.

Currency	31 December 2022			31 December 2021		
	Increase in basis point	Effect on pretax profit/loss	Effect on equity	Increase in basis point	Effect on pretax profit/loss	Effect on equity
EURO	+/- 100 b.p.	+/- 5,851	+/- 4,974	+/- 100 b.p.	+/- 17.564	+/- 14.929
USD	+/- 100 b.p.	-/+ 718	-/+ 610	+/- 100 b.p.	-/+ 3,372	-/+ 2.866
Other	+/- 100 b.p.	+/- 3	+/- 2	+/- 100 b.p.	+/- 230	+/- 196

As there are no equity balances denominated in foreign currency (share capital paid in either USD or EUR is translated to ALL using the historical foreign exchange rate at the transaction date), the effect in equity is the same to the effect on the income statement, as at 31 December 2022 and 31 December 2021 and for the year then ended.

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.4 Market risk (continued)

Exposure to interest rate risk

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities and interest rate gap position as at 31 December 2022 and 31 December 2021. The Group's assets and liabilities are included in the carrying amount and categorized by the earlier of contractual re–pricing or maturity dates.

31 December 2022	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
Assets							
Cash and cash equivalents	22,705,794	68,538	-	-	-	18,337,984	41,112,316
Restricted balances with Central Bank	6,754,315	2,016,145	6,557,703	3,915,377	-	109,870	19,353,410
Loans and advances to banks	170,799	-	97,667	57,305	13,520	-	339,291
Reverse Repurchase Agreement	968,294	-	-	-	-	-	968,294
Debt instruments at FVOCI	2,212,205	9,070,065	5,082,990	556,322	411,595	-	17,333,177
Debt instruments at amortized cost	278,175	1,118,108	6,525,475	39,138,524	23,729,331	-	70,789,613
Quotas in investment fund	-	-	-	-	-	47,850	47,850
Leasing	1,758	5,801	55,765	1,649,282	46,885	115,231	1,874,722
Loans and advances to customers	5,478,088	11,988,815	22,313,972	20,140,264	73,631,199	-	133,552,338
Other assets (debtors)	-	-	-	-	-	836,647	836,647
Total assets	**38,569,428**	**24,267,472**	**40,633,574**	**65,457,073**	**97,832,530**	**19,447,582**	**286,207,658**
Liabilities							
Due to banks and other financial institutions	1,899,294	227,683	1,056,693	393,889	-	-	3,577,559
Due to customers	82,362,007	30,272,415	92,724,234	60,250,275	-	-	265,608,931
Borrowing	-	15,242	45,572	93,821	3,050	-	157,685
Subordinated debt	-	73,946	460,867	4,069,668	3,320,177	-	7,924,658
Other liabilities (suppliers)	-	-	-	-	-	141,759	141,759
Total liabilities	**84,261,301**	**30,589,286**	**94,287,366**	**64,807,653**	**3,323,227**	**141,759**	**277,410,592**
GAP as at 31 December 2022	**(45,691,873)**	**(6,321,814)**	**(53,653,794)**	**649,421**	**94,509,303**	**19,305,823**	**8,797,066**

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

41 Risk management (continued)

41.4 Market risk (continued)

Exposure to interest rate risk (continued)

A summary of the Group's interest rate gap position as of 31 December 2021 is as follows:

31 December 2021	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
Assets							
Cash and cash equivalents	14,369,831	66,419	-	-	-	18,046,422	32,482,672
Restricted balances with Central Bank	6,658,295	2,076,203	6,330,425	3,087,540	-	106,181	18,258,644
Loans and advances to banks	-	-	3,884,432	19,178	21,563	-	3,925,173
Financial Assets measured at FPVL	-	5,756	-	-	304,302	-	310,058
Debt instruments at fair value through other comprehensive income	2,602,530	3,696,502	11,241,603	22,764,795	25,345,217	-	65,650,647
Debt instruments at amortized cost	6,869	57,092	124,785	12,589,887	13,699,922	-	26,478,555
Quotas of investment fund	-	-	-	-	-	88,626	88,626
Leasing (gross)	43,671	94,786	359,540	860,218	11,898	151,743	1,521,856
Loans and advances to customers (gross)	3,169,598	3,474,778	32,787,160	42,459,329	36,621,951	0	118,512,816
Other assets (debtors)	-	-	-	-	-	717,622	717,622
Total assets	**26,850,794**	**9,471,536**	**54,727,945**	**81,780,947**	**76,004,853**	**19,110,594**	**267,946,669**
Liabilities							
Due to banks and other financial institutions	1,890,039	183,391	1,113,567	225,663	-	-	3,412,660
Borrowing	615,501	-	-	209,823	-	-	825,324
Due to customers	43,716,980	30,030,412	89,399,882	48,387,914	-	37,517,805	249,052,993
Subordinated debt	418,218	61,309	15,134	4,063,864	2,729,430	-	7,287,955
Other liabilities (suppliers)	-	-	-	-	-	482,395	482,395
Total liabilities	**46,640,738**	**30,275,112**	**90,528,583**	**52,887,264**	**2,729,430**	**38,000,200**	**261,061,327**
GAP as at 31 December 2021	**(19,789,944)**	**(20,803,576)**	**(35,800,638)**	**28,893,683**	**73,275,423**	**(18,889,606)**	**6,885,342**

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

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.4 Market risk (continued)

Exposure to interest rate risk (continued)

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

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

		31 December 2022		31 December 2021	
	Increase/(Decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
ALL	+100/(100)	+/-473,604	+/-480,384	+/-364,652	+/-209,485
USD	+100/(100)	+/-2,605	-/+26,003	+/-34,382	-/+45,858
EURO	+100/(100)	+/-294,426	-/+593,238	+/-271,096	-/+1,268,717

The average interest rates on assets and liabilities for the period as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
Currency	Assets	Liabilities	Assets	Liabilities
ALL	5.14%	1.27%	4.27%	1.12%
USD	1.63%	0.61%	0.44%	0.63%
EUR	3.47%	0.39%	2.72%	0.27%

41.5 Operational risk

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

41.6 Capital management

Regulatory capital

The Group monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Central Bank ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23.12.1997 "On the Bank of Albania", and Law No. 9662 date 18.12.2006 "On Groups in the Republic of Albania".

The Group's regulatory capital is analyzed into two categories:

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

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

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

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

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

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

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

41 Risk management (continued)

41.6 Capital management (continued)

	31 December 2022	31 December 2021
Equity, as per IFRS	**19,468,250**	**20,567,774**
Difference in revaluation reserve from FVOCI assets	(9,443)	(1,203,790)
Translation reserve	(1,327,757)	(938,073)
Difference in accumulated retained earnings	2,487,279	1,288,012
Bank of Albania equity	**20,618,329**	**19,713,923**

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.

41.7 Fair value disclosures

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

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

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

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

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

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

Since 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, majority of which is measured at fair value to other comprehensive income, and it has a direct impact on capital. Unrealized losses can be converted into realized losses, in the case of part or all of the portfolio, will be classified in the tradable portfolio or sold potentially in the market.

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

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

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

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

Credins Bank is following with priority the movements of securities prices and the factors that affect their volatility, such as changes in the ratings of securities ratings, 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.

(Amounts in ALL'000, unless otherwise stated)

41 Risk management (continued)

41.7 Fair value disclosures (continued)

31 December 2022	FVPL (mandatory)	FVOCI	Amortized cost	Total carrying amount	Fair value
Cash and cash equivalents			41,112,315	41,112,315	41,112,315
Restricted Balances with Central Bank			19,353,410	19,353,410	19,353,410
Loans and advances to banks			339,291	339,291	339,291
Reverse repurchase agreement			968,294	968,294	968,294
Investment in securities at FVOCI		17,333,177		17,333,177	17,333,177
Investment securities at amortized cost			70,789,612	70,789,612	64,388,478
Quotas on investment fund	47,850			47,850	47,850
Leasing			1,874,722	1,874,722	1,874,722
Loans and advances to customers			133,552,337	133,552,337	133,552,337
Other assets (debtors)			836,648	836,648	836,647
Due to banks and other financial institutions			3,577,558	3,577,558	3,577,558
Due to customers			265,608,932	265,608,932	265,608,932
Borrowing			157,685	157,685	157,685
Subordinated liabilities			7,924,658	7,924,658	7,924,658
Other liabilities (suppliers)			141,759	141,759	141,759

31 December 2021	FVPL (mandatory)	FVOCI	Amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	32,482,672	32,482,672	**32,482,672**
Restricted Balances with Central Bank	-	-	18,258,643	18,258,643	**18,258,643**
Loans and advances to banks	-	-	3,925,173	3,925,173	**3,925,173**
Financial assets measured at FVPL	310,058	-	-	310,058	**310,058**
Investment in securities at FVOCI	-	65,650,648	-	65,650,648	**65,650,648**
Investment securities at amortized cost	-	16,329	26,462,226	26,478,555	**26,479,134**
Quotas on investment fund	88,626	-	-	88,626	**88,626**
Leasing	-	-	1,521,855	1,521,855	**1,419,924**
Loans and advances to customers	-	-	118,512,815	118,512,815	**103,308,752**
Other assets (debtors)	-	-	717,622	717,622	**717,622**
Due to banks and other financial institutions	-	-	3,412,660	3,412,660	**3,674,242**
Due to customers	-	-	249,052,994	249,052,994	**248,100,911**
Borrowing	-	-	825,324	825,324	**791,905**
Subordinated liabilities	-	-	7,287,955	7,287,955	**5,984,663**
Other liabilities (suppliers)	-	-	195,579	195,579	**195,579**

41 Risk management (continued)

41.7 Fair value disclosures (continued)

The following tables set out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2022 and 31 December 2021:

					31 December 2022
	Carrying amount	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	41,112,315	41,112,315	-	-	**41,112,315**
Restricted Balances with Central Bank	19,353,410	19,353,410	-	-	**19,353,410**
Loans and advances to banks	339,291	339,291	-	-	**339,291**
Reverse repurchase agreement	968,294	968,294	-	-	**968,294**
Investment in securities at FVOCI	17,333,177	823,616	16,509,561	-	**17,333,177**
Investment in securities at amortized cost	70,789,612	40,044,017	24,344,460	-	**64,388,477**
Quotas in investment fund	47,850	47,850	-	-	**47,850**
Leasing	1,874,722	-	-	1,874,722	**1,874,722**
Loans and advances to customers	133,552,337	-	-	133,552,337	**133,552,337**
Other assets (debtors)	836,648	-	-	836,648	**836,648**
Due to banks and other financial institutions	3,577,558	-	-	3,577,558	**3,577,558**
Due to customers	265,608,932	-	-	265,608,932	**265,608,932**
Borrowing	157,685	-	-	157,685	**157,685**
Subordinated liabilities	7,924,658	-	-	7,924,658	**7,924,658**
Other liabilities (suppliers)	141,759	-	-	141,759	**141,759**

					31 December 2021
	Carrying amount	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	32,482,672	32,482,672	-	-	**32,482,672**
Restricted Balances with Central Bank	18,258,643	18,258,643	-	-	**18,258,643**
Loans and advances to banks	3,925,173	3,925,173	-	-	**3,925,173**
Financial assets measured at FVPL	310,058	-	310,058	-	**310,058**
Investment in securities at FVOCI	65,619,346	22,530,935	43,119,713	-	**65,650,648**
Investment in securities at amortized cost	26,478,556	26,479,134	-	-	**26,479,134**
Quotas in investment fund	88,626	88,626	-	-	**88,626**
Leasing	1,521,855	-	-	1,419,924	**1,419,924**
Loans and advances to customers	118,512,815	1,300,176	-	102,008,576	**103,308,752**
Other assets (debtors)	717,622	7,571	-	710,052	**717,623**
Due to banks and other financial institutions	3,412,660	241,754	-	3,432,488	**3,674,242**
Due to customers	249,052,994	1,636,078	-	246,464,833	**248,100,911**
Borrowing	825,324	-	-	791,905	**791,905**
Subordinated liabilities	7,287,955	-	-	5,984,663	**5,984,663**
Other liabilities (suppliers)	191,510	4,069	-	187,441	**191,510**

42 Events after the statement of financial position date

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

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