CREDINS bank

ANNUAL REPORT

2021

MESSAGE FROM CEO

Credins Bank closed 2021 with a satisfactory financial performance and in line with the set strategic objectives. It even surpassed some of the budgeted figures. The results achieved at the end of this long and difficult year, show the work done and the energies involved by 997 employees. They also represent our day-to-day work with every client and in every branch of Credins Bank.

The loan portfolio in 2021 increased by 8.43% compared to the end of '20. The segments with the major growth have been Medium Business, Micro and Agro. We have provided unlimited support both in terms of consulting and application of financial facilitation schemes for sectors such as trade, services, agriculture, etc. Vaccination of the population, reopening of businesses accompanied with the traffic of people and goods, mitigation of restrictive measures and the government support to businesses through financial relief schemes, led to business recovery and increasing loan demand. Rapid development of the construction sector, as well as maintenance of optimistic levels for the tourism and services sectors, were also marked by an increase in lending to both individuals and businesses. Credins Bank has provided regular support to the latter through flexible procedures.

Based on its medium-term strategy, Credins bank has continued to increase its presence in the retail segment, offering innovations in product packages, dedicated offers for housing and consumer loans, but also from the new opportunities provided by digital channels. A more cautious approach has been followed up with corporate financing, which has been granted to key and performing sectors such as: construction and health. The growing loan portfolio and financing mainly in ALL are in line with the increasing loans in the banking system, impacted also by investments both in the business segment and individuals and mainly addressed to the construction sector. At the same time, portfolio allocation has been made in favor of the local currency (61%) against foreign currencies (39%). This has also avoided risks for our clients exposed to exchange rate fluctuations.

At the same time, there has been a significant reduction of non-performing loans at Credins Bank during this year, which is in line with the banking system. This has resulted from various factors but is also related to the actions taken by the Bank of Albania, improvement and amendment of the regulatory framework, more prudent lending, etc.

Deposits in the banking system have also significantly increased, which is reflected in an upward trend at Credins bank, maintaining our position as the second bank in terms of total deposits in the market and showing the trust that individual customers or businesses have given to us over the years.

One of the priorities of marketing strategy was to transform the traditional way of providing banking services to customers at our branches to digital channels, highlighting our focus on innovation and adaptation to ongoing developments in consumer behavior resulting from technological developments. Our objective is and shall be the education of customers to perform themselves the banking services, directly and 24/7 a day through Credins Online application. Clients are also given the unlimited opportunity to apply online from any digital channel and from any device, which provide quick alternatives to access the bank. Constant developments in the application with new functionalities, further optimization of internal operational processes, correct follow-up of online applications, accompanied by attractive branch offers, were accompanied with very satisfactory results both in terms of the number of new customers and increasing volume of transactions through digital channels.

Various technological investments have been made in the digital strategy, but at the same time, branches have also been revamped to provide convenient service to every customer who appears at the branch. Even though 2021 was a difficult year, Credins bank continued to select talented young people at Youarecredins School, held regular and quality trainings for the bank staff, and has also invested in creating an inspiring, promotional and developmental work premise for every employee.
The focus has also been on non-typical banking activities, which bring about innovations. In addition to further consolidating the insurance intermediation activity, we have successfully launched the new Depository activity for investment funds and we shall soon be launching a new financial activity, subscription of corporate securities. This service shall be offered for the first time in Albania and the Albanian corporations shall be given the possibility to explore new ways of financing.

Another successful achievement throughout '21 is the expansion and consolidation of Credins bank Kosovo, offering competitive advantages to customers, selecting local staff and their training, as well as establishing a team of leaders and professionals who are laying strong foundations for further growth. We have currently in Kosovo 4 new branches and our strategy is to expand further in other cities in '22.

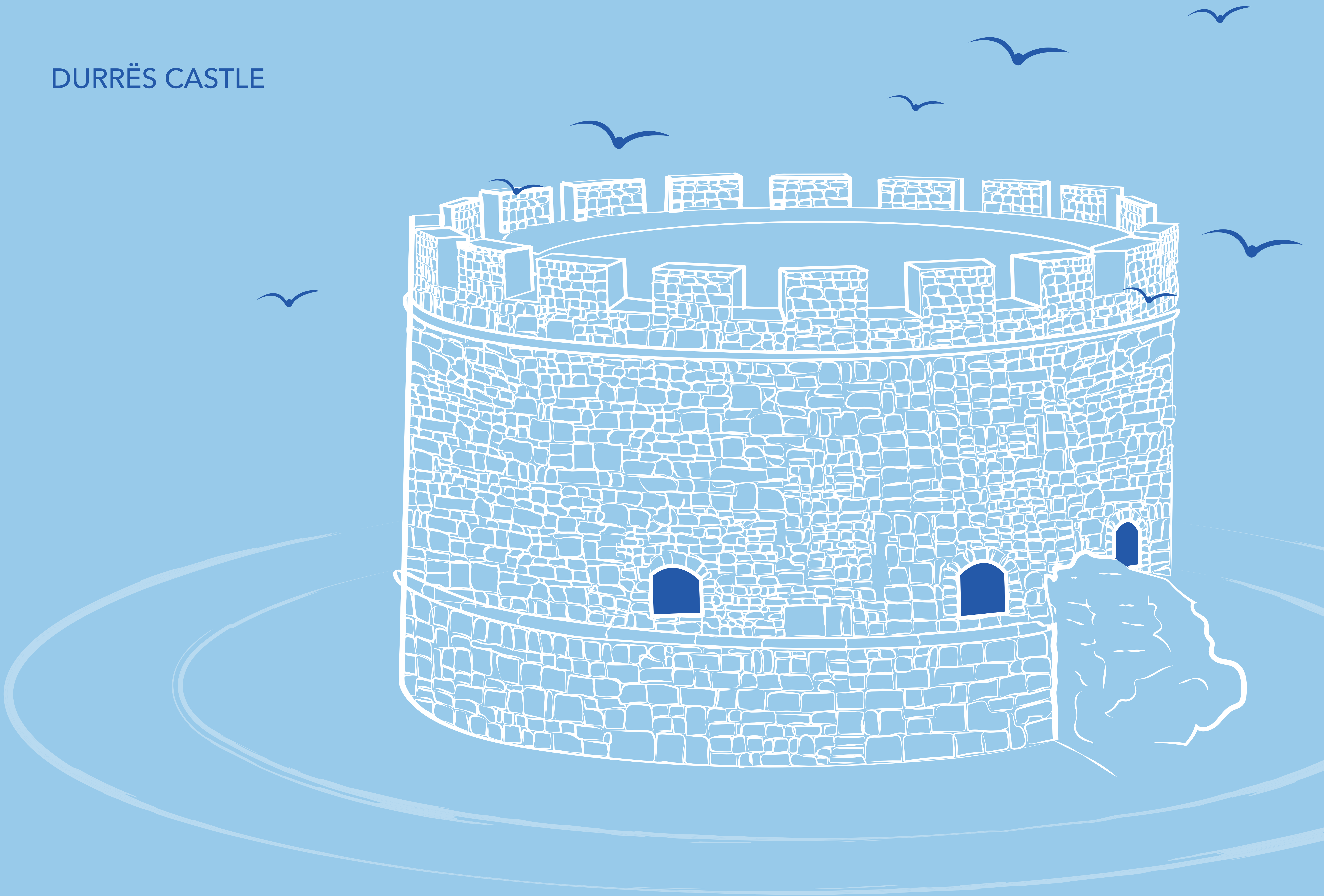
Credins Bank, already consolidated in the Albanian banking market for 19 years now, has been fully committed to support the 17 objectives for sustainable development. Many new and very interesting initiatives have been taken in the fight against poverty, environmental protection or support of innovation. Credins Bank is the first local corporation to become a full member of the UN Global Compact in 2021 following the international standards and best practices in terms of global objectives. We also launched the first crowdfunding platform "Smile" for raising funds from the public in Albania, in order to implement social oriented projects to empower our society.

The challenges of the banking system for 2022 are significant and are mainly related to the expectations for the economic development of the country which is projected to be at lower levels compared to 2021, further support by the government with mitigating fiscal policies which are expected to probably be reduced due to economic growth in 2021, development of strategic sectors in line with the approved budget for 2022, progress of the vaccination process and the pandemic situation which is still present, as well as keeping inflation under control to ensure financial stability and increased consumption and investments. At the same time, shrinkage would be avoided, so as not to have negative effects.

Considering the foregoing, Credins bank has designed for 2022 a development strategy to maintain its dominant position in the market as the second bank in the market in terms of total assets and deposits and the first bank for total loan portfolio. Therefore, it shall continue to be the main choice of every Albanian citizen. Digitalization of banking products and services, education of customers towards digital channels, further automation of internal processes following legal and regulatory changes that are being made, lending to performing sectors, maintaining portfolio quality, etc., require that further investments be made in technology, internal reorganizations, processes and new perspective and way of working. The consolidated market of the Albanian banking system provides opportunities for doing more business. It also faces us with of a constant challenge for new investments, quality of service and innovation, for which we are committed at the maximum. There is still room to increase the number of customers and the citizens who have no access to the banking system, can use the banking services reducing the cash use by making payments through intensified digital channels and with better conditions, greater use of bank cards, etc. We believe that we are in the right path, by committing to the maximum and focusing to further grow and develop, in order to be bank of every Albanian.

MALTIN KORKUTI
CEO

DURRËS CASTLE



BUSINESS DEVELOPMENT DIVISION

BRANCH SALES MANAGEMENT DEPARTMENT

2021 marked a complex and challenging year for the entire bank branch network, in the circumstances when the customer demands depend on the performance of the economy globally and locally. The approach of customers to financial products was also affected by the uncertainty in the economic context over the last year.

However, despite the difficulties, sales in the branch network managed to be at the forecasted levels. In fact, for some products they were much better than forecast. In '21, 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 in most of the bank's products, with a 120% realization on average, marking an increase compared to the realization of objectives set in the last year regarding development of the bank's retail business.

The indicator of the number of products sold per customer exceeded for the first time the level 2.4. The products sold to the active customers of the bank, such as our payroll clients, amount to 3.5 products per customer, a very satisfactory figure which shows that the needs of our customers have been met with the products completely designed and offered by Credins Bank.

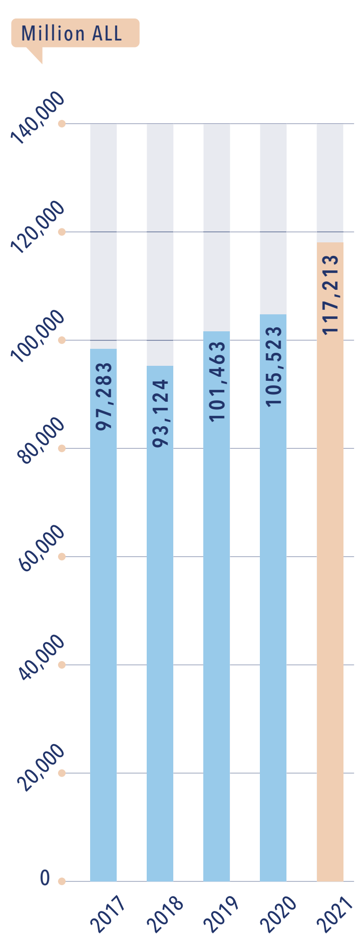
The products in focus of the sales force in each branch have continued to be deposits and loans, without ignoring digital products such as the Credins Online platform (internet banking) which is already meeting the majority of the customers' financial needs. Credins Online, the application of the "virtual" bank, through which customers can perform almost all the operations that can be carried out at the bank counters, showed 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 product requests, which is already carried out through the bank's official website and Credins Online platform. The sales success has gone to the level of 17% compared to 5% last year.

The loan portfolio generated by the branch network has continued to grow in the retail segment, especially in loans granted to small businesses. In 2021, the retail loan portfolio increased by about ALL 3 billion or about 12% compared to 2020.

Commissions generated by banking transactions increased by about 30% in 2021 compared to a year ago. The increase was realized in all bank regions, especially in the second half of the year. These revenues are mainly generated from commissions of transactions at POS, use of bank cards, foreign exchange, etc.

2021 continued to follow the track towards technological innovations and digital developments for the branch network, in terms of continuing the restructuring and modernization of the bank branches, innovative and flexible service provided through the mobile bank "Mobile Branch", and also the consolidation of the "Smart Branch", where clients, in addition to the usual activity they are used to perform at our bank, can interact with all digital forms provided by the bank, can receive personalized consulting in comfortable and special facilities within the branch, can have a coffee or hot tea by being informed about the latest bank updates through one of the branch screens. Thus, they can be served both physically and virtually in 360 degrees.

LOAN PORTFOLIO



The launch of product packages for the very important segment of the bank, private and state payroll customers, was also a novelty. For the first time in '21, we sold products in packages, which were welcomed by our customers. Now, the client saves time and reduces costs by getting several bank products and services at once!

The strategic priorities for the branch network activity in 2022, 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, providing digitalization to the other branches so that the customer service be more convenient both in the traditional branches and in the other alternative channels of the bank.

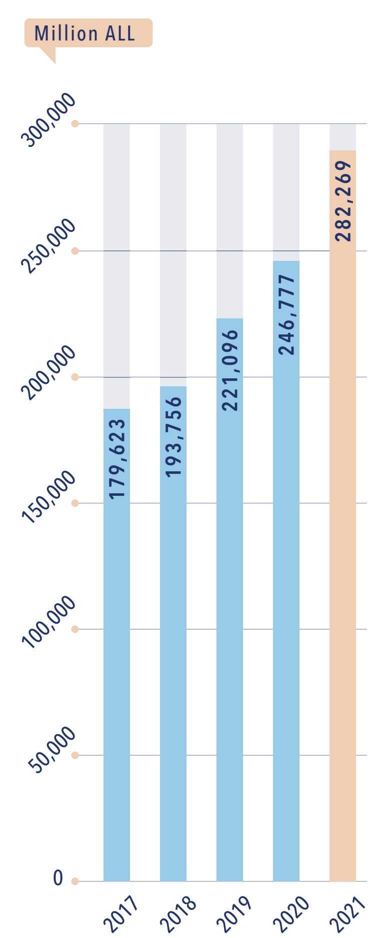
MARKETING DEPARTMENT

The marketing strategy in 2021 was focused on the customer needs, improving their communication in many channels and distinguishing in creativity and positioning in the Albanian market. Our goal has been to make our customers promoters of our brand, to build and follow them along their journey in the bank, to engage with them as much as possible while maintaining a balance between personalization and the functionalities we provide.

Given that the strategy was followed, planned and implemented correctly in coordination with other structures of the bank, this year has been quite successful both in promoting the bank's brand and achieving better results in terms of selling products or re-selling them to existing customers. A favorable environment for achieving strategic objectives for the business unit was created thanks to the creative campaigns designed and various communication channels used.

Some of the key achievements are related to the empowerment of the bank in digital channels, which generate a considerable business volume for any of Credins bank branches. Therefore, they act in line with our strategy for a digital transformation and in line with the technological changes and developments taking place everywhere in the world. Marketing innovations

TOTAL ASSETS



are focused on designing campaigns in new digital channels, beyond the traditional ones established over the years. They are also accompanied by more attractive offers despite the fact that clients continue to appear physically in the bank's branches. Campaigns on Google Ads, Programmatic, Ads on Facebook, Instagram, etc., as well as the use of influencers who have a significant number of followers on their social networks, are some of the new forms applied and followed throughout 2021 to promote marketing campaigns. "Storytelling" is one of the most efficient ways. Clients become brand ambassadors of our services. We have designed many interesting sections throughout the year, where customers are promoters of our services, such as Credins Online, E-commerce, POS, etc. The results of the campaigns on digital channels are followed, monitored and improved according to the objectives set. Today we have over 140k followers on our social networks who follow us, apply online for products and services, give feedback on our services, etc.

The campaign messages have been closely linked to the respective objectives. In 2021, we launched 17 successful campaigns built on both traditional and digital channels. Partnership and offers built and promoted with various local partners such as Volvo or international partners, such as MasterCard and Visa, etc., are to be appreciated. The campaigns were accompanied by several TV and radio spots, with videos posted from influencers on social networks, giveaway, etc. The loyalty of our customers has been rewarded with several "cash back" campaigns, which aimed at enhancing the use of bank cards as well as providing various discounts in our network of partners which is growing every day.

Some of the most prominent campaigns were: Credins Online, housing loans, consumer loans and student packages. They were designed by promoting them as per the respective segments and in specific channels where customers could be targeted. Promotion through various events such as hackathons, conferences or participation of bank staff in various television or radio media, PR articles, etc., is to be highly appreciated. Some of the campaigns were focused on educating and raising the awareness of customers and non-bank customers about the use of banking products and services, providing them with facilities to obtain information, use it and access the banking system.

In addition to the campaigns, the Marketing Department has also been involved in several innovative projects, which have been successfully finalized and launched. One of these projects is the "Credins Events" mobile application, which has increased and strengthened even more internal communication through information and constant notifications for all the bank's staff. It has also been used to organize activities, deliver messages, photos, videos, to organize competitions, etc., through an internal social network quickly and easily accessible.

The Marketing Department in cooperation with the Human Resources Department, have undertaken throughout the year many interesting initiatives to involve and increase the cooperation between the Credins bank staffs.

It is also worth mentioning the launch of the first crowdfunding platform in Albania, Smile, which serves to raise public funds for implementing social projects. This project, initiated by the bank's Management, is in line with the 17 Sustainable Development Objectives which are the focus of Credins Bank for its growth. To promote the platform, a comprehensive communication campaign has been carried out, both to get familiar with the Smile brand, as well as to raise the awareness of the citizens to donate for social causes.

Despite being faced with a difficult year, the projects, campaigns as well as over 70 corporate responsibility activities were handled with maximum dedication by a specialized and dedicated staff.

The targets for 2022 shall be even more challenging and demanding. We aim to be engaged in more innovative projects, both in terms of sustainable development, new ideas, and campaigns by using a more personalized communication with our customers.

The digital strategy shall continue to be focused on the comprehensive educational campaigns regarding online application for products, further improvement and optimization of internal processes, more attractive prices for digital channels, transforming traditional banking and facilitating the experience for every customer.

PRODUCT AND INSTITUTIONAL MANAGEMENT DEPARTMENT

The Product Management Sector managed to successfully close a challenging year due to the global pandemic, which broke out in 2020. The main objective throughout the '21 has been designing products or services and efficiently offer them in order to be competitive both in the market, but also in establishing reliable relationships with each of the Credins bank clients.

Some of the main products/services/offers launched in '21 have been mainly focused on stimulating customers to use of bank cards. These offers aim at educating customers to use cards for any payment, which is also associated with the cash reduction in economy. In January '21, incentives were offered to all customers who use Elite Master World cards (Credins Bank exclusivity for the Albanian banking market). Customers have been rewarded from the Bank for all the purchases carried out in 2020. In cooperation with Visa Company, incentives were also awarded to Visa cardholders in August and September. The "cashback" scheme was offered for all the purchases made with a card during the promotion period. Credins Bank launched also an offer on the occasion of the March 8. This offer aimed at granting women a bank card with preferential terms and conditions.

In order to stimulate customers to use digital platforms, the bank launched in 2021 the offer "0 commission for each online application". Therefore, customers could use the bank in a different way, from any device wherever they were. At the same time, profit from digital channels increased in a more convenient way.

Partnership with many companies was an even more interesting product offering consumer loans with 0% interest rates. Clients could be credited by purchasing goods/services in partner companies and by paying interest-free monthly installments.

Given that we are today the largest bank in lending, we have continued to support businesses with lending products, offered with preferential schemes, by cooperating with RCGF, COSME or Sovereign guarantee funds to cope with the pandemic situation.

Based on the positive performance of the construction sector and increasing demand of customers, Credins bank has launched the housing loan offer, which provides preferential terms for all the bank customers. As a result, total individual loan portfolio increased by 12%.

A special focus throughout '21 was also the combination of banking products with those of life insurance as an added benefit for every customer who was granted a consumer loan. In this way, customers were made aware of the insurance products.

Finally, Credins bank which is now present even in Kosovo, enabled transfer services with preferential terms to our bank in Kosovo. So, every customer operating in these two markets can benefit from this initiative.

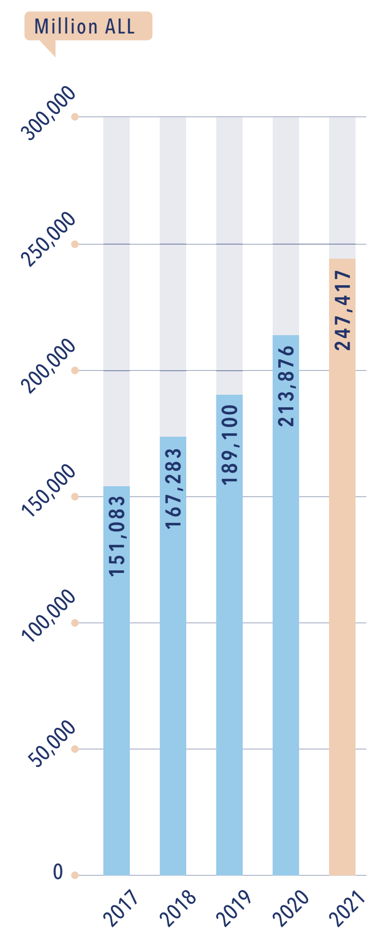
The Institution Management Sector has continued to maintain and further strengthen relations with state institutions by serving them with professionalism and tailor made offers. Credins Bank cooperates with over 800 institutions across the country, serving them in every branch of the bank, both for the needs of the Institution and their employees.

Thanks to the attractive offers, as well as very good service, the number of payroll clients increased by 3.3% at the end of 2021 compared to 2020. In 2021, Credins Bank offered "Payroll Packages" to payroll customers, which were quite convenient as several products were offered together in one package with a very attractive fee. About 30% of institutional clients switched to packages. Banking commission income increased by 19% compared to 2020, and they were generated mainly from lending products.

As a result of packages and offers, accompanied by massive promotion campaigns and active sales in all the bank's branches and digital channels, the number and volume of products increased sharply. The value of lending products increased by 22% and non-lending products increased by 4% compared to 2020.

Also, the volume of accounts and deposits of state institutions of increased by 77% and the volume of current accounts increased by 87% in 2021 compared to 2020. Profitability from state institutions increased by 17% compared to '20. The objectives for further grew in '21 accompanied by personalized services, more attractive products, and satisfactory service in all the bank's branches offered to every institutional client.

DEPOSITS



ALTERNATIVE BUSINESS DEPARTMENT

The Alternative Businesses Department (ABD) closed 2021 with satisfactory results in the activities managed by it. In addition to quantitative indicators that show the rapid growth rate of activities, ABD ensured in 2021 the quality aspects of activities under management, improving and enriching internal processes and procedures and adapting them to the requirements of the legislation amended recently (2020) and more efficient trading practices.

The incomes generated by the Intermediation in Insurance, in the form of intermediation commissions, were at significant levels, or 112% more than the incomes of '20. The main actors for this growth are as follows:

- Internal reorganization of ABD tasks by adding work processes previously performed by Insurers (generation of insurance policies by the bank staff through the Insurer system, printing them directly at the branch, distribution of first policies printed at the branch, etc.) and consequently increasing renegotiation of commission fees by insurance companies;
- Adaptation of the rule for securing loan collateral for the entire loan period by paying the premium at the time of loan disbursement;
- Improving the existing policy renewal report due to the recruitment of additional staff dedicated to handle policy renewed on an annual basis;
- positive performance of new loan disbursements throughout 2021;
- Initiating intermediation of insurances other than "mandatory" policies for borrowers.

The activity of the Collective Investment Enterprise Depository, officially launched in February '21, has marked a positive performance during its first year of operation. Credins Bank exercises the depository service for the open-end investment fund with public offering "ABI EIA" which is administered by the management company ABI Invest sh.a. The incomes generated from this service are directly related to the size of the investment fund for which we serve as a depository. In this regard, our projections for the future of this activity shall be always associated with increasing profitability.

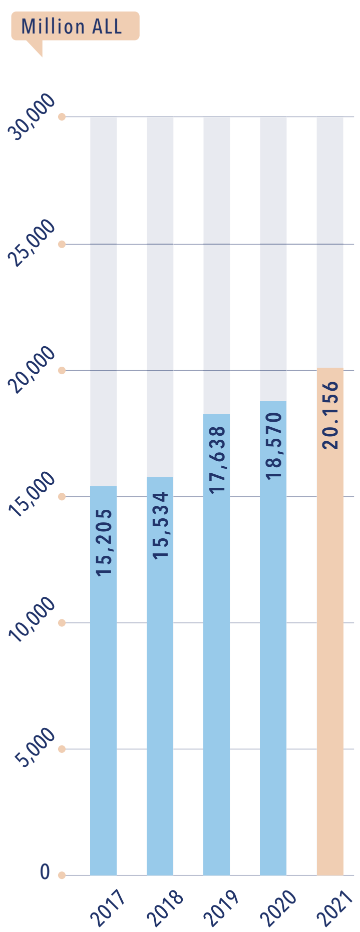
In the first year of activity our challenge was meeting all the requirements of the legislation for this service and adapting best work practices in order to provide an excellent service to our client/s. After this successful start, we strongly confirm that we deliver this service according to the highest professional standards, offering full protection for quota holders and excellent cooperation for the client management company.

In accordance with the requirements of Law No. 56/2020 "On Collective Investment Enterprises", Credins Bank has successfully adapted the depository activity to the requirements of the new law and AFSA has granted its approval to adjust the license on January 31 2022.

In '21, the Bank also applied to the AFSA to be licensed as a Depository of Alternative Investment Funds and expects to be licensed for this activity within March '22.

'22 is expected to be as positive as the year just closed. We expect that the profitability of intermediation and depository activities be increased and ABD is also expecting to launch the third activity under its management, subscription of corporate securities. ABD prepared in '21 the entire internal regulatory framework, set up the necessary infrastructure and applied to AFSA to be licenses for 3 activities related to the securities subscription. AFSA, for the first time in the Albanian market, licensed on 28.02.2022 Credins Bank sh.a. for securities subscription activities.

SHAREHOLDER EQUITY



LEASING SALES AND SUPPORT DEPARTMENT

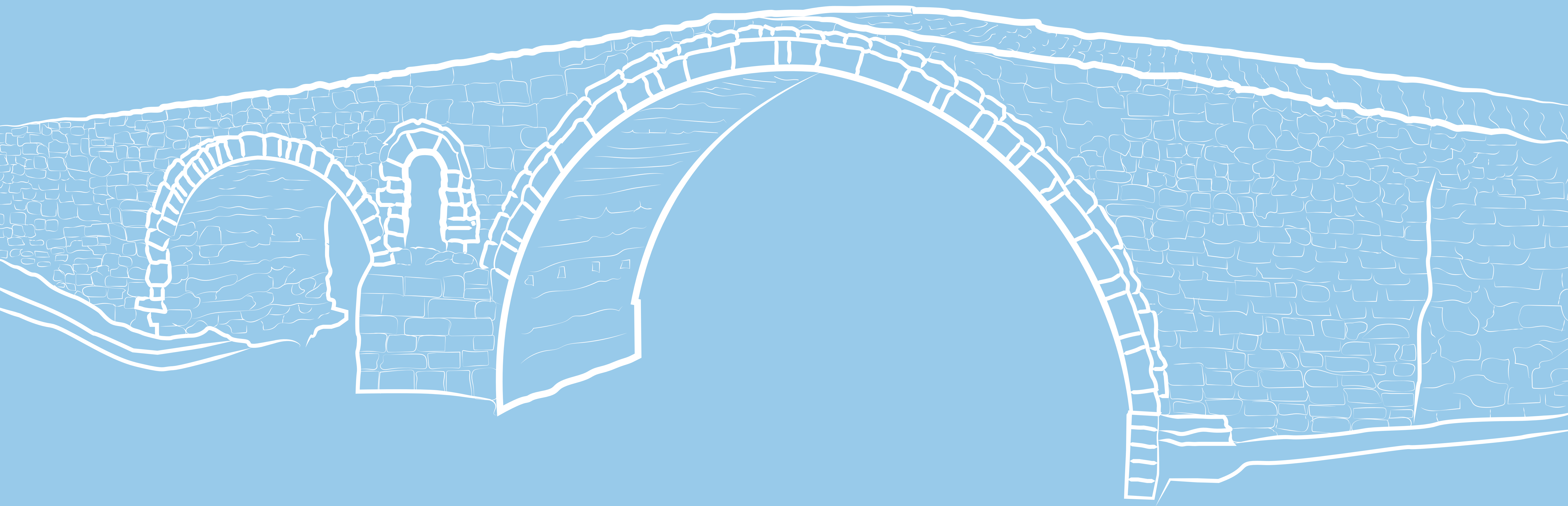
Ndikimi i zhvillimit të kujdesshëm që u vu re gjatë vitit 2020 reflektoi ne një nevojë të shtuar përgjatë vitit 2021 në produktin leasing. Financimet përbëhen nga 80% e volumit të tyre në sektorin automotiv. Ky sektor reflektoi rritje shitje në masën 11% nga viti 2020. Orientimi kryesor ka qenë menaxhimi në kohë i kërkesave të klientëve. Një rëndësi e veçantë ka qenë përkujdesja e vazhdueshme ndaj klientelës të cilët u prekën nga efektet e pandemisë. Credins Leasing vazhdon të jetë zgjedhja kryesore si për bizneset ashtu edhe për individë të cilët kërkojnë financim për makineri, pajisje, mjete transporti dhe makina. Credins leasing vazhdon të mbajë pozicionim të fortë dhe rritje në treg. Përgjatë vitit 2021, rritja e parashikuar e tepricës ishte 5% kundrejt 2020 dhe realizimi i saj u arrit në 113%. U disbursuan 8.5 milion euro.

Një rritje mjaft të mirë pati edhe numri i disbursimeve me 119% krahasuar me planifikimin. Portofoli i kredisë ruajti gjithashtu një cilësi të mirë duke patur një nivel të ulët të kredive me probleme .

Credins leasing vazhdon të mbajë vendin e dytë në treg me 14%, e cila u shoqërua me një rritje prej 19% në 2021 kundrejt 2020. Të ardhurat nga interesat u realizuan me 113% krahasuar me 2020 dhe shpenzimet për provizione mbajtën te njëjtin nivel me një vit më parë. Gjatë vitit 2021 u vu re një pjesëmarrje shumë e lartë e financimeve nga degët, në masën 53% ne këtë produkt dhe ky është një moment mjaft pozitiv në përfshirjen e rrjetit të degëve.

Objektivat dhe parashikimet për vitin 2022 vazhdojnë të mbeten agresive dhe realizimi i tyre do të bëhet i mundur nëpërmjet një përfshirje të të gjithë rrjetit të degëve përsa i takon shitjeve të reja. Do të forcojmë më shumë marrëdhëniet me koncesionarët duke përshtatur me lëvizjet e tregut nëpërmjet skemave atraktive financimi në përshtatje me nevojat e klientëve. Do të punohet për të përmirësuar vazhdimisht produktet ekzistuese si përsa i takon afatit apo kohës së procesimit si dhe rritje e mëtejshme e financimit për pajisje dhe makineri sipas industrive të ndryshme. Mbajtja e kredive me probleme në nivele të pranueshme do jetë një sfidë tjetër përgjatë 2022. Risi ne produktin leasing do të jetë përgjatë 2022 financimi i mjeteve lundruese. Ky produkt erdhi si kërkesë në rritje nga klientët tanë si dhe gatishmëria e tregut për ta ofruar. Janë krijuar disa koncesionarë te përqendruar në shitjen e skafeve dhe mjeteve të tjera lundruese dhe ne do të jemi pjese aktive e tyre në financime leasing.

TANNERS' BRIDGE

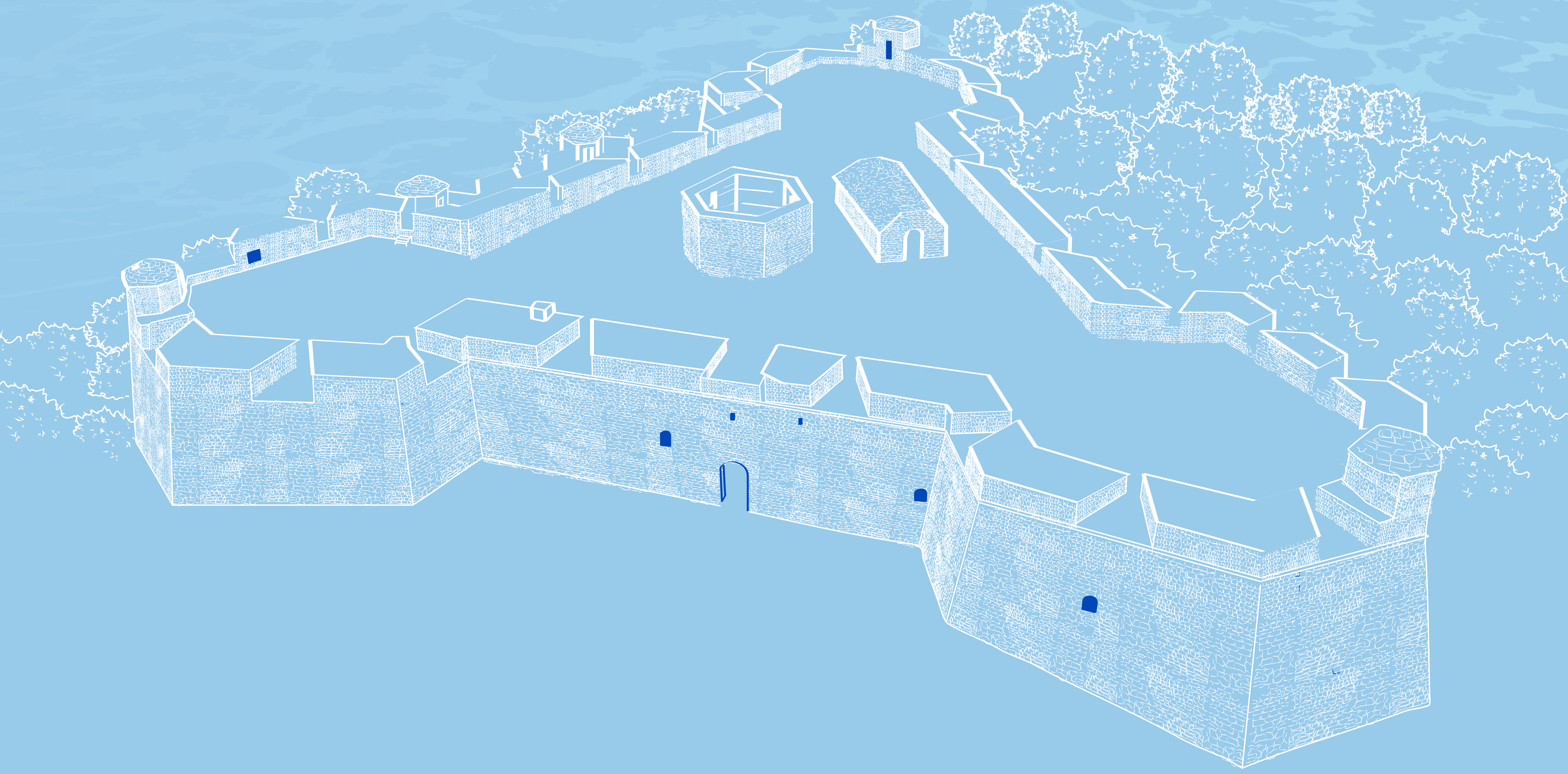


RISK DIVISION

The Risk Management Division is responsible for the identification, measurement, monitoring, and prevention and reporting of the activity related to the management of credit risk, market risk, liquidity risk, and operational risk. During 2021, all Risk units together with the Risk Committees, Audit Committee, ALCO and the Board of Directors, have ensured a prudent management, in accordance with the regulatory framework including management of the pandemic situation and its related risks. The Bank has a prudent policy in place, which is in line with the regulatory and strategic needs, as regards the assessment and control of several key risks, such as credit risk, credit concentration, operational, liquidity and market risks, etc. This policy is reviewed on a periodic basis in accordance with the Bank's strategy.
The Bank reviews its "Risk Appetite" policy on an annual basis to ensure control at all times for its key risks, such as credit risk concentration, liquidity risk, etc.
In accordance with the regulatory requirements of the Bank of Albania during 2021, the bank 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.
Unlike the LCR, which is a 30-day short-term indicator, compliance with the NSFR will 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 the BOAs until this regulation comes into force, their action plan in order to observe the deadline for the first reporting.
2021 was marked by significant challenges in various aspects of the banking system. The pandemic continued even in 2021, 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 fluctuations of financial markets in the beginning of the pandemic.
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. 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 during the year 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 a number of specific risks not set out in the regulatory framework for capital adequacy ratio, such as credit risk concentration, country risk, residual market risk, owned properties risk, reputation and strategic risk, accompanied with stress-test scenarios for each of the major risks. Therefore, this will enable the Bank to widely estimate the risk exposure not only for available assets, but for all its daily activities and operations by assessing the additional capital requirement.
The bank has significantly focused on the good management of collateral assessments to cover the highest possible risk exposures and to include a wider range of collateral types, such as new financial investments and insurance products. In addition to improving the quality of collaterals pledged as guarantees for 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.
The Business Continuity Plan and its integral parts, a process which started in 2020, 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 2021 was based on the good acknowledgement of clients and on the specifics of their business sectors. It has been focused mainly on supporting 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 be granted loans in the same currency as their income.

PORTO PALERMO CASTLE



OPERATIONAL DIVISION

OPERATIONAL DEPARTMENT

The Operational Department closed successfully 2021, which was a difficult year both in terms of pandemic but also of innovations and amendments to the Legal and Regulatory framework.

This Department in cooperation with IT successfully finalized in 2021 important projects. We have been one of the main participants, for the Bank as an Agent, in the process of the Law on Fiscalization. We have participated in numerous meetings organized with the General Directorate of Taxes and the Association of Banks and have given maximum contribution to raising important issues and the way of addressing them properly, for payments within the bank, transfers outside the bank, as well as for payments by Letter of Credit and Guarantee, etc.

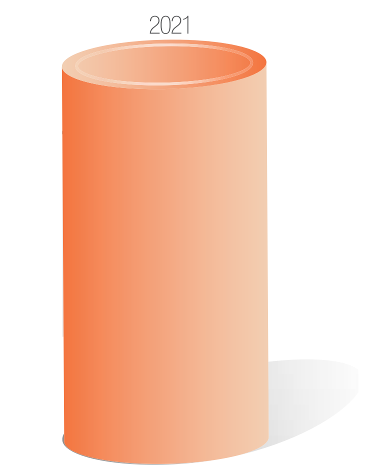
The Department has observed and met the legal and operational requirements of the Draft Regulation on processing and transfers in Euro within the country. The Bank has directly participated AIPS-EUR system, following the consultation and opinions submitted to the Bank of Albania and the Banking Association, and tests performed to finalize it.

The Department has also given its precious contribution and comments regarding all Draft Regulations of the BoA issued pursuant to the Law "On payment service" and the Draft Law "On the payment account for basic services".

2022 is the year of substantial changes regarding the field of payments. A lot of work had to be done ahead in order to implement the legal and operational requirements of these changes.

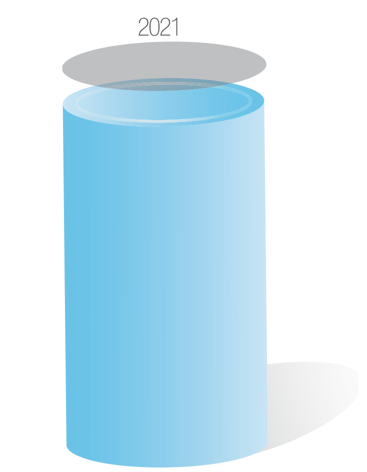
Given that the Operational Department is an important and responsible structure for processing and final reporting of transactions outside the Bank, it has fulfilled its role by serving customers on time and with quality, accompanied by an increasing number of transaction processing as well as revenues. This has been achieved thanks to the automation of internal processes, which has been efficient in terms of quality for the customer service.

Contribution to the constant improving processing quality of the transfer transaction volumes, along with the operations of the Trade Finance Instruments, professionalism and accuracy in processing and



108% INCREASE

Transfer outside the bank with Credins Online



93% INCREASE

Volume of utility payments with Credins Online

increasing number of these transactions, have been evident and it has exceeded expectations. It is also an important factor for the smooth running of relations and cooperation with correspondent banks. The results were positive and therefore, outgoing transfers in the national currency and in foreign currency increased by about 11% compared to 2020.

To be noted was also the fact that customers used at a great extent the e-banking service to carry out transfers outside the Bank, marking a significant increase of 108% compared to '20. Also, transfers by e-banking increased significantly by 48% compared to the transfers carried out at the bank branches. The incoming transfers increased also by 26% compared to '20.

Trade Finance Instruments Operations: Letters of Credit, 'Incasso' and Foreign Guarantees, newly opened along with those renewed throughout '2021 maintained their stability. Incomes generated from commissions increased by about 7% compared to '2020. Payment of Utility liabilities, Taxes, Customs, etc. (payable by direct debit, e-banking or at the bank branches) have increased further on. About 70% transactions have been processed/reported compared to 2020.

Credins Bank as one of the leading banks for processing pensions both inside and outside the country, increased transactions in this area by 20% increase compared to '20.

Furthermore, the processing of salaries for Budgetary Institutions and private entities increased by over 9% compared to 2020. As a result, Credins Bank continues to be one of the leading banks in the country regarding this service.

2022 is expected to be a challenging year regarding payments, in order to duly implement the legal and operational requirements of these changes. However, we are confident that we, as a unit, but also in cooperation with other units of the bank, shall give our maximum energy and efforts to achieve our goals.

IT DEPARTMENT

2021 has been a year of great changes in terms of infrastructure and systems. The IT Department has developed and upgraded the remote work infrastructure by investing in equipment and software to provide the necessary conditions for a normal work process in the challenging pandemic situation and to ensure normal performance for every Credins bank client.

IT transformation thanks to regular investments of the bank, has made IT an important structure for further developments in line with technological changes that are taking place around the world, in order to provide high quality services, maximum efficiency and create the most favorable conditions so that the bank's client be as satisfied as possible.

Based on the role of IT in the Bank, the Bank's strategy, market and technologies trends, IT has supported or led the business unit to provide innovative new products by developing the banking systems such as: implementation of packages, payment of fiscalized bills at the branches and e-banking, their reporting, reporting in the credit registry, automation of the transfer process, reporting in the account registry, the new AML system, further upgrades of the reporting system, etc.

Specific focus was put on developing the Credins Online application, to make it easier to use and to provide more functions. As a result, the number of new users, the volume of transactions mainly in utility payments, ensuring good support for every request addressed by customers increased significantly. Some of the key achievements are: the share of accessible accounts from Credins Online versus the bank increased by 11% at the end of '21, 44% increase in accessible accounts versus '21, (and 21% versus the market), 65% increase in the number of utility payments and 93% increase in volume. There is an increase in the number of customers who perform more and more transactions in the application versus the bank branches (28%). Continuous support given by telephone communication, email, messages, etc. versus information on adding and using application functions. Credins Online enabled many of the bank's existing customers to apply online for banking services and products, such as cards, loans, overdrafts, etc.

To provide customs with a better service, a new system was installed at every counter of the bank which improved significantly the processes by automating them. The Bank also invested in '21 to successfully finalize fiscalization projects and the accounting registry. An important project managed by IT staff throughout '21 was implementation of the banking system in Kosovo and the use of the Credins Online application. The IT Department has monitored appropriately the systems (100%), ATMs (99.18%), has supported the bank staff with various trainings, and has managed ongoing requests submitted through the help desk system ensuring normal operation for all the staff and clients functioning of more normal work for each staff and client.

TREASURY DEPARTMENT

2021 marked another year full of financial market uncertainties and extraordinary global turbulence, created by the Covid 19 pandemic.

During this difficult period, the Treasury Department continued to focus on increasing revenues from its activities. Thanks to the management directives and support, this department marked a very positive performance throughout 2021.

Our main focus was fulfillment of the main objectives such as liquidity management, support of bank's key activities and increasing incomes from main activities, such as investments in securities and foreign exchange, transaction channeling at Credins Online. Of great importance during the difficult pandemic period was coordination of remote work to achieve the set objectives.

Incomes generated from the activity of Money and Securities Market Sector increased by 22% compared to 2020. In addition to the main objective of managing liquidity, one of the main challenges of this sector has been increasing investment income, although interest rates have been steadily declining, reaching minimum levels in history. As far as the domestic interbank market is concerned, the Money and Securities Market Sector has been quite active, supporting the domestic market with liquidity. A special place in 2021 was given also to the frequent trading of the Albanian Eurobond, which issued abroad, makes Albania present in the World Capital Markets.

Also, this sector significantly increased its investment portfolio in 2021, in accordance with investment policy, internal regulations and those approved by supervisors.

Throughout 2021, the focus of Credins Bank as one of the five banks selected as Market Developer for reference bonds, was to increase securities trading in the secondary market, by contributing to revitalize 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 website about the quotation of reference bonds by finding the right moment to invest.

The Forex sector closed 2021 with very good results, carefully managing the foreign exchange position, based at all times on the daily analysis of the exchange rate performance in the domestic and international market. The sector has offered customers the opportunity to trade many foreign currencies and to carry out gold transactions. Fast and transparent customer service also led to increasing foreign exchange trading volumes. Efficient cash management has reduced the cost of transportation to the Bank Branches and at the same time, has meet the needs of Individual and Business customers.

The Treasury Department plays a supporting role in raising funds, which marked a sharp increase for 2021.

One of the strong points of Credins Bank is provision of tailored products, according to the requirements and financial capabilities of the client. New issuances of bonds in 2021 were successful as the demand exceeded the offer. This product is considered by the clients as a very good investment alternative. This is the 11th 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.

Effective liquidity management, lower operational costs, 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, are the main objectives of the Treasury Department for 2022. The challenge of the latter even in difficult pandemic times and affected by other factors as well, remains the follow up of financial markets performance by a qualified staff and providing better investment opportunities to customers. Application and provision of new investment products for the Bank's clients, after being properly licensed by the Bank of Albania and the Financial Supervision Authority, shall be one of our challenges for 2022.

CARDS DEPARTMENT

The challenges faced by this department following the unusual situation caused by the Covid 19 pandemic, which continued throughout 2021, found the Cards Department prepared in terms of mobilization to cope with the increased workload, but also maintaining quality and standards to provide card products and services. All indicators, both quantitative and qualitative, improved throughout 2021.

The change in the indicators for using Credins (acquiring) terminals, both physical and virtual, is particularly significant. The annual activity of POS terminals in the volume of transactions increased by 48% compared to 2020. In addition to the sharp increase in the number of e-commerce service applications, the annual activity in the volume of transactions also increased significantly, by 53% compared to ‘20. The project for transferring the VPOS service to a new platform, which will ensure a faster integration of the client and shall enable the latter to monitor transactions through it, started in ‘21 and is in progress. The project is in the pilot phase and soon customers shall be able to register on the new platform, taking advantage of all its benefits compared to the existing one, both in terms of additional functions and improving quality and parameters.

The quality indicators of using Credins cards and terminals have increased. There has been an improvement in both the issued card indicators (active cards) and the card acceptance indicators at Credins terminals (active terminals).

The entire card portfolio continued to grow steadily throughout ‘21, including business cards for public institutions, a specific product in the market, which has improved, intensified and consolidated the bank's relationship with public institutions, supporting and facilitating the activity of these institutions in accordance with the nature and the special way of their operation.

Upon completion of the card personalization project in ‘21, the time for delivering the card has been significantly reduced, 2-3 days from the moment of application.

The project for accepting payments at Credins terminals in Euro has been successfully completed, including physical and virtual terminals, which shall meet the needs of that segment of customers who requested the service in Euro, expanding also the bank's acquiring activity for Visa and MC cards.

There has been maximum commitment to timely follow and realize the project of implementing the Visa and MC card service for Credins Bank Kosovo. A complete package of products and services shall be offered in Kosovo similar to the one currently offered by Credins Bank Albania, including issuance of Visa and MC debit and credit cards for individuals and businesses as well as accepting cards at physical ATM/ POS terminals and virtual terminals (VPOS). Thanks to the voluminous work and increased commitment, it was ensured and enabled that, within a record period, the same standard of products and services currently offered at Credins be also offer in Kosovo. The difference is that, what Credins achieved over time, starting with the acceptance by Visa as a Principal Member in 2007 and onwards, in Kosovo all this was achieved within 12 months.

In the footsteps of Credins Bank Albania, Credins Bank Kosovo will be the first bank in the market to issue a prepaid Visa and MC card. The prepaid card, with its qualities and functions, along with other products and services of a versatile portfolio, meets fully the requirements of every category and segment of customers.

Our goal is for the customer at Credins to feel comfortable, to always find the product and service that best suits their requirements and needs, and to be provided with them in the easiest and fastest way possible. Support, expansion, improvement and diversification of the card-related products and services portfolio continues to be the top priority regarding electronic payments and it also remains an ongoing challenge for the bank.

The motto of our daily work is assessment of every customer request and need, meaning all clients, without exception. This can be achieved by adding, adapting and improving existing products and services. Our constant commitment aims to improve technology that translates into more customer and environment friendly products, fast, uninterrupted, quality, and above all safe services.

BOARD OF DIRECTORS

ELTON TORO
MEMBER

RAIMONDA DUKA
MEMBER

MALTIN KORKUTI
MEMBER

SAJMIR SALLAKU
CHAIRMAN

MONIKA MILO
MEMBER

JONAS HASSELROT
MEMBER

CLIVE MOODY
DEPUTY CHAIRMAN

SOCIAL RESPONSIBILITY

MONIKA MILO
ZV. DREJTORE E PERGJITHSHME

Credins Bank ka ndërmarrë vazhdimisht përgjatë ‘21 aksione dhe nisma që janë ndërtuar mbi themele të forta të integritetit dhe përgjegjshmërisë dhe sot Credins bank renditet një nga korporatat kryesore në vend përsa i takon fokusit për një zhvillim të qëndrueshëm në linjë me 17 Objektivat e OKB. Rritja dhe zhvillimi i aktivitetit të bankës është lidhur ngushtësisht dhe me secilin prej këtyre objektivave, pasi jemi pjesë e këtij komuniteti dhe arritjet tona janë të lidhura dhe me kontributin që japim çdo ditë përgjatë ecurisë tonë. Jemi të vetëdijshëm se si këto objektiva ndikojnë biznesin tonë, ndaj, kemi ndërtuar një strategji specifike duke e vendosur zhvillimin e qëndrueshëm në zemër të strategjisë tonë të biznesit.

Përtej një viti të vështire ku situata e pandemisë vazhdoi ndjeshëm të ndikojë klimën e biznesit, Credins bank mbështeti kauza të caktuara duke ju ardhur në ndihmë fëmijëve, të moshuarave apo shtresave në nevojë nëpërmjet Food Bank, përmirësimit të infrastrukturës në institucione të ndryshme shtetërore, investimit në qendra sociale, shkolla etj. Një nga shtyllat kryesore me fokus specifik është dhe mjedisi, ku veprimet tona janë rritur ndjeshëm për të kontribuar sadopak në një nga çështjet me sensitive sot në botë si ngrohja globale dhe ndryshimet klimaterike. Banka Credins finalizoi me sukses ndërtimin e 17 stacioneve të biçikletave në të gjitha degët kryesore të bankës, duke ofruar një mundësi më shumë për çdo klient dhe staf për të reduktuar lëvizjet me makinë dhe ndotjen në mjedis. Për më tepër, kjo u shoqërua me blerjen e një flote të re makinash elektrike, që ju shtuan asaj ekzistuese. Stafet e bankës ishin prezent në disa aktivitete të mbjelljes së pemëve në zona të ndryshme në Tiranë duke shtuar gjelbërimin dhe përmirësuar cilësinë e ajrit. Një nismë e veçantë dhe mjaft e bukur është dhe prodhimi i çdo materiali marketing me elemente “eco friendly”, letër të riciklueshme, nismë e cila po zgjerohet çdo vit e më shumë.

Mbështetja e artit, kulturës, sporteve vazhdon të jetë gjithashtu një objektiv që e kemi përzemër, duke dashur të shtojmë sa më shumë mbështetjen tonë për kulturën dhe trashëgiminë që do ju lëmë brezave. Si mjaft e veçantë dhe e bukur, është nisma “Credins mbështet artin” ku ambientet e degës qendrore të Credins bank përgjatë çdo muaji janë shndërruar në ekspozita të mrekullueshme arti duke ju krijuar një hapësire artisteve tanë të ekspozojnë veprat e tyre.

Banka Credins përgjatë 2021 është shndërruar në partnerin kryesor të komunitetit teknologjik dhe atij të startup-eve, duke mbështetur mjaft evente dhe programe që janë sot ne krye të transformimit digjital si dhe ishim mbështetësi kryesor i fëmijëve të talentuar ardhur nga familje me të ardhura të ulëta pranë qendrës më të re të inovacionit Tumo.

Promovimi i këtyre aktiviteteve dhe nismave të ndërmarra ka si objektiv dhe fuqizimin e shoqërisë dhe bizneseve të tjera që operojnë në vend, për të krijuar një klimë dhe komunitet të përgjegjshëm dhe suportues.

Në linjë me strategjinë për zhvillim të qëndrueshëm dhe për të krijuar një hapësirë për të gjithë aktorët dhe komunitetin shqiptar, banka Credins lançoi të parën platformë crowdfunding “Smile”, për mbledhje të fondeve nga publiku për realizimin e projekteve sociale. Platforma erdhi si një nismë e drejtuesve dhe aksionarëve të bankës për të krijuar një platformë e cila shërben për të rritur vetëdijen në rradhët e publikut dhe për të motivuar njerëzit të kontribuojnë sa më shumë që të jetë e mundur, në zbatimin e projekteve që janë të nevojshme për zhvillimin dhe mirëqenien e shoqërisë shqiptare.

Platforma Smile.al përfshin një gamë të gjerë fushash, nga mirëqenia sociale dhe solidariteti, promovimi i trashëgimisë kulturore, mjedisi, sipërmarrja sociale, edukimi dhe trajnimet, veprimtaritë sportive, dhe sipërmarrja inovative. Çdo organizatë jo-fitimprurëse (OJF) tashmë ka mundësinë të prezantojë në platformë projekte në fushat e përcaktuara te cilat lançohen zyrtarisht në platformë duke i bërë thirrje publikut për të kontribuar me fonde ose të bëhen pjesë si vullnetarë.

E veçanta e platformës Smile.al është se ajo ofron një siguri maksimale për çdo kontribues pasi siguron transparencë të plotë për çdo dhurim që bëhet, informim në kohë reale për ecurinë e kontributit për çdo projekt të mbështetur, si dhe informim mbi implementimin e projektit deri në finalizim. Slogani “Dhuro për një buzëqeshje” simbolizon atë çka ne duam të realizojmë nga implementimi i projekteve.

Një nga nismat më të spikatura përgjatë ‘21 është dhe anëtarësimi i Bankës Credins në UN Global Compact duke mbështetur 10 parimet, bazuar në 4 shtyllat kryesore: të drejtat e njeriut, punësimi, mjedisi dhe antikorrupsioni dhe duke shprehur angazhimin tonë për t’i zbatuar këto principe, për t’i bërë pjesë të strategjisë tonë, të kulturës dhe mënyrës së përditshme të të punuarit. Ky anëtarësim, duke qenë korporata e dytë në vend me të drejta të plota anëtarësimi, na jep mundësinë për t’u diferencuar dhe për të qenë një model për shumë biznese të tjera, për të përfituar nga eksperiencat dhe praktikat më të mira të të gjitha korporatave nga 160 vende të botës dhe për t’i kthyer objektivat globale në objektiva lokale.

Credins bank është e angazhuar për të vazhduar me përgjegjësi maksimale ndërmarrjen dhe promovimin e nismave sociale që ndikojnë në zhvillim dhe mirëqenie të përgjithshme të vendit dhe qytetarëve dhe do të jemi aktor i rëndësishëm në vend, duke punuar ngushtësisht me partnerë vendas dhe të huaj për të krijuar një të ardhme më të mirë për vete, fëmijët dhe pasardhësit tanë.

GJIROKASTËR CASTLE

PROJECTS MANAGEMENT DEPARTMENT

Regardless of the challenging macroeconomic environment in which the bank has operated, '21 has been a successful year. Based on the strategic plan of the bank for 2021 - 2023, the main commitments of the Projects Department have been related to activities which aimed to continuously improve our business model in order to achieve effective governance and operations, reduce complexity and create a more cost effective structure. In 2021, the digital transformation program underwent through other achievements. Regular investments have been made to improve the digital capacities of the bank as well as the automation and consolidation of a large number of processes.

PROCESS RE-ENGINEERING

This project aims to increase the efficiency of our processes and procedures to reduce complexities and provide the necessary capacity for growth. The process of identifying and mapping all the processes that were the objective of this project has been completed. In '22 in cooperation with all bank units involved in the processes, the analysis phase will take place in order to improve their efficiency. The mapped processes will be studied and their potential changes will be determined in this phase, in order to improve the processing timeframe and avoid duplications and losses.

DIGITALIZATION OF DOCUMENTATION

This project aims at establishing a central information system for managing documents which provides the construction of a document repository in electronic form fed by internally created documents (other systems or scans) or by third parties. During 2021, we worked on the system adaptation to the bank's needs. In parallel, it has been worked to create the necessary infrastructure for mass scanning of branch network documents. This phase of the program will start in 2022.

THIRD PARTIES RELATIONS (EIF, COSME PROJECT).

Third parties relations (EIF, Cosme project). Given the difficult situation created by the Covid-19 pandemic, in cooperation with EIF (European Investment Fund), within the Cosme project, the clients were provided with temporary improved conditions of the guarantee scheme which aimed to facilitate the use of the relevant scheme.

Other successes and more interesting projects will be launched throughout 2022.

APOLLONIA

HUMAN RESOURCES DEPARTMENT

The main objective of Human Resources Department for this year as well has been the health of our employees. In parallel with the main objective, the annual objective continues to be professional growth and increasing job satisfaction of each member of the large Credins family, through their continuous development and constant evaluation through a fair and competitive system of incentives.

We have trusted our team, by continuing to invest in qualitative trainings and the development of human capital. Successful recruitments have been paid significant attention throughout this year. 2021 was closed with 1003 employees or 4.6% more than a year ago.

The average age of the staff is 36.5 years old and staff division as per different generations is:

- Generation Y , 22-35 years old 54 %
- Generation X , 36-50 years old 35 %
- Baby Boomers , over 51 years old 11 %

AVERAGE AGE OF THE STAFF

36.5 years old

54% Generation Y 22-35 years old

35% Generation X 36-50 years old

11% BABY BOOMERS over 51 years old

The ratio male/female by the end of 2021 was 75%, 25% in favor of female employees. The number of employees at managerial level was 19.5%, 72% are female executives and only 28% are males, based also on the focus we have also given to gender equality. 42% of staff work at the Head Office and 58% belong to the branch network.

It is worth mentioning the health care that the bank provided to its employees throughout the pandemic year 2021. Our employees were also provided with added benefits:

- Payment 100% of the monthly salary in the case of the employees infected with Covid 19, accompanied by supporting documentation.
- Payment 100% of the monthly salary in the case of family members infected with Covid 19, due to mandatory quarantine, accompanied by the supporting document.
- Support, consultation and follow-up of infection cases by the Bank doctor.
- Enabling Remote work to avoid the spread of infection.
- Free testing of employees who have complaints, return to work from quarantine to prove they are cured, as well as free periodic mass testing at HOs and Branches to avoid the spread of infections.
- Test discounts in the entire medical network covered by the Insurance Company for Analysis, visits, diagnostics, etc.
- Medical expenses in Covid cases covered by the Insurance Company.

It should be pointed out that the bank has undertaken a vaccination campaign and the employees who got vaccinated, were awarded 2 days off for each dose. There was also a lottery with different wards.

Recruitment and Training. In 2021, special attention has been paid to quality recruitment. 663 job interviews and 283 tests were performed. 118 employees were recruited in total; about 74 % were employed in the branch network.

In 2021, attention has also been paid the staff training. The main focus was the trainings for the branch staff. About 76% of the training hours during '21 were for existing employees of the branch network. Almost all Customer Service Employees and Loan Analysts have been trained regarding the development of Sales Skills. A total of 43,463 training hours were conducted, of which:

- 12.263 training hours for the existing staff;
- 18.000 training hours for new employees;
- 13.200 training hours for the promoted staff or that has been appointed to new job positions.

The statistics of trainings are shown in the following diagram:

7244 TOTAL TRAINING DAYS

7.8 AVERAGE TRAINING DAYS FOR ONE EMPLOYEE

43.463 TOTAL TRAINING HOURS

898 NO. OF TRAINED EMPLOYEES

#YOUARECREDINS PROGRAM

During 2021, some of the new employees dealt with the recruitment program and trained students graduated in economics, information technology and law with an average over 8. They were selected through classroom testing and group assessments. The interns to this program are trained in theory and practice by the best experts of the bank. Statistics related to this program are shown in the following figure:

100 APPLICATIONS

100 ONLINE TESTED CANDIDATES IN LMS

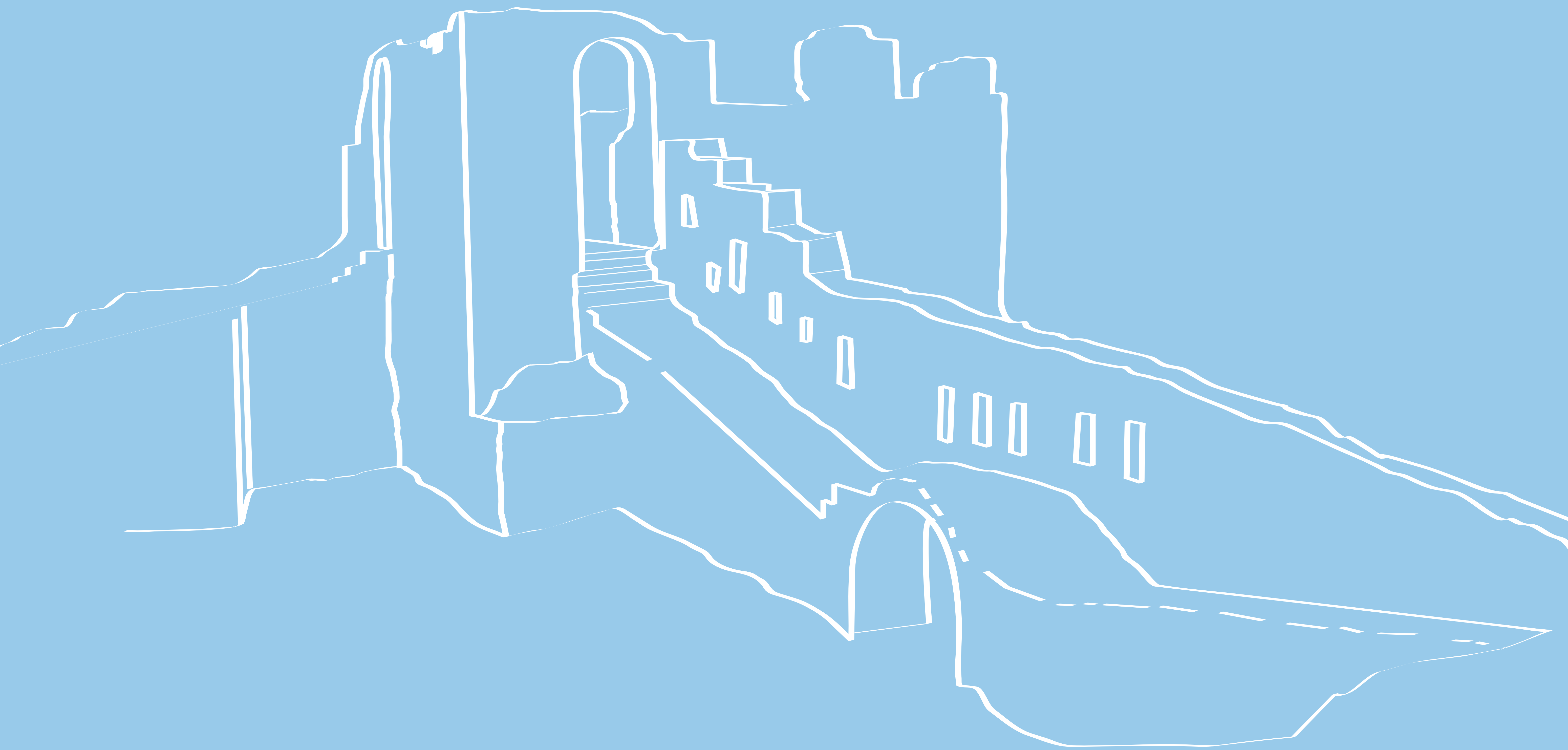
80 CANDIDATES ASSESSED IN GROUPS

20 SELECTED CANDIDATES

The Human Resources Department has also dealt with the designing and review of Regulatory Acts. More specifically, a total of 51 Regulatory Acts have been dealt with, divided into 15 new creations and 39 reviews.

All the initiatives undertaken show that Credins bank is one of the largest employees in the country, contributes to the continuous professional growth of staff through quality training, conducts recruitment programs for talented young people, offers a very good work-life balance for every employee, applies gender equality in support and development policies.

BERAT CASTLE



CORPORATE GOVERNANCE

INTERNAL MANAGEMENT

The Bank operates in accordance with the legal and regulatory framework for the banking system in Albania, relying at the same time on various internal acts designed for better governance, such as the Guideline to the Best Principles of Corporate Governance, an internal act approved by the Board of Directors which is based on international best practices of corporate governance.

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

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

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

- Transparency: The bank shall ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the bank, in a manner easily accessible to stakeholders.
- Accountability: Directors shall be held accountable for their decisions and actions to shareholders, and, in certain cases, key stakeholders, submitting themselves to rigorous scrutiny.
- Fairness: The bank 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 established by laws and regulations, and encourages co-operation between the bank and stakeholders in establishing sustainable and financially sound enterprises.

The Management and Administration Bodies of the Bank are:

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

STRUCTURE OF GENERAL GOVERNANCE

The bank has the following governing and other bodies:

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

The General Assembly of Shareholders can take valid resolutions by simple majority only if shareholders owning more than 30% of the shares with voting right are present or represented in the meeting, on issues such as: approval of the bank and financial policies and the limits of the business operations of the Bank; approval of the financial statements, progress reports on the activity and the budget of the Bank; dismissal of the Board of Directors and/or the Senior Management from financial liability arising - with respect to specific cases - from performance of the management and administration functions of the Bank; appointment of the authorized chartered accountant, and his remuneration scheme; approval of third parties agreements for the Bank’s management and administration; approval of selling the Bank assets the book value of which is in excess of EUR. 1,000,000 (one million); remuneration of the Board of Directors, salary and remuneration of Senior Management, remuneration of Audit Committee members as well as the remuneration of the members of any other committee of the Board of Directors; appointment and dismissal of the members of the Board of Directors and the other members of the Management, except for the CEO and appointment of the Vice Chairman of the General Assembly.

Resolutions by a qualified majority are valid only if the Shareholders, owning more than 50% (fifty per cent) of the shares with voting right are present or represented. Pursuant to the Articles of Association, qualified majority means a majority of 3/4 (three fourths) of the votes of the present or represented shareholders, at the meeting of the General Assembly. The valid votes do not include the votes of the shareholder who does not participate in the voting process, due to conflict of interest (the cases defined in article 148 of the Law “On Entrepreneurs and Companies) or has abstained. The General Assembly of Shareholder resolves with a qualified majority on the following matters: amendments to the Bank’s Articles of Association; undertaking of the Bank’s instruments, obligations or financial debts, above a certain value to be determined by the Board of Directors; appointment and dismissal of the Chief Executive Officer; purchasing and possessing real estate above EUR 1.000.000 (one million). When such purchases are related to the execution or possession of collateral pledged in favor of the Bank when borrowers fail to pay their liabilities in due time, the General Assembly shall be informed in advance of such purchases. In special cases, when the General Assembly is not informed in advance because of reasonable circumstances or specificity of a certain case, the notification and/or approval shall be made immediately in the next meeting of the Assembly; dissolution, reorganization, merger, division of the Bank; establishment of new subsidiaries and branches of the Bank outside the territory of Albania; reduction or increase of the capital of the Bank; distribution of profits based on the annual financial statements and the annual report of the Bank; approval of the procedures for convening and participating in the General Assembly meeting; issuance of long term bonds (subordinated debt); approval of the agreements for incurring subordinated debt of the Bank; matters other than the above mentioned, which require to be approved by the qualified majority. The General Assembly shall approve by qualified majority, allotment of not more than 2% of the new shares of the Bank to its employees according to a project proposed, submitted and announced by the Management.

The Board of Directors is a decision-making body, responsible for the strategic management of the bank, and it is composed by 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 controls and supervises the financial situation of the Bank, the functioning of the Bank’s organizational structures and the activity of the Senior Management.

The main responsibilities of the Board of Directors include the following: approving and supervising implementation of the Bank’s policies and strategies related to business plan, risk management, annual budget; approval of any participation, investment or purchase and possession by Credins Bank of shares and activity of another legal entity, either within the Republic of Albania or outside it, when the requirements of law are met, but not more than 30% of the shares of this legal entity; setting out long-term objectives of the Bank and monitoring their fulfilment; monitoring effective management practices in the Bank and making appropriate changes for the purposes of improving such practices; establishing committees in cases where it becomes necessary for dealing with cases of special interest to the Bank, clearly defining the duration of their mandate, composition and their procedures; setting out the conditions and standards for the selection, remuneration, salary, appraisal and dismissal of the directors of the Bank, as well as monitoring the practices for substituting the staff; monitoring and dealing with potential conflicts of interests of the directors, members of the Board of Directors and shareholders, including dealing with the potential conflict of interests arising out of the misuse of Bank's assets and transactions with the related persons; taking the necessary and adequate measures to ensure the integrity of the financial and accounting system of the Bank, including the independent auditing of the Bank, and ensuring that the appropriate controlling systems are in place, particularly with regard to risk management, operational and financial system of the Bank, as well as ensuring compliance with the law and best practices in the banking system; monitoring and supervising implementation of legal and regulatory requirements and of the best practices in the banking system; supervising the process of information disclosure and communication with the public; defining the rules for the functioning and operation of the internal control system; approving the regulations on the bank's internal organization; defining clearly and approving the remuneration policies of the Bank; Approving purchase and possession of assets with a cumulative value of over 500,000 Euro from the Bank's borrowers, in cases when these assets are offered for sale based on the execution procedure; approving the sale of the Bank's assets to third parties with a book value of over 500,000 Euro.

Meetings of the Board of Directors of the Bank shall be held at least 4 times per year, and the quorum shall consist of at least 5 members being present. Decisions are taken through a simple majority of the votes. In case of equal number of votes, the chairman shall have a casting vote. The Board of Directors decides by a preliminarily resolution with 2/3 of the votes, all transactions of the Bank resulting to an increase of the exposure to persons with a special relation to the bank.

Current composition of the Board of Directors is as follows:

Member	Position	Term
Saimir Sallaku	Chairman	June 2018 - June 2022
Clive Moody	Deputy Chairman	June 2018 - June 2022
Monika Milo	Member	June 2018 - June 2022
Maltin Korkuti	Member	June 2018 - June 2022
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 whole duration of their mandate, are not related to the bank through private interests, to the shareholders who are considered to have control over the bank as per Law, nor to its executive directors.

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. It defines and may delegate the duties to the personnel, and supervises execution of the delegated responsibilities, in accordance with the approved policies and procedures. Senior Management takes the necessary actions to monitor and manage all risks to which the bank is exposed, in compliance with the approved strategies; 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. The position of the Chief Executive Officer shall be governed by individuals who have been initially approved by the Bank of Albania. Chief Executive Officer of the Bank may be appointed only an individual who satisfies the qualifying criteria and does not fulfil disqualifying criteria for the administrators foreseen in the Law no. 9662, dated 18.12.2006 “On Banks on the Republic of Albania”.

The Chief Executive Officer is appointed for a period not longer than 3 (three) years and can be re-elected, 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 informs 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, is responsible for the keeping the Bank's accounts in a proper manner and preparation of the financial statements in conformity with the law. The High 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

Në përputhje me Statutin e shoqërisë, Këshilli Drejtues ka miratuar krijimin e komiteteve të mposhtë:

	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**
Member	Elton Toro	Jonas Hasselrot	Raimonda Duka	CEO	CEO	Head of Project Management Department	CEO	CEO
Member	Erjon Saraci	Maltin Korkuti	Clive Moody	Deputy CEO	Deputy CEO	Head of Risk Management Division	Deputy CEO	Deputy CEO
Member	Eva Pango	Saimir Sallaku	(Vacant position)	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, and audits the bank accounts and respective registrations; considers internal audit reports and monitors the way conclusions from such reports are dealt with; proposes the authorized statutory auditor and enables communication between him 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.

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

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 should be independent. 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 advises and assists the Board of Directors 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, such as: Risks in the business activity of the company; Harmonization of the bank's internal activity with the external legal and regulatory framework; Assessing and reviewing the risks to which the bank is exposed (credit risk, market, liquidity risk, reputational and operational risk, etc.), as well as reviewing and recommending for approval to the Board of Directors the general credit risk appetite and risk governance framework.

In addition to the members of the Committee, the Head of the Bank's Risk Division also attends the meeting. The Head of Financial Division, the Head of Audit and other senior management shall be invited to attend the meeting as appropriate.

The Board Remuneration Committee is composed of at least three members. All of the members are Non-executive directors entitled to vote. The Chairman is an independent Non-executive director. This Committee monitors the nomination 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 aligned with: the strategic objectives of the Bank, long term business and risk strategies, performance and control environment, expectations and requirements of regulators.

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.

Each committee is formalized in the internal regulatory acts.

Asset/Liability Management Committee (ALCO) is established with the decision of the Board of Directors of the Bank. The members and the Chairman of the Committee are appointed by the Board of Directors for an indefinite period. Only the Board of Directors shall make, at any time, modifications in the nominated members of the committee.

The main purpose of ALCO is to protect the capital of the Bank and its investment, aiming at balancing the assets and the liabilities of the Bank considering the pricing and maturity structure in compliance with the respective laws and internal regulations. ALCO Committee is called at least once a month and whenever it is required by the internal regulatory acts. The chairman of the committee may call extraordinary meetings if deemed necessary.

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 period.

The main purpose of PSC is to approve products and services which will generate incomes for the bank, in compliance with the business development strategy and plan approved by the Board of Directors of the Bank, the developments, the demands of the market and 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, to ensure the necessary support and orientation to achieve their objectives and compliance with the Bank strategy. Another role of this Committee is to monitor the activity of the IT Department.

The ITPSC is established with the decision of the Board of Directors of the Bank. The Chairman is appointed by the Board of Directors. The Deputy Chairman and the members of the committee are appointed by the

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

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 appropriate 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 heads 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 BOD member are:

- He/she has not been an employee of the commercial company in the last years
- He/she has no material relationship with the commercial 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 commercial company.
- He/she is not a member of the board or has no significant affiliation with other board members by involving in commercial 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, together with experience in various industry sectors. All nominees must have the financial knowledge required to properly understand the Bank's operations and the risks associated with them.

During the process of selecting candidates for members of the BOD or during the process of reassessment or re-election of 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.

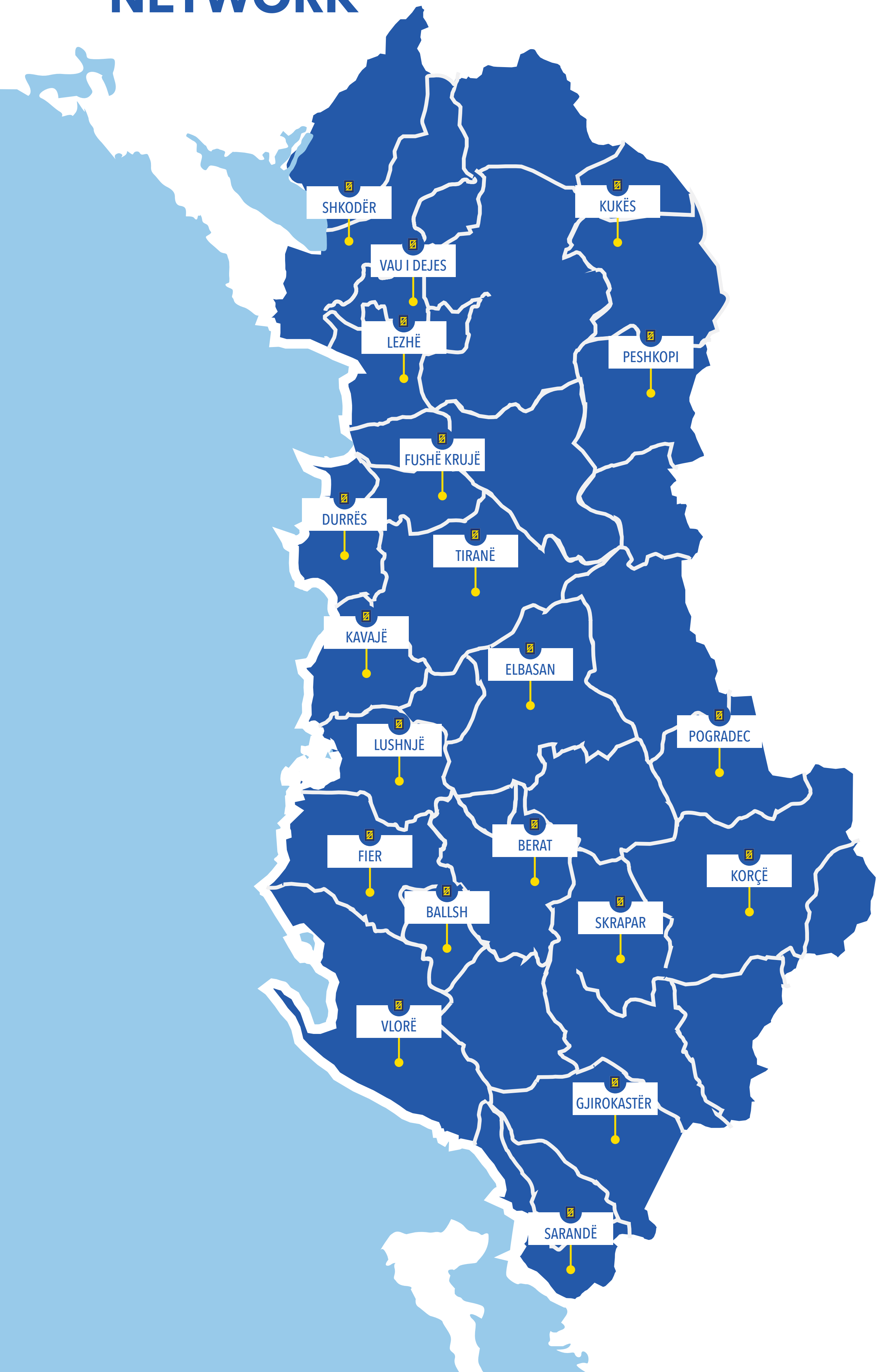
INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM RELATED TO FINANCIAL REPORTING

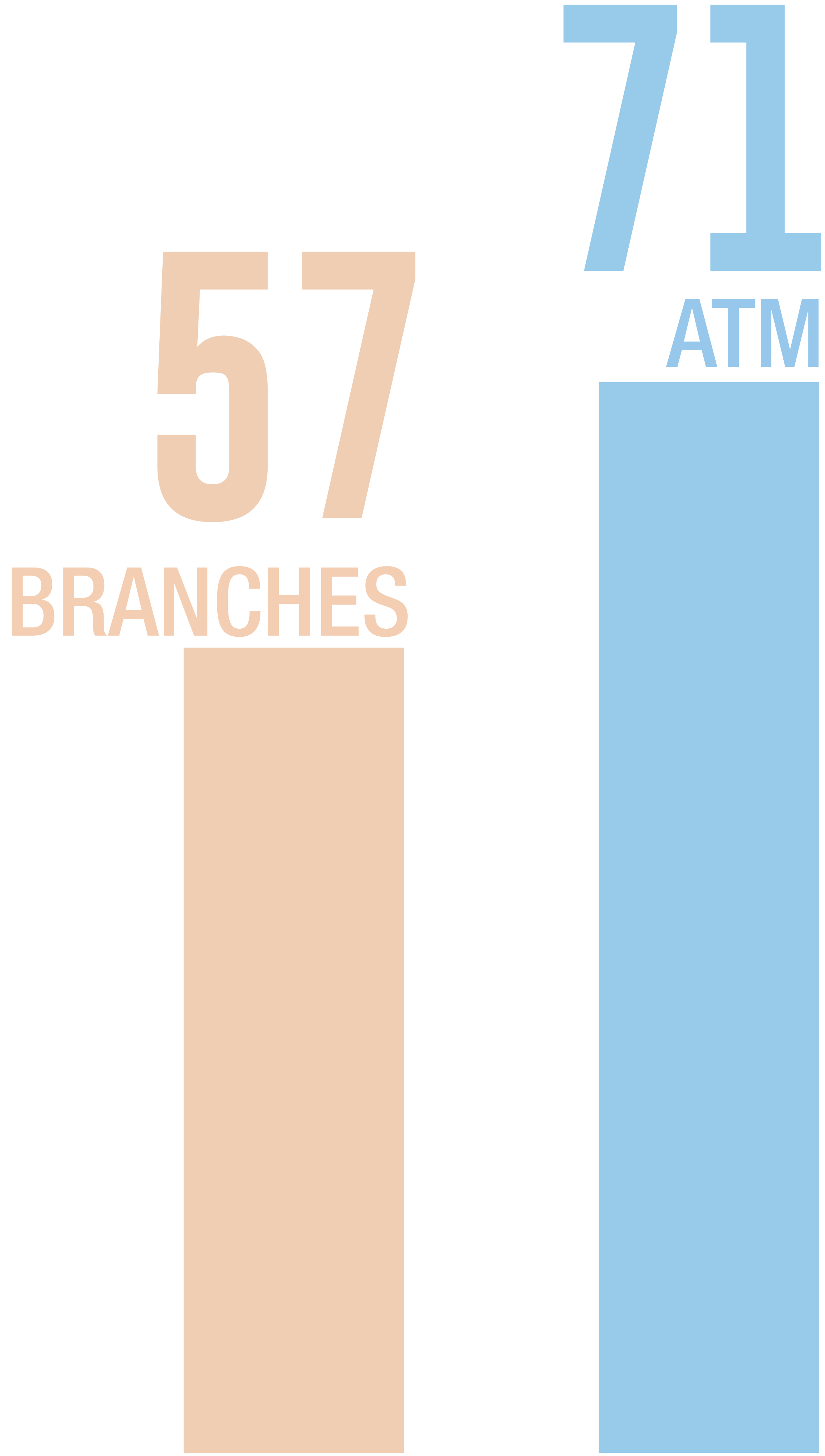
The Board of Directors and Senior Management are responsible for establishing and defining an adequate internal audit and risk management system that includes the entire financial reporting process while observing the requirements of the company.

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 the 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





AUDITORS' REPORT

BANKA CREDINS SHA

Consolidated Financial Statements for the year ended on 31 December 2021

CONTENTS

Grant Thornton

Grant Thornton Sh.p.k.
Rr. Sami Frasheri, Kompleksi T.I.D.,
Shk. B, Floor 1, 1 000
Tirana, Albania

T +355 44 525 000
www.grantthornton.al

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 2021 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 2021, 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
14 July 2022

Consolidated statement of profit or loss

for the year ended 31 December 2021[1]

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
		ALL '000	ALL '000
Interest income	3	9,479,432	8,973,173
Interest expense	3	(2,133,198)	(2,340,821)
Net interest income	3	**7,346,234**	**6,632,352**
Fee and commission income	4	1,658,281	1,169,700
Fee and commission expense	4	(185,127)	(162,559)
Net fee and commission income	4	**1,473,154**	**1,007,141**
Other expenses	5	(891,045)	(189,449)
Other income	5	1,007,520	1,394,046
(Loss)/profit from foreign exchange transactions		489,532	569,391
Net other income		**606,007**	**1,773,988**
Net impairment loss on financial assets	6	(2,099,917)	(3,470,836)
Losses from unrecoverable loans	18,19	(9,749)	(6,907)
Depreciation of property and equipment	22	(443,937)	(408,524)
Amortization of intangible assets	23	(88,487)	(73,311)
Depreciation of right-of-use assets	24	(370,531)	(347,961)
Personnel expenses	7	(1,803,194)	(1,647,761)
Administrative expenses	8	(2,864,946)	(2,364,500)
		(7,680,761)	**(8,319,800)**
Share of loss of associates	17	**(4,368)**	**(7,166)**
Profit before taxes		**1,740,266**	**1,086,515**
Income tax expense	9	(423,628)	(227,387)
Deferred tax income	9	-	-
Profit for the year		**1,316,638**	**859,128**

[1]The notes 1 to 41 in pages 6 to 73 are an integral part of these consolidated financial statements

Consolidated statement of other comprehensive income

for the year ended 31 December 2021[2]

	Notes	Year ended 31 December 2021 Lek '000	Year ended 31 December 2020 Lek '000
Profit for the year		1,316,638	859,128
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 available for sale financial assets	14	292,409	(193,338)
Income tax effect		(43,319)	29,001
Net gains/(loss) on available-for-sale financial assets		249,090	(164,337)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		249,090	(164,337)
Other comprehensive income for the year, net of income tax		249,090	(164,337)
Total comprehensive income for the year, net of tax		1,565,728	694,791
Attributable to:			
Equity holders of the parent		1,612,542	700,071
Non-controlling interests		(46,814)	(5,280)
		1,565,728	694,791

The consolidated financial statements have been approved by the Board of Directors of Banka Credins Sh.a on March 10, 2022 and signed on its behalf.

Mr. Maltin KORKUTI
Chief Executive Officer

Mrs. Valentina PRODANI
Head of Accounting and Finance Department

[2]The notes 1 to 41 in pages 6 to 73 are an integral part of these consolidated financial statements

Consolidated statement of financial position

as at 31 December 2021[1]

	Notes	31 December 2021 ALL '000	31 December 2020 ALL '000
Assets			
Cash and cash equivalents	10	32,482,672	27,073,989
Restricted balances with Central Bank	11	18,258,643	15,611,519
Loans and advances to banks	12	3,925,172	171,605
Financial assets at fair value through profit or loss	13	310,058	415,164
Debt instruments at fair value through other comprehensive income	14	65,650,648	59,527,208
Debt instruments at amortised cost	15	26,478,555	21,420,710
Quota in investment funds		88,626	23,253
Investments in associates	17	14,644	19,149
Goodwill	16	43,371	39,971
Leasing	18	1,521,855	1,286,486
Loans and advances to customers	19	118,512,816	105,523,513
Prepayment of income tax		-	23,366
Repossessed properties	20	4,231,602	4,906,296
Investment property	21	4,205,394	2,304,584
Property and equipment	22	3,620,941	3,412,601
Intangible assets	23	499,326	403,169
Right-of-use assets	24	2,594,588	3,001,242
Other assets	25	2,163,315	1,810,141
Total assets		**284,602,226**	**246,973,966**
Liabilities			
Due to banks and other financial institutions	27	3,412,660	4,457,247
Due to customers	28	249,052,994	213,873,120
Borrowing	29	825,324	404,539
Subordinated debt	30	7,287,955	5,926,324
Current tax liabilities		58,986	-
Deferred tax liabilities	26	149,335	65,129
Lease liability	31	2,725,821	3,110,600
Other liabilities	32	482,395	584,500
Provisions	33	38,982	17,264
Total liabilities		**264,034,452**	**228,438,723**
Equity			
Share capital	34	10,717,161	10,213,523
Share premium	35	3,833,794	3,787,278
General reserve	36	2,834,923	2,533,854
Revaluation reserve of investment securities	14	1,203,789	957,133
Retained earnings		1,606,584	996,332
Total equity attributable to equity holders of the parent		**20,196,251**	**18,488,120**
Non-controlling interest ("NCI")		**371,523**	**47,123**
Total equity		**20,567,774**	**18,535,243**
Total liabilities and equity		**284,602,226**	**246,973,966**

[1]The notes 1 to 40 in pages 6 to 73 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2021[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 2020								
Impact of adopting IFRS 9 Note 2.5								
Restated opening balance under IFRS 9	**9,611,068**	**3,694,785**	**2,207,740**	**1,121,470**	**966,122**	**17,601,185**	**32,963**	**17,634,148**
Profit of the year	-	-	-	-	864,408	864,408	(5,280)	859,128
Other comprehensive income	-	-	-	(164,337)	-	(164,337)	-	(164,337)
Total comprehensive income	**-**	**-**	**-**	**(164,337)**	**864,408**	**700,071**	**(5,280)**	**694,791**
Appropriation of retained earnings (note 34, 36)	489,171	-	326,114	-	(815,285)	-	-	-
Dividends	-	-	-	-	(18,913)	(18,913)	-	(18,913)
Issue of share capital (note 34)	113,284	92,493	-	-	-	205,777	-	205,777
Loss of control on a subsidiary	-	-	-	-	-	-	19,440	19,440
Balance at 31 December 2020	**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 34, 36)	451,603	-	301,069	-	(752,671)	1	-	1-
Dividends	-	-	-	-	(4,045)	(4,045)	(851)	(4,896)
Issue of share capital (note 34)	52,035	46,516	-	-	-	98,551	-	98,551
Regain of control on a subsidiary	-	-	-	-	-	-	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**

[1]The notes 1 to 40 in pages 6 to 73 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

for the year ended 31 December 2021[1]

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
		ALL'000	**ALL'000**
Cash flows from operating activities			
Profit before income tax		**1,740,266**	**1,086,515**
Adjustments for:			
Depreciation and amortization	22,23	532,423	481,835
Disposed fixed assets	22	(11,993)	(12,302)
Right-of-use assets	24	406,654	174,026
Net impairment loss on financial assets	6	1,851,149	3,470,836
Other losses from unrecoverable loans	18,19	9,750	6,907
Share of loss from associate	17	4,368	7,166
Impairment on repossessed properties	20	102,734	59,930
Net interest income	3	(7,346,234)	(6,632,352)
Foreign exchange effect to increase subordinated debt		(13,456)	(8,146)
Cash flows (used in) operating activities before changes in working capital		**(2,724,339)**	**(1,365,585)**
Change in loans and advances to banks	12	(3,753,567)	17,713
Change in loans and advances to customers	19	(14,855,212)	(7,673,311)
Change in leasing	18	(233,484)	(31,980)
Change in restricted balances with Central bank	11	(2,647,124)	(1,789,700)
Change in repossessed properties	20	571,960	329,409
Change in investment properties	21	(1,900,810)	(2,304,584)
Change in other assets	25	(306,441)	(914,425)
Change in due to banks and financial institutions	27	(1,044,587)	447,634
Change in due to customers	28	35,179,874	24,750,380
Change in lease liability	31	(384,779)	79,680
Change in other liabilities	32,33	(44,395)	232,821
Interest received		9,479,432	8,935,833
Interest paid		(2,133,198)	(2,033,191)
Income tax paid		(388,008)	(114,622)
Net cash from operating activities		**14,815,322**	**18,566,072**
Cash flows used in investing activities			
Purchase of investment securities	13,14,15	(35,187,003)	(27,407,238)
Sales of investment securities	13,14,15	3,504,180	3,996,138
Investment securities matured	13,14,15	20,899,053	9,094,026
Investment in subsidiaries and associates	17	-	(23,253)
Purchas of quotas in investment funds		(65,373)	-
Purchase of property and equipment	22	(640,284)	(541,015)
Purchase of intangible assets	23	(184,644)	(118,104)
Net cash used in investing activities		**(11,674,071)**	**(14,999,446)**
Cash flows from financing activities			
Proceeds from issued subordinated liabilities	30	2,214,065	559,991
Repayments of subordinated debt	30	(838,054)	(1,263,131)
Repayments of financing	29	420,785	(145,476)
Issue of share capital		470,639	186,861
Net cash from financing activities		**2,267,435**	**(661,755)**
Net increase, in cash and cash equivalents		**5,408,686**	**2,904,871**
Cash and cash equivalents at 1 January		27,073,986	24,169,118
Cash and cash equivalents at 31 December		**32,482,672**	**27,073,989**

[1]The notes 1 to 40 in pages 6 to 73 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 2021, 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 8 agencies in Tirana, Shkoder and Durres. (31 December 2020: 50 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 2021, the shareholding of Banka Credins Sh.a. in Banka Credins Kosove is 75.11%.

As at 31 December 2021 the Group had 1,086 employees (31 December 2020: 1,012 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 37.

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 2021. 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 duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, resulted in less severe effects as anticipated. The Group managed to maintain in the year 2021 and 2020 a positive result for its operations, which was also in line with budget.

The activity of the Group has continued without suspension during 2021 and 2020, and there has been a steady performance of the banking activity.

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 are measured at fair value to other comprehensive income and have a direct impact on capital.

Banka Credins sh.a.
Notes to the consolidated financial statements for the year ended 31 December 2021
(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)

Unrealized losses can be converted into realized losses, in case part or all the portfolio, will be classified in the tradable portfolio or sold potentially in the market. The fluctuation on the fair values is expected to have lower impact on the results of the Group due to the small size of the Bank's portfolio measured at fair value through profit or loss.

The Group considers the liquidity risk in the recovery plans, in the internal capital adequacy assessment process, setting well-defined limits on its appetite for risk. The Group determines that its capital resources are available.

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

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 2021, the Group has met the budgeted results and expects the same for 2022.

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 40.6.

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 26).

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.

(Amounts in ALL'000, unless otherwise stated)

2. Accounting Policies (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

2.2.7 Estimating the incremental borrowing rate

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).

2.2.8 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 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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. Accounting Policies (continued)

2.4 Summary of significant accounting policies

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 2021 and 31 December 2020 were as follows:

	31 December 2021	31 December 2020
USD	106.54	100.84
EUR	120.76	123.70
GBP	143.95	137.93
CHF	116.82	114.46
CAD	83.78	79.14
XAU	6,231.47	6,133.01

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.

2.4.2.2 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. 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 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

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. 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 De-recognition of financial assets (continued)

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

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 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 38.7 (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.

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.4 Financial assets and liabilities

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

2.4.4.1.1 Business model assessment (continued)

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.

2.4.4.4 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 29 and Note 30.

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.4 Financial assets and liabilities (continued)

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.

Undrawn loan commitments and letters of credits 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 on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 38.

2.4.5 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. 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.

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 40.2.

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 40.2.

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 40.2

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

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)**

- 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 a 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 portfolio 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.

With the exception of 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 38.

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. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.6 Impairment of financial assets (continued)

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 40.2.

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).

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. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Recognition of interest income and expenses (continued)

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 relates 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 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).

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Notes to the consolidated financial statements for the year ended 31 December 2021
(Amounts in ALL'000, unless otherwise stated)

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.

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 asset 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.

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.19 Taxes **(continued)**

(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.

2.4.20 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 2021, the Group has not declared dividends.

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.

(Amounts in ALL'000, unless otherwise stated)

2. Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

***2.4.25 Forborne and modified loans* (continued)**

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 (Policy applicable before 1 January 2019)

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 payable are recognized as an expense in the period in which they are incurred.

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 within Note 24 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.

3 Net Interest income

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income		
Loans and advances to customers	7,691,724	7,440,064
Net trading income	81,518	79,675
Investment securities	1,663,628	1,367,283
Cash and cash equivalents	9,742	49,073
Loans and advances to banks	6,461	5,470
Restricted cash with Central Bank	26,359	31,608
Total interest income	***9,479,432***	***8,973,173***
Interest expense		
Deposits from banks	(92,604)	(116,764)
Deposits from customers	(1,575,491)	(1,690,913)
Subordinated liabilities	(326,342)	(385,736)
Interest expense on lease liabilities	(129,619)	(141,105)
Reverse Repo	(9,142)	(6,303)
Total interest expense	***(2,133,198)***	***(2,340,821)***
Net interest income	**7,346,234**	**6,632,352**

4 Net Fee and commission income and expense

	Year ended 31 December 2021	Year ended 31 December 2020
Fee and commission income		
Grouping customer fees	1,549,354	1,115,163
Fee and commissions from lending services	108,927	54,537
Total fee and commission income	***1,658,281***	***1,169,700***
Fee and commission expense		
Inter bank transaction fees	(69,529)	(58,847)
Treasury operations	(85,710)	(73,439)
Other	(29,888)	(30,273)
Total fee and commission expense	***(185,127)***	***(162,559)***
Net fee and commission income	**1,473,154**	**1,007,141**

5 Net other income/(expense)

	Year ended 31 December 2021	Year ended 31 December 2020
Other income		
Reversals from written of loans	327,240	199,385
Other income	679,092	1,194,661
Total other income	**1,006,332**	**1,394,046**
Other expenses		
Other expenses related to the Grouping activity	(889,857)	(189,449)
Total other expenses	**(889,857)**	***(189,449)***
Net other income/(expenses)	**116,475**	**1,204,597**

Other expenses related to banking activity include expenses for impairment on repossessed properties, which for the year ended on 31 December 2021 amounts to ALL 102,734 thousands (31 December 2020: ALL 59,930 thousands) (note 20). 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".

(Amounts in ALL'000, unless otherwise stated)

6 Net impairment loss on financial assets

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Charges for ECL on cash and cash equivalents	10	15,224	22,179
Charges for ECL on restricted balances with Central Bank	11	6,707	11,386
Charges for ECL on loans and advances to banks	12	10,948	19
Charges for ECL on investment securities	14	5,625	53,151
Charges for ECL on loans and advances to customer and leasing	16; 17	2,021,166	3,407,185
Impairment charges on other financial assets (debtors)	21	20,849	(29,245)
Charges for ECL on guaranties and letter of credits	33	19,398	6,161
		2,099,917	**3,470,836**

7 Personnel expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries	1,273,553	1,154,927
Bonuses and rewards	159,154	146,581
Social insurance	174,152	156,294
Life insurance premium	36,945	32,471
Other	159,390	157,488
	1,803,194	**1,647,761**

8 Administrative expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Insurance and surveillance	803,175	746,275
Third parties fees	688,478	557,409
Rent	16,105	11,369
Marketing and subscriptions	560,397	471,458
Maintenance	398,320	274,255
Utilities	139,479	122,195
Supplies	78,219	65,751
Other	76,985	43,360
Local and other taxes	39,177	28,943
Transport and travel	64,611	43,485
	2,864,946	**2,364,500**

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 as well 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 2021	Year ended 31 December 2020
Current tax expense	378,943	224,106
Income tax expense from subsidiary's profit	3,935	3,281
Deferred tax income (note 24)	40,750	-
Income tax expense	**423,628**	**227,387**

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 2021 is 15% (31 December 2020: 15%). The reconciliation of effective income tax rate is summarized as follows:

9 Income tax expense, net (continued)

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before tax in income statement	**1,740,266**	**1,086,515**
Prima facie tax calculated at 15%	261,040	162,977
Adjustment for unrecognized loss of associate	655	1,075
Adjustment for non-taxable profit/(loss) of subsidiary	(17,036)	5,919
Non tax deductible expenses	134,284	54,135
Income tax expense	**378,943**	**224,106**

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 2021	31 December 2020
Current accounts with banks	3,167,352	3,042,831
ECL impairment for CA balances with banks	*(1,298)*	(1,607)
Money market placements	2,962,717	2,413,526
ECL impairment for placements with banks	*(1,045)*	(873)
Cash on hand	3,936,794	4,482,136
Unrestricted balances with central bank	23,244,751	17,910,994
ECL impairment for balances with central bank	*(58,691)*	(43,281)
In transit	(767,908)	(729,737)
	32,482,672	**27,073,989**

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

				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**

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**23,582**	**-**	**-**	**23,582**
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	22,179	-	-	22,179
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	**45,761**	**-**	**-**	**45,761**

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 2021 and settled with the current account at the Central Bank within the first days in January 2022. Details on impairment allowance on balances with Central Bank is provided in note 11.1.

11 Restricted balances with Central Bank

In accordance with the Bank of Albania's requirement relating to the Statutory Reserve, the 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 2021 and 31 December 2020, the Bank has not used the reserve.

Currently only EUR is remunerated by -0.5%. Interest on Statutory reserves with the Central Bank is calculated at 100% of the repurchase agreements rate which is at 0.5% p.a. as of 31 December 2021 and as of 31 December 2020 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 of Kosovo (CBK) 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 CBK 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 2021 was (0.7%). The Central Bank does not calculate any interest on the mandatory reserve.

11.1 Impairment allowance for restricted cash with Central Bank

	31 December 2021	31 December 2020
Restricted balances with Central Bank	18,305,450	15,652,021
ECL impairment	*(46,807)*	*(40,502)*
Balances with Central Bank, net	**18,258,643**	**15,611,519**

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

				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**

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Notes to the consolidated financial statements for the year ended 31 December 2021
(Amounts in ALL'000, unless otherwise stated)

11 Restricted balances with Central Bank (continued)

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

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**28,625**	-	-	**28,625**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	11,877	-	-	11,877
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	**40,502**	-	-	**40,502**

12 Loans and advances to banks

	31 December 2021	31 December 2020
Non- Resident banks and financial institutions	**48,889**	**105,014**
In foreign currency	48,889	105,014
Resident banks and financial institutions	**3,887,617**	**66,792**
In ALL	3,853,646	29,640
In foreign currency	33,736	37,152
Total balances for loans and advances to banks, gross	**3,936,271**	**171,806**
ECL impairment	*(11,099)*	(201)
Loans and advances to banks, net	**3,925,172**	**171,605**

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 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 2020
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks				
Low- fair risk	171,806	-	-	171,806
Less: allowance	(201)	-	-	(201)
Carrying amount	**171,605**	-	-	**171,605**

(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**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**182**	**-**	**-**	**182**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	19	-	-	19
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	**201**	**-**	**-**	**201**

13 Financial assets measured at FVPL

Investment securities measured at FVPL as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Corporate bonds	310,058	415,164
Total	**310,058**	**415,164**

Corporate bonds

As at 31 December 2021 and 2020 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% (2020: 5.5% - 6.5%).

	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**

	31 dhjetor 2020						
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
84 months ALL	*191,000*	-	-	*3,788*	-	*904*	*195,692*
84 months EUR	195,446	-	-	3,553	-	797	199,796
84 months USD	19,160	-	-	415	-	101	19,676
	405,606	**-**	**-**	**7,756**	**-**	**1,802**	**415,164**

14 Debt instruments at fair value through other comprehensive income

Debt instruments measured at FVOCI as at 31 December 2021 and as at 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Treasury Bills	9,248,206	8,820,174
Government bonds	56,510,736	50,823,505
Total investment securities at FVOCI	**65,758,942**	**59,643,679**
ECL impairment	*(108,294)*	(116,471)
Total, net of impairment	**65,650,648**	**59,527,208**

Treasury bills

The effective interest rates on treasury bills for the year ended 31 December 2021 fluctuated between 1.0% and 2.29% (31 December 2020: 1.2% and 2.45%). Details of treasury bills as at 31 December 2021 and 31 December 2020, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	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)	65,804	*8,136,100*	14,455	8,150,555
	9,312,950	**(148,517)**	**68,713**	**9,233,145**	**15,060**	**9,248,205**

	31 December 2020					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
12 months	8,893,330	(155,316)	65,105	8,803,119	17,055	8,820,174
	8,893,330	**(155,316)**	**65,105**	**8,803,119**	**17,055**	**8,820,174**

Albanian and Foreign Government bonds

As at 31 December 2021, 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 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), (31 December 2020: 1.92% to 2.55 % (2-years), 2.30% to 2.70 % (3-years), 3.45% to 5.45% (5-years), 1.60% to 7.85% (7-years) and 3.87% to 9.34% (10-years)).

Details of government bonds as at 31 December 2021 and 31 December 2020, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	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	4,926,273	48,443	4,974,716
60 months	7,993,900	149,540	(29,160)	103,533	8,217,814	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**

	31 December 2020						
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
24 months	6,766,402	627	(5,424)	48,664	6,810,269	(642,608)	6,167,661
66 months	3,349,400	8,362	(4,829)	29,693	3,382,626	9,376	3,392,002
60 months	6,994,600	192,586	(12,826)	110,782	7,285,142	86,020	7,371,162
84 months	10,224,848	167,507	(7,313)	105,137	10,490,179	358,690	10,848,869
120 months	20,482,608	1,092,447	(133,095)	304,345	21,746,306	1,297,506	23,043,811
	47,817,858	**1,461,529**	**(163,487)**	**598,621**	**49,714,522**	**1,108,984**	**50,823,505**

(Amounts in ALL'000, unless otherwise stated)

14.1 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 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**

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
AAA	50,999,604	-	-	50,999,604
AA+ to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	1,267,490	-	-	1,267,490
Lower than BBB-	7,376,585	-	-	7,376,585
Unrated	-	-	-	-
Exposure before impairment	59,643,679	-	-	59,643,679
Loss allowance	(116,471)	-	-	(116,471)
Carrying amount	**59,527,208**	**-**	**-**	**59,527,208**

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

Changes in Fair Value				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	281,537	-	-	281,537
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**65,650,648**	**-**	**-**	**65,650,648**

Changes in Fair Value				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**49,754,301**	**-**	**-**	**49,754,301**
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	26,481,074	-	-	26,481,074
De-recognition of financial assets	(16,514,829)	-	-	(16,514,829)
Change in fair value	(193,338)	-	-	(193,338)
Write-offs	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Change in PV of the allowance Account	-	-	-	-
Balance 31 December	**59,527,208**	**-**	**-**	**59,527,208**

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

14.1 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 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**

ECL				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**78,069**	**-**	**-**	**78,069**
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	42,614	-	-	42,614
De-recognition of financial assets	(4,212)	-	-	(4,212)
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	**116,471**	**-**	**-**	**116,471**

15 Debt instruments at amortized cost

Debt instruments measured at amortized cost as at 31 December 2021 and as at 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Government bonds	26,509,564	21,437,916
Total investment securities FVPL	**26,509,564**	**21,437,916**
ECL impairment	(31,008)	(17,206)
Total, net of impairment	**26,478,555**	**21,420,710**

Government bonds

As at 31 December 2021, 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 2020: 0.95% (3-years), 0.00% (5-years), 0.00% (6-years), 1.60% to 3.50% (7-years), 0.85% to 2.38% (8-years) and 0.25% to 3% (10-years)). Details of government bonds as at 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 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)	111,202	9,620,516
120 months	9,073,001	671,043	(39)	60,442	9,804,447
	25,173,086	**1,165,929**	**(2,236)**	**172,785**	**26,509,564**

(Amounts in ALL'000, unless otherwise stated)

15 Debt instruments at amortized cost (continued)

	31 December 2020				
	Nominal value	*Premium to be amortized*	*Deferred discount*	*Accrued interest*	*Amortized cost*
48 months	371,100	5,667	-	1,169	377,936
60 months	3,401,750	64,629	-	-	3,466,379
65 months	3,401,750	53,360	-	-	3,455,110
84 months	5,767,265	275,168	(2,697)	60,225	6,099,961
105 months	618,500	93,244	-	3,904	715,648
120 months	6,937,200	378,266	(81)	7,497	7,322,882
	20,497,565	**870,334**	**(2,778)**	**72,795**	**21,437,916**

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 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**

				31 December 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
AAA	18,785,811	-	-	18,785,811
AA+ to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	1,085,511	-	-	1,085,511
Lower than BBB-	1,566,594	-	-	1,566,594
Unrated	-	-	-	-
Exposure before impairment	**21,437,916**	**-**	**-**	**21,437,916**
Loss allowance	(17,206)	-	-	(17,206)
Carrying amount	**21,420,710**	**-**	**-**	**21,420,710**

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

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	13,803	-	-	13,803
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	**31,009**	**-**	**-**	**31,009**

15 Debt instruments at amortized cost (continued)

ECL				**31 December 2020**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**2,457**	**-**	**-**	**2,457**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	14,749	-	-	14,749
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	**17,206**	**-**	**-**	**17,206**

16 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 2021 and 31 December 2020 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 2021 Credins Invest added a profit of ALL 16,691 thousand (31 December 2020: ALL 13,482 thousand) to profit before tax from continuing operations of the Group. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. There is no impairment of the goodwill for the year ended 31 December 2021 and 31 December 2020.

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). There was negative goodwill resulted from the purchase of the additional shares amounting to ALL 3,400 thousand. "ALREG" SHA" for the year ended 31 December 2021 added a loss of ALL 6,264 thousand (31 December 2020: ALL 9,538 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 2021 three other shareholders joined Credins Bank in Kosovo, bringing the shareholding of Credins Bank to 75.11%.

17 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 2021 and 2020.

The share of loss in the associate for the year ended 31 December 2020 added a loss of ALL 4,368 thousand (31 December 2020: ALL 7,166 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 2021	**31 December 2020**
Net investment in ALSE	9,010	13,378
Cost of investment in Swift SCR	5,634	5,771
Total	**14,644**	**19,149**

(Amounts in ALL'000, unless otherwise stated)

18 Leasing

	31 December 2021	31 December 2020
Gross investment in finance leases, receivable		
- Not later than 1 year	554,966	93,892
- Later than 1 year and not later than 5 years	1,075,850	1,235,212
- More than 5 years	2,804	63,120
	1,633,620	1,392,224
Less: Unearned finance income	(23,686)	(19,544)
Net investment in finance leases	**1,609,934**	**1,372,680**
Less allowances for impairment	(88,079)	(86,194)
Total	**1,521,855**	**1,286,486**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Balance at the beginning of the year	**86,194**	**14,478**
Allowance for loss impairment	25,158	92,170
Recoveries	(22,093)	(20,683)
Recoveries from write offs	-	-
Effect of foreign currency movements	(1,180)	229
Balance at the end of the year	**88,079**	**86,194**

	31 December 2021	31 December 2020
Collective impairment	88,079	86,194
	88,079	**86,194**

ECL				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**16,783**	**13,485**	**55,926**	**86,194**
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)	(22,243)
New financial assets originated or purchased	11,558	1,333	11,238	24,129
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**	**88,079**

ECL				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**77**	**(70)**	**14,472**	**14,479**
Transfer to Stage 1 (from 2 or 3)	7,540	35	(684)	6,891
Transfer to Stage 2 (from 1 or 3)	10,547	119	-	10,666
Transfer to Stage 3 (from 1 or 2)	28,192	15,668	(1,406)	42,454
Net re-measurement of loss allowance	(29,573)	(2,267)	43,544	11,704
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	-	-	-	-
Balance 31 December	**16,783**	**13,485**	**55,926**	**86,194**

18 Leasing (continued)

18.1 Impairment allowance for leasing (continued)

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

									31 December 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	
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	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	
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**

									31 December 2020
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	
Leasing	789,412	336,249	-	152,250	1,628	93,141	-	-	1,372,680
Total	**789,412**	**336,249**	**-**	**152,250**	**1,628**	**93,141**	**-**	**-**	**1,372,680**
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	
Leasing	11,599	5,185	-	13,484	645	55,281	-	-	86,194
Total	**11,599**	**5,185**	**-**	**13,484**	**645**	**55,281**	**-**	**-**	**86,194**
Net carrying amount	**777,813**	**331,064**	**-**	**138,766**	**984**	**37,860**	**-**	**-**	**1,286,486**

(Amounts in ALL'000, unless otherwise stated)

19 Loans and advances to customers

Loans and advances to customers consisted of the following:

	31 December 2021	31 December 2020
Loans and advances to customers at amortized cost	127,998,237	116,865,094
Loan loss allowances for impairment	(9,485,421)	(11,341,581)
	118,512,816	**105,523,513**

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

	31 December 2021	31 December 2020
Corporate lending	108,381,432	101,085,436
Mortgage lending	11,078,005	8,835,991
Private individuals lending	2,316,488	1,711,173
Other secured lending	6,222,312	5,232,494
Total gross	**127,998,237**	**116,865,094**
Impairment allowance	(9,485,421)	(11,341,581)
	118,512,816	**105,523,513**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Balance at the beginning of the year	**11,341,587**	**8,709,712**
Allowance for loan loss impairment	2,021,229	3,335,693
Writte offs	(3,821,307)	(722,882)
Effect of foreign currency movements	(56,088)	19,058
Balance at the end of the year	**9,485,421**	**11,341,581**

For the year ended 31 December 2021, the Group considered unrecoverable late payment interest on loans for an amount of ALL 9,749 thousands (31 December 2020: ALL 6,907 thousands).

19.1 Impairment allowance for loans and advances to customers

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	545,647
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**	**776,957**	**6,747,119**	**9,485,421**

ECL				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**1,536,789**	**1,709,544**	**5,463,378**	**8,709,711**
Transfer to Stage 1 (from 2 or 3)	370,391	(301,378)	(29,831)	39,181
Transfer to Stage 2 (from 1 or 3)	228,625	96,276	(249,135)	75,766
Transfer to Stage 3 (from 1 or 2)	156,508	1,165,891	1,175,920	2,498,319
Net re-measurement of loss allowance	938,447	(1,457,312)	537,468	18,603
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	-	-	-	-
Balance 31 December	**3,230,760**	**1,213,021**	**6,897,800**	**11,341,581**

19 Loans and advances to customers (continued)

19.1 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 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	**13,919,929**	**2,502,426**	**670,970**	**189,756**	**862,130**	**705,106**	-	-	**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	-	-	6,774,905
Corporate lending	**58,877,992**	**35,020,175**	**3,117,475**	**2,641,133**	**3,363,659**	**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**	**6,513**	**249,640**	**223,048**	-	-	**599,739**
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	-	-	22,664
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**	**4,532,265**	-	-	**8,885,682**
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**
Net carrying amount	**71,827,558**	**36,535,553**	**3,616,062**	**2,226,315**	**2,230,053**	**2,077,278**	-	-	**118,512,816**

(Amounts in ALL'000, unless otherwise stated)

19 Loans and advances to customers (continued)

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

Gross carrying amount	Stage 1		Stage 2		Stage 3		POCI		31 December 2020
	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Non Past Due	Past due	Total
Retail lending	**11,290,573**	**2,339,866**	**674,647**	**183,711**	**586,272**	**704,589**	**-**	**-**	**15,779,658**
Mortgage	6,032,752	1,581,718	412,520	110,208	383,657	315,136	-	-	8,835,991
Consumer	1,118,922	138,235	27,371	35,508	28,812	82,709	-	-	1,431,556
Credit cards	222,528	6,388	31,701	1,310	6,916	10,773	-	-	279,617
Other (incl. SBL)	3,916,371	613,526	203,054	36,686	166,887	295,970	-	-	5,232,494
Corporate lending	**63,264,226**	**17,375,653**	**9,316,611**	**878,902**	**162,418**	**10,087,626**	**-**	**-**	**101,085,436**
Large	48,244,064	13,858,349	8,777,855	180,388	-	8,280,200	-	-	79,340,856
SME's	14,375,174	3,517,304	538,756	698,514	162,418	1,807,426	-	-	21,099,592
Public sector	644,988	-	-	-	-	-	-	-	644,988
Total	**74,554,799**	**19,715,520**	**9,991,257**	**1,062,614**	**748,690**	**10,792,214**	**-**	**-**	**116,865,094**

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	**60,467**	**8,750**	**38,066**	**9,728**	**172,127**	**252,263**	**-**	**-**	**541,401**
Mortgage	15,735	3,714	22,038	6,164	87,758	119,901	-	-	255,310
Consumer	11,782	1,452	2,381	825	11,381	55,138	-	-	82,959
Credit cards	2,428	57	1,638	50	4,701	6,802	-	-	15,677
Other (incl. SBL)	30,521	3,526	12,009	2,689	68,287	70,423	-	-	187,455
Corporate lending	**2,014,786**	**1,146,759**	**1,058,294**	**106,933**	**34,821**	**6,438,589**	**-**	**-**	**10,800,181**
Large	1,945,024	1,122,137	1,011,678	-	-	5,468,163	-	-	9,547,002
SME's	69,762	24,622	46,615	106,933	34,821	970,426	-	-	1,253,179
Public sector	-	-	-	-	-	-	-	-	-
Total	**2,075,252**	**1,155,508**	**1,096,359**	**116,661**	**206,948**	**6,690,853**	**-**	**-**	**11,341,582**
Net carrying amount	**72,479,547**	**18,560,012**	**8,894,898**	**945,953**	**541,742**	**4,101,361**	**-**	**-**	**105,523,512**

20 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 2021 and 31 December 2020.

Repossessed assets by type as at 31 December 2021 and 31 December 2020 are presented as following:

	31 December 2021	31 December 2020
Land	3,720,528	4,352,039
Residential building	165,524	198,606
Commercial Building	320,348	355,651
Vehicle	25,202	-
Total	**4,231,602**	**4,906,296**

Movements in repossessed assets as at 31 December 2021 and 31 December 2020 are as following:

	31 December 2021	31 December 2020
Opening balance at 1 January	4,906,296	**5,295,636**
Additions	2,461,023	983,918
Disposals	(3,032,983)	(1,313,328)
Net loss from a fair value adjustment	(102,734)	(59,930)
Closing balance at 31 December	**4,231,602**	**4,906,296**

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 2021, repossessed properties include land, buildings, residential apartments, vehicles and commercial and/or business premises. It is the Group's intention to sell the repossessed properties as soon as it is feasible. For the year ended as at 31 December 2021 the Group sold ALL 1,759,629 thousand (31 December 2020: the Group sold ALL 135,368 thousands) from the repossessed properties portfolio, from which the Group recognized ALL 584,037 thousand as loss on their sale (31 December 2020: ALL 78,238 thousands).

21 Investment properties

On December 2020, the 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. The assets invested were measured at the fair value at the date of the investment, valued by an independent valuator on 25 November 2020. In 30 December 2021, an independent valuer assessed the fair value of the investment property, which resulted in a higher fair value. 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 measured at their fair value at the date of the investment, valued by an independent valuator on 1 October 2021. The fair value of these properties resulted in a higher value as compared to their cost, therefore a gain from revaluation has been recorded in the Other Income note 28.

	31 December 2021	31 December 2020
Sea Land alternative investment fund – development property	2,576,016	2,304,584
Green View alternative investment fund – development property	1,629,378	-
Total	**4,205,394**	**2,304,584**

(Amounts in ALL'000, unless otherwise stated)

22 Property and equipment

	Buildings	Electronic and office equipment	Vehicles, Furniture & Fittings	Leasehold improvements	Prepayment	Total
Cost						
Balance at 1 January	**1,637,730**	**1,550,861**	**573,614**	**1,238,035**	**103,934**	**5,104,174**
Acquisitions	-	268,840	39,362	128,951	282,358	719,511
Transfers	-	11,081	36,454	82,046	399,674	529,255
Transfers to inventory warehouse	-	(306,574)	(10,574)	(5,376)	(385,138)	(707,662)
Disposals	-	(20,231)	(12,388)	(443)	(2,082)	(35,144)
Balance at 31 December 2020	**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**
Depreciation						
Balance at 1 January	**(410,478)**	**(720,692)**	**(256,633)**	**(448,515)**	-	**(1,836,318)**
Depreciation for the period	(81,885)	(158,997)	(66,403)	(101,239)	-	(408,524)
Transfers to inventory warehouse	-	20,904	6,373	-	-	27,277
Disposals	-	13,014	7,018	-	-	20,032
Balance at 31 December 2020	**(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)**
Net Book Value						
Balance at 31 December 2020	**1,145,367**	**658,206**	**316,823**	**893,459**	**398,746**	**3,412,601**
Balance at 31 December 2021	**1,063,494**	**709,119**	**384,713**	**1,047,204**	**416,411**	**3,620,941**

23 Intangible assets

	Software	Patents and licenses	Total
Cost			
Balance at 1 January	643,369	72,592	**715,961**
Additions	107,617	-	107,617
Transfers	10,487	-	10,487
Disposals	(959)	-	(959)
Balance at 31 December 2020	**760,514**	**72,592**	**833,106**
Additions	**164,482**	**7,855**	**172,337**
Disposals	**11,379**	**-**	**11,379**
Balance at 31 December 2021	**936,375**	**80,447**	**1,016,822**
Amortization			
Balance at 1 January	**(294,838)**	**(62,748)**	**(357,586)**
Amortization charge for the year	(71,845)	(1,466)	**(73,311)**
Disposals	960	-	**960**
Balance at 31 December 2020	**(365,723)**	**(64,214)**	**(429,937)**
Amortization charge for the year	**(86,981)**	**(1,506)**	**(88,487)**
	928	**-**	**928**
Balance at 31 December 2021	**(451,776)**	**(65,720)**	**(517,496)**
Carrying amounts			
Balance at 31 December 2020	394,791	8,378	403,169
Balance at 31 December 2021	**484,599**	**14,727**	**499,326**

24 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 2020	**3,308,163**	**3,308,163**
Additions	381,588	381,588
Disposals	(14,630)	(14,630)
Balance at 31 December 2020	**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**
Amortization		
Balance at 1 January	**(325,626)**	**(325,626)**
Amortization charge for the year	(362,883)	(362,883)
Reversal of amortization charge	14,630	14,630
Balance at 31 December 2020	**(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)**
Carrying amounts		
Balance at 31 December 2020	**3,001,242**	**3,001,242**
Balance at 31 December 2021	**2,594,588**	**2,594,588**

(Amounts in ALL'000, unless otherwise stated)

24 Right of use assets (continued)

The following are the amounts recognized in profit or loss:

	31 December 2021	31 December 2020
Depreciation expense of right-of-use assets	(364,544)	(347,961)
Interest expense on lease liabilities	(128,442)	(138,632)
Expense relating to short-term leases (included in cost of sales)	(15,749)	(8,914)
Expense relating to leases of low-value assets (included in administrative expenses)	(326)	(2,258)
Total amount recognized in profit or loss	**(509,061)**	**(497,765)**

25 Other assets

	31 December 2021	31 December 2020
Debtors	717,622	589,113
Inventory warehouse	77,680	138,643
Prepaid expenses	1,368,013	1,082,385
	2,163,315	**1,810,141**

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

	31 December 2021	31 December 2020
Debtors, gross	892,431	745,465
ECL/Impairment	(174,809)	(156,352)
	717,622	**589,113**

	31 December 2021	31 December 2020
Impairment allowance as at 1 January	156,352	185,597
Impairment charge for the year (ECL) (note 6)	18,457	(29,245)
Total impairment losses as at 31 December	**174,809**	**156,352**

26 Deferred tax assets/liabilities

Deferred tax is attributable to the following:

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Repossessed properties	103,778	-	103,778	103,777	-	103,777
Debt instruments at FVOCI	-	(212,224)	(212,224)	-	(168,906)	(168,906)
Investment properties	-	(40,715)	(40,715)	-	-	-
Property and equipment	-	(174)	(174)	-	-	-
Net deferred tax liability	**103,778**	**(253,113)**	**(149,335)**	**103,777**	**(168,906)**	**(65,129)**

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.

27 Due to banks and other financial institutions

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

	31 December 2021	31 December 2020
Current accounts – resident	1,543,509	1,993,979
Money market deposits – resident	1,774,819	2,124,527
Reverse Repo – resident	-	245,937
Interbank loans – resident	94,332	92,804
	3,412,660	**4,457,247**

28 Due to customers

	31 December 2021	31 December 2020
Private individuals	187,688,687	165,844,751
Sovereign governments	23,838,292	16,231,565
Corporate	34,347,369	28,917,547
Other customers	3,178,646	2,879,257
	249,052,994	**213,873,120**

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

	31 December 2021	31 December 2020
Current accounts		
Local currency	40,283,996	33,373,125
Foreign currency	25,120,803	20,371,303
Saving accounts		
Local currency	14,412,494	11,739,555
Foreign currency	34,907,223	27,097,081
Term deposits		
Local currency	77,499,808	65,168,307
Foreign currency	52,843,496	53,275,981
Other customers accounts		
Local currency	1,281,603	952,662
Foreign currency	2,703,571	1,895,106
	249,052,994	**213,873,120**

29 Borrowing

Borrowing as at 31 December 2021 and 31 December 2020 are composed of the following items:

	31 December 2021	31 December 2020
Ministry of Economic Development, Trade and Entrepreneurship (ex-METE)	209,823	274,538
Other borrowing	615,501	130,001
	825,324	**404,539**

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 0.5% p.a. for lending in EURO, and 3.5% p.a. for lending in ALL. Repayment to the Ministry is according to the same repayment terms settled with the final users of the loan contracts (ultimate borrowers). As at 31 December 2021, the outstanding amount of borrowings is ALL 209,823 thousands (31 December 2020: ALL 274,538 thousand), and there are no balances in default related to this borrowing either at 31 December 2021 or at 31 December 2020.

30 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 2021 and 31 December 2020 the instruments are detailed as follows:

Currency	Units of Instruments	31 December 2021	31 December 2020
ALL	4,053	4,110,925	3,286,506
EUR	2,166	2,645,015	2,157,054
USD	495	532,015	482,764
	6,714	**7,287,955**	**5,926,324**

(Amounts in ALL'000, unless otherwise stated)

30 Subordinated debt (continued)

Tranches	Issue date	Maturity date	Units of Instruments	31 December 2021	31 December 2020
9	27.01.2015	27.01.2021	-	-	849,919
10	05.01.2016	05.01.2022	373	418,218	422,259
11	25.08.2016	25.08.2023	388	469,530	476,719
12	07.02.2017	07.02.2024	482	515,178	516,036
13	02.06.2017	02.06.2024	647	694,140	697,078
14	03.11.2017	03.11.2024	622	678,621	680,404
15	08.03.2018	08.03.2025	500	543,408	544,954
16	28.12.2018	28.12.2025	550	567,163	562,931
17	17.10.2019	17.10.2026	598	639,704	642,242
18	26.06.2020	26.06.2027	502	531,041	533,782
19	02.03.2021	02.03.2028	735	813,553	-
20	26.08.2021	26.08.2028	1317	1,417,399	-
Total			**6,714**	**7,287,955**	**5,926,324**

31 Lease liability

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

	31 December 2021	31 December 2020
As at 1 January	**3,110,600**	**3,030,853**
Additions	484,520	391,890
Accretion of interest	129,618	141,247
Disposals	(521,437)	(14,845)
Payments	(477,480)	(438,545)
Balance as at 31 December	**2,725,821**	**3,110,600**

The maturity analysis of lease liabilities are disclosed in Note 38. The Group had total cash outflows for leases of 477,480 thousand.

Minimal lease payments related to lease contracts for buildings of the branches' operations are analyzed as follows:

						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**

						Minimal lease payments	
31 December 2020	**Within the year**	**1-2 years**	**2-3 years**	**3-4 years**	**4 - 5 years**	**After 5 years**	**Total**
Lease payments	442,334	406,820	407,156	388,603	397,637	1,683,817	3,726,367
Finance charges	(49,309)	(27,420)	(45,759)	(26,509)	(40,112)	(426,658)	(615,767)
Total	**393,025**	**379,400**	**361,397**	**362,094**	**357,525**	**1,257,159**	**3,110,600**

32 Other liabilities

Other liabilities are comprised of the following:

	31 December 2021	31 December 2020
Transactions as agents	290,885	406,590
Suppliers and accrued payables	191,510	177,910
Total	**482,395**	**584,500**

33 Provisions

Provisions as at 31 December 2021 and 31 December 2020 are composed of the following:

	31 December 2021	31 December 2020
Provisions for litigations	4,267	5,521
ECL impairment for off balance sheet items	25,560	6,162
Other provisions	9,155	5,581
	38,982	**17,264**

33 Provisions (continued)

In the table below are presented the movements in provisions occurred during the year ended 31 December 2021 and 31 December 2020.

	31 December 2021	31 December 2020
Balance 1 January	17,264	**5,350**
ECL charge/(recovery) for off balance sheet items	19,397	6,162
Legal provisions	3,585	6,521
Recovery of other provisions	(1,264)	(769)
Balance 31 December	**38,982**	**17,264**

During the year ended 31 December 2021 the provisions amount of ALL 24,439 thousand (31 December 2020: recoveries of ALL 6,163 thousand) for off balance sheet items and also other provision recoveries of an amount of ALL 1,264 thousand (31 December 2020: ALL 769 thousand). Provisions for other litigations amount to ALL 3,585 thousand (31 December 2020: 6,521 ALL).

34 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 2021 the subscribed share capital amounts to USD 18,665 thousand, EUR 31,234 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 2021 (%)	31 December 2020(%)
Renis Tershana	18.16%	18.53%
Aleksander Pilo	7.68%	8.72%
B.F.S.E Holding BV	15.13%	15.21%
Group Executive Directors	6.90%	6.93%
Other (less than 5% of shareholding)	52.13%	50.62%
Total	**100.000%**	**100.000%**

The paid up capital of the Parent as of 31 December 2021 is ALL 10,717,160 thousand translated at the historical rate of exchange (31 December 2020: ALL 10,213,523 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 within 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 and registered in the national business center (NBC).

On 10 June 2020, the Assembly decided for the extension of the issuance of a new capital for the amount of EUR 24,000 thousand with a deadline for subscription 30 June 2021, which subsequently was extended by Shareholders' Assembly Decision on 30 June 2022. As of 31 December 2020, an amount of capital of EUR 1,685 thousand is subscribed and registered in the NBC, while in 2021 an amount of EUR 816 was subscribed and registered in the NBC.

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 or S.E.C.O. shall all time be "A" shares. All other shareholders of the Bank hold ordinary shares. A reconciliation of share capital at the beginning and end of the year are as follows:

	Normal shares		Type A shares	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
As at 1 January	72,954,454	71,617,675	20,165,291	16,206,464
Increase in number of shares:	3,989,127	1,336,779	968,466	3,958,827
As at 31 December	**76,943,581**	**72,954,454**	**21,133,757**	**20,165,291**

On 27 May 2021 the shareholders' assembly decided on the distribution of the accumulated profits from 2020 by allocating ALL 451,603 as capital increase, while as of 09 July 2020, the shareholders' assembly decided on the distribution of the result of 2019 profit, out of which ALL 489,171 thousand allocated to capital increase.

(Amounts in ALL'000, unless otherwise stated)

35 Share Premium

During the year ended 31 December 2021, the Parent has issued new shares generating a share premium of ALL 46,516 thousand from emission of new capital (31 December 2020: ALL 92,493 thousand).

36 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 2021	31 December 2020
General reserve	2,379,132	2,138,276
Statutory reserve	455,791	395,578
Total	**2,834,923**	**2,533,854**

37 Maturity analysis of assets and liabilities

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
Quotas in Investment Funds	-	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
Prepayment of income tax	-	-	-
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 assets	37,379	2,557,209	2,594,588
Total	**109,342,608**	**173,096,305**	**282,438,913**
Liabilities			
Due to banks and other financial institutions	1,568,323	1,844,337	3,412,660
Due to customers	119,006,624	130,046,370	249,052,994
Borrowing	615,501	209,823	825,324
Subordinated debt	494,662	6,793,294	7,287,956
Current tax liabilities	58,986	-	58,986
Deferred tax liabilities	1,087	148,248	149,335
Lease liability	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**

37 Maturity analysis of assets and liabilities (continued)

31 December 2020	< 12 months	> 12 months	Total
Assets			
Cash and cash equivalent	27,073,989	-	27,073,989
Restriced balances with Central Bank	13,253,916	2,357,603	15,611,519
Loans and advances to banks	117,001	54,604	171,605
Financial assets at fair value through profit or loss	7,757	407,407	415,164
Debt instruments at fair value through other comprehensive income	12,312,483	47,214,725	59,527,208
Debt instruments at amortised cost	72,575	21,348,135	21,420,710
Prepayment of income tax	-	23,253	23,253
Investment in subsidiaries and associates	-	19,149	19,149
Goodwill	-	39,971	39,971
Leasing	93,892	1,192,594	1,286,486
Loans and advances to customers	32,939,535	72,583,978	105,523,513
Current tax assets	23,366	-	23,366
Repossessed properties	-	4,906,296	4,906,296
Investment properties	-	2,304,584	2,304,584
Property and equipment	-	3,412,601	3,412,601
Intangible assets	-	403,169	403,169
Right of use asset	34,423	2,966,819	3,001,242
Other assets	492,824	1,317,317	1,810,141
Total	**86,421,761**	**160,552,205**	**246,973,966**
Liabilities	4,236,847	220,400	4,457,247
Due to banks and other financial institutions	174,192,097	39,681,023	213,873,120
Due to customers	190,491	214,048	404,539
Borrowing	849,919	5,076,405	5,926,324
Current tax liabilities	-	65,129	65,129
Subordinated debt	-	3,110,600	3,110,600
Other liabilities	584,500	-	584,500
Provisions	-	17,264	17,264
Total	**180,053,854**	**48,384,869**	**228,438,723**
Net	**(93,632,093)**	**112,167,336**	**18,535,243**

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.

38 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 on 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.

38 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 2021	31 December 2020
Guarantees in favour of customers	5,451,591	4,879,958
Commitments in favour of customers	4,850,820	4,900,081
ECL impairment	*(24,439)*	*(6,163)*
Net of impairment	**10,277,972**	**9,773,876**
Guarantees pledged from credit customers	3,698,062	2,812,785
Guarantees received from credit customers	915,270,741	448,363,487
Commitments on securities	344,270	470,185
Commitments from financial institutions	7,589,515	9,825,792

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 2021 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 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**

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**1**	**-**	**-**	**1**
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	6,162	-	-	6,162
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	**6,163**	**-**	**-**	**6,163**

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38 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 p[remises in Prishtina, Ferizaj, and Prizren through its subsidiary in Kosovo. A detailed information regarding the changes occurred as per IFRS 16 requirements are presented in note 22. Below is presented information on future commitments for the years ended 31 December 2021 and 31 December 2020:

	Year ended 31 December 2021	Year ended 31 December 2020
Not later than 1 year	425,260	439,524
Later than 1 year and not later than 5 years	1,809,508	1,897,550
Later than 5 years	1,599,207	1,759,881
Total	**3,833,975**	**4,096,955**

Lease commitments – Group as lessor

The Group has issued financial leases to its customers, amounting ALL 1,609,934 thousand (31 December 2020: ALL 1,372,680 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 2021 and 31 December 2020 are detailed as follows:

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 provisions note 33, has been made in these Financial Statements.

39 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 2021 and 31 December 2020

Key management personnel are those persons having 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 2021		31 December 2020	
Transaction	Key Management Personnel	Other related parties	Key Management Personnel	Other related parties
Lease expense	-	32,177	-	27,902
Income	768	150,167	997	318,511
Expenses	65,600	41,898	67,938	44,351

39 Related party disclosures

	31 December 2021		31 December 2020	
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	8,008	237,275	-	-
Overdrafts	52,048	1,859,530	2,290	18,988
Term Loans	2,216	18,721	57,941	1,990,472
Leasing	-	7,108	3,677	7,466
LCs + LGs	6,852	118,448	-	32,139
Current accounts	47,493	217,111	(43,540)	(91,059)
Term deposits	(93,730)	(8,686,758)	(39,376)	(176,583)
Collateral placed in favour of the Group	8,008	237,275	(89,987)	(8,021,522)

	Interest rates (in %)	
Type of transaction	**31 December 2021**	**31 December 2020**
Credit Line	0.00%	0.00%
Overdrafts	1.76%-16%	1.8%-20%
Term Loans	0.5%-8%	0.5%-8%
Leasing	5.8%-6.5%	5.8%-8.5%
Current accounts	0.00%	0%
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 2021 and 31 December 2020:

	Salaries	**Bonuses**
Year ended 31 December 2021		
Key management remuneration	66,599	12,043
Board of Directors remuneration	5,152	6,021
Year ended 31 December 2020		
Key management remuneration	53,605	13,045
Board of Directors remuneration	2,876	1,864

40 Risk management

40.1 Introduction and overview

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

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

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

Risk management framework

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

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

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40 Risk management (continued)

40.1 Introduction and overview

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

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

40.2 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 Senior Credit Committee, with the involvement of the High Management level or the Board of Directors as appropriate. Credit decision making Authorities assesses 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 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 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 subject 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 economical developments, the Bank continued to apply the negative outlook of 2020 in forward looking marginal probability of default.

40 Risk management (continued)

40.2 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 2021	% to Total Gross	31 December 2020	% to Total Gross
A+	568,941	0.44%	309,755	0.26%
A	11,316,286	8.73%	5,410,720	4.58%
A-	20,196,542	15.58%	15,276,136	12.92%
B+	13,132,857	10.13%	11,463,739	9.70%
B	42,245,975	32.60%	40,374,885	34.15%
B-	2,065,048	1.59%	1,729,228	1.46%
C+	809,949	0.62%	2,039,567	1.72%
C	262,287	0.20%	156,537	0.13%
C-	-	0.00%	-	-
D+	1,122,523	0.87%	1,177,000	1.00%
D	3,106,352	2.40%	8,547,331	7.23%
E+	359,985	0.28%	78,550	0.07%
E	2,224,851	1.72%	845,495	0.72%
E-	1,424,449	1.10%	98,154	0.08%
Loans with a credit rating	**98,836,045**	**76.26%**	**87,507,097**	**74.02%**
Loans with no rating	8,433,616	6.51%	11,354,021	**9.60%**
Loans with credit score	21,488,484	16.58%	18,598,997	**15.73%**
Total Gross Loan portfolio	**128,758,145**	**99.35%**	**117,460,115**	**99.35%**
Leasing with no rating	850,027	0.66%	777,659	0.66%
Total Gross Loan & Leasing portfolio	**129,608,172**	**100.00%**	**118,237,774**	**100.00%**

The table below shows the credit quality by class of asset 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 of impairment allowances.

	31 December 2021		31 December 2020	
Group's Internal Credit Rating	**Default rates in %**	**Total**	**Default rates in %**	**Total**
High grade		**38,389,243**		**27,051,140**
Risk rating class 1	2.01%	2,607,710	1.96%	2,290,437
Risk rating class 2	8.89%	11,515,791	5.42%	6,069,448
Risk rating class 3	18.72%	24,265,742	3.15%	18,691,255
Standard grade		**67,280,714**		**61,559,262**
Risk rating class 4	16.79%	21,761,836	2.68%	17,958,732
Risk rating class 5	35.12%	45,518,878	3.17%	43,600,530
Sub–standard grade		**14,927,771**		**29,627,372**
Risk rating class 6 and lower	11.31%	14,654,572	31.82%	17,495,692
No rating	6.51%	8,433,616	9.06%	11,354,021
Leasing with no rating	0.66%	850,027	2.35%	777,659
Total		**129,608,172**		**118,237,774**

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

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40 Risk management (continued)

40.2 Credit risk (continued)

Exposure to credit risk

	Gross maximum exposure	
	31 December 2021	**31 December 2020**
Cash and cash equivalent (exluding cash on hand)	28,545,878	22,591,853
Restricted balances with Central Bank	18,258,643	15,611,519
Loans and advances to banks	3,925,172	171,605
Financial assets measured at FVPL	310,058	415,164
Debt instruments at fair value through other comprehensive income	65,650,648	59,527,208
Debt instruments at amortised cost	26,478,555	21,410,570
Quotas on investment fund	88,625	23,253
Leasing (gross)	1,609,934	1,372,680
Loans and advances to customers (gross)	127,998,237	116,864,363
Other assets (Debtors)	717,622	589,113
Total	**273,583,372**	**238,577,328**
Undrawn credit commitments	4,979,074	4,693,613
Letters of credit	-	206,468
Guarantees in favor of customers	5,451,591	4,879,958
Total Credit related commitments	**10,430,665**	**9,780,039**
Total Credit Risk Exposure	**284,014,037**	**248,357,367**

The aging of past due and not impaired exposures for loans and advances to customers as at 31 December 2021 and 31 December 2020 is presented in the following table:

	31 December 2021	31 December 2020
Past due but not individually impaired		
0-30 days	66,419	76,661
31 - 60 days	-	-
over 90 days	295,776	199,523
Total	**362,195**	**276,184**

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40 Risk management (continued)

40.2 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 2021 and 31 December 2020, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired						
31 December 2021	**Investment grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
Corporate lending	24,306,049	47,739,897	2,537,835	5,021,760	175,014	7,196,764	86,977,318
Small business lending	8,368,967	7,566,837	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**	**65,414,696**	**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)	(9,485,421)
Loan exposure, net of allowances	**36,639,964**	**63,868,480**	**5,388,785**	**8,890,340**	**362,194**	**3,333,885**	**118,512,815**

	Neither past due nor impaired						
31 December 2020	**Investment grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
Corporate lending	13,075,134	44,370,830	5,886,322	8,373,356	-	8,280,200	79,985,842
Small business lending	8,530,257	7,237,494	1,284,372	2,412,343	128,123	1,507,005	21,099,594
Consumer lending	2,632,031	3,085,418	590,689	324,902	69,084	241,543	6,943,667
Residential mortgage	1,972,933	5,080,038	1,212,292	116,504	78,977	375,247	8,835,991
Total	**26,210,355**	**59,773,780**	**8,973,675**	**11,227,105**	**276,184**	**10,403,995**	**116,865,094**
Allowances for impairment of loans	(551,166)	(2,789,009)	(512,736)	(848,626)	-	(6,640,043)	(11,341,581)
Loan exposure, net of allowances	**25,659,189**	**56,984,771**	**8,460,939**	**10,378,479**	**276,184**	**3,763,952**	**105,523,513**

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

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40 Risk management (continued)

40.2 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.

	Neither past due nor impaired						
31 December 2021	**High grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
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	-	10,307	-	59,544	88,079
Leasing exposure, net of allowances	**371,491**	**269,463**	**-**	**824,818**	**810**	**55,272**	**1,521,855**

	Neither past due nor impaired						
31 December 2020	**High grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
Corporate	241,168	42,268	-	167,483	-	69,842	520,761
Small business	164,149	91,208	-	367,128	-	15,270	637,755
Consumer	11,437	-	-	202,727	-	-	214,164
Residential mortgage	-	-	-	-	-	-	-
Total	**416,754**	**133,476**	**-**	**737,338**	**-**	**85,112**	**1,372,680**
Allowances for impairment of leasing	17,020	2,304	-	14,464	-	52,406	86,194
Leasing exposure, net of allowances	**399,734**	**131,172**	**-**	**722,874**	**-**	**32,706**	**1,286,486**

40 Risk management (continued)

40.2 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 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 2020
Cash and Cash equivalents	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts with banks				
Low- fair risk	3,042,831	-	-	3,042,831
Less: allowance	*(1,607)*	-	-	*(1,607)*
Carrying amount	**3,041,224**	**-**	**-**	**3,041,224**
Money market placements				
Low- fair risk	2,413,526	-	-	2,413,526
Less: allowance	*(873)*	**-**	**-**	*(873)*
Carrying amount	**2,412,653**	**-**	**-**	**2,412,653**
Unrestricted balances with central bank				
Low- fair risk	17,910,994	-	-	17,910,994
Less: allowance	*(43,281)*	-	-	*(43,281)*
Carrying amount	**17,867,713**	**-**	**-**	**17,867,713**
Total	**23,321,590**	**-**	**-**	**23,321,590**

				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**

				31 December 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Restricted cash at Central Bank				
Low- fair risk	15,652,021	-	-	15,652,021
Less: allowance	*(40,502)*	-	-	(40,502)
Carrying amount	**15,611,519**	**-**	**-**	**15,611,519**

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40 Risk management (continued)

40.2 Credit risk (continued)

Exposure to credit risk (continued)

				31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt instruments at fair value through other comprehensive income				
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 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities				
Low- fair risk	59,643,680	-	-	59,643,680
Less: allowance	(116,471)	-	-	(116,471)
Carrying amount	**59,527,209**	**-**	**-**	**59,527,209**

				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	**26,478,556**	**-**	**-**	**26,478,555**

				31 December 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt instruments at amortized cost				
Low- fair risk	21,437,916	-	-	21,437,916
Less: allowance	(17,206)	-	-	(17,206)
Carrying amount	**21,420,710**	**-**	**-**	**21,420,710**

				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	-	44,933
Substandard	-	30,776	80,120	110,895
Doubtful	-	-	30,528	30,528
Lost	-	294	16,903	17,197
Less: allowance	(15,175)	(10,862)	(62,043)	(88,079)
Carrying amount	**1,352,690**	**103,656**	**65,508**	**1,521,855**

				31 December 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Leasing				
Low- fair risk	1,110,829	970	2,462	1,114,261
Monitoring	14,832	151,281	44,791	210,904
Substandard	-	-	1,398	1,398
Doubtful	-	-	27,868	27,868
Lost	-	-	18,249	18,249
Less: allowance	(16,783)	(13,484)	(55,926)	(86,194)
Carrying amount	**1,108,878**	**138,767**	**38,842**	**1,286,486**

40 Risk management (continued)

40.2 Credit risk (continued)

Exposure to credit risk (continued)

				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	109,515,639
Monitoring	3,009,197	4,695,942	281,671	7,986,811
Substandard	134,994	629,595	925,868	1,690,457
Doubtful	409	4,094	3,658,880	3,663,382
Lost	12,658	550	5,128,629	5,141,838
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 2020
	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Low- fair risk	93,826,586	4,318,073	880,994	99,025,653
Monitoring	413,863	2,265,098	114,973	2,793,934
Substandard	10,680	794,453	1,018,793	1,823,926
Doubtful	1,017	3,676,086	3,401,283	7,078,386
Lost	18,172	161	6,124,862	6,143,195
Less: allowance	(3,230,761)	(1,213,020)	(6,897,800)	(11,341,581)
Carrying amount	**91,039,557**	**9,840,851**	**4,643,105**	**105,523,513**

				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**

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Financial guarantees and other commitments				
Low- fair risk	9,780,039	-	-	9,780,039
Less: allowance	(6,162)	-	-	(6,162)
Carrying amount	**9,773,877**	**-**	**-**	**9,773,877**

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40 Risk management (continued)

40.2 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 2021 and 31 December 2020, categorized as per individual and collective impaired portfolio:

	Net exposure to Loans and advances to customers and leases	
	31 December 2021	31 December 2020
Individually impaired		
Past due and impaired	10,363,397	10,489,107
Allowance for impairment	(6,607,195)	(6,692,449)
Carrying amount	**3,756,202**	**3,796,658**
Collectively assessed for impaired		
Past due but not impaired	7,358,693	276,184
Carrying amount	**7,358,693**	**276,184**
Neither past due nor individually impaired	111,886,079	107,472,482
Allowance for impairment	(2,966,303)	(4,735,325)
Carrying amount	**108,919,776**	**102,737,157**
Total carrying amount on loans and advances to customers	**120,034,671**	**106,809,999**

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 components 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 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 2021	31 December 2020
Against individually impaired:	**16,199,097**	**40,756,558**
Property	12,667,995	26,840,733
Other	3,531,102	13,915,825
Against collectively impaired:	**676,538,199**	**591,267,489**
Property	172,850,340	269,903,183
Other	503,687,859	321,364,306
	692,737,296	**632,024,046**

40 Risk management (continued)

40.2 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 2021	31 December 2020
Gross amount of loans	129,608,061	118,237,773
Provisions if no collateral would be considered	(17,564,390)	(12,073,264)
Total carrying amount on loans and advances to customers	**112,043,671**	**106,164,509**

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 2021			31 December 2020		
	Albania	Others	Total	Albania	Others	Total
Construction	16,674,760	6,281,374	22,956,134	12,298,027	3,793,678	16,091,705
Commerce	38,499,825	1,624,093	40,123,918	35,356,801	499,411	35,856,212
Consumer loans	7,591,160	202,152	7,793,312	7,111,581	46,496	7,158,077
Public,social and personal services	17,931,442	1,226,016	19,157,458	28,463,933	789,288	29,253,221
Processing industry	6,103,333	440,319	6,543,651	6,387,537	1,145,815	7,533,352
Hotels and restaurants	5,902,566	742,261	6,644,827	3,321,696	-	3,321,696
Production and distribution of electricity/water	4,684,694	-	4,684,694	1,092,544	51,903	1,144,447
Real estate	1,472,857	153	1,473,010	1,155,546	-	1,155,546
Transport and telecommunication	603,392	4,957	608,349	420,699	-	420,699
Agriculture	1,657,568	510,642	2,168,210	879,058	-	879,058
Mining	1,267,255	-	1,267,255	1,103,919	-	1,103,919
Health and social activities	1,002,113	777,188	1,779,301	2,023,337	742,028	2,765,365
Fishery	50,010	-	50,010	60,486	-	60,486
Other	14,124,007	234,034	14,358,041	11,451,605	42,385	11,493,990
	117,564,982	**12,043,189**	**129,608,170**	**111,126,769**	**7,111,004**	**118,237,773**

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

31 December 2021	Corporate lending	Small business lending	Consumer lending	Residential mortgage	Total
Individuals	-	2,581,437	8,050,853	11,077,064	21,709,353
Public Sector	653,757	-	-	-	653,757
Trade	35,272,239	4,906,791	-	-	40,179,030
Manufacturing	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	-	-	16,209,326
Total	**87,511,221**	**22,969,033**	**8,050,853**	**11,077,064**	**129,608,171**
Financial Services	**1,037**	**85,060**	**-**	**-**	**86,097**

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40 Risk management (continued)

40.2 Credit risk (continued)

Risk concentration (continued)

31 December 2020	Corporate lending	Small business lending	Consumer lending	Residential mortgage	Total
Individuals	-	2,081,275	7,158,077	8,835,991	18,075,343
Public Sector	644,988	-	-	-	644,988
Trade	30,639,754	5,216,458	-	-	35,856,212
Manifacturing	6,842,194	1,835,605	-	-	8,677,799
Construction	13,240,820	2,850,884	-	-	16,091,704
Services	20,680,866	6,383,952	-	-	27,064,818
Others	8,457,251	3,369,658	-	-	11,826,909
Total	**80,505,873**	**21,737,832**	**7,158,077**	**8,835,991**	**118,237,773**
Financial Services	**16,039**	**41,646**	**-**	**-**	**57,685**

40.3 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 level of exposure to liquidity risk.

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 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 2021	31 December 2020
Average for the period	77.63%	65.72%
Minimum for the period	58.21%	51.81%
Maximum for the period	93.90%	81.80%

The Group has in place an emergency plan for liquidity risk management in unusual circumstances, considering various scenarios, which may affect the level of liquidity of the Group. The Group considers the liquidity risk in the recovery plans, in the internal capital adequacy assessment process, setting well-defined limits on its appetite for risk. The Group is confident that its sources of capital can be available at any time. Depending on the escalation of the situation created by the pandemic COVID -19 and preventive measures, the Group will consider various scenarios that may affect the inflows in measuring its indicators increasing its financing through:

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

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 2021 and 31 December 2020 according to their remaining maturity.

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40 Risk management (continued)

40.3 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 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**	**267,946,670**
Cash and cash equivalents	32,416,253	66,419	-	-	-	32,482,672
Restriced balances with Central Bank	6,764,475	2,076,203	6,330,425	3,087,540	-	18,258,644
Loans and advances to banks	-	-	3,884,432	19,178	21,563	3,925,172
Financial Assets measured at FVPL	-	5,756	-	-	304,302	310,058
Debt instruments at FVTOCI	2,602,530	3,696,504	11,241,603	22,764,795	25,345,217	65,650,649
Debt instruments at amortised cost	1,426	51,649	119,342	12,558,585	13,747,554	26,478,556
Quotas of investment fund	37,302	-	-	-	51,324	88,626
Leasing	43,671	94,786	359,540	1,011,961	11,898	1,521,855
Loans and advances to customers	3,175,432	3,480,612	32,792,994	42,465,163	36,598,615	118,512,816
Other assets (debtors)	717,622	9	1,707	-	-	719,338
LIABILITIES(Cash flow out)	**84,777,304**	**30,291,070**	**90,572,446**	**52,682,944**	**2,737,564**	**261,061,328**
Deposits from bank and customers-Current account	72,142,927	30,030,412	89,384,883	48,242,648	-	239,800,870
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	-	238,180,429
Deposits from banks	269,598	183,391	1,113,568	225,663	-	1,792,220
Deposits from customers-Time deposits	10,857,565	-	15,000	-	-	10,872,565
Borrowing	615,501	14,077	43,862	143,750	8,134	825,324
Subordinated debt	418,218	61,309	15,134	4,063,864	2,729,430	7,287,955
Other liabilities (suppliers)	473,495	1,881	-	7,019	-	482,394
TOTAL GAP ON BALANCE SHEET	**(39,018,593)**	**(20,819,132)**	**(35,842,403)**	**29,224,278**	**73,342,909**	**6,887,059**
Off Balace sheet (Cash flow in)	(1,349)	-	-	-	-	(1,349)
Off Balace sheet (Cash flow out)	**(1,349)**	**-**	**-**	**-**	**-**	**(1,349)**
TOTAL GAP OFF BALANCE SHEET						**-**
	(39,019,942)	**(20,819,132)**	**(35,842,403)**	**29,224,278**	**73,342,909**	**6,885,710**
Total GAP 31 December	**33,736**	**(59,839,074)**	**(95,681,477)**	**(66,457,199)**	**6,885,710**	**-**
Cumulative GAP 31 December 2021	**45,758,711**	**9,471,938**	**54,730,043**	**81,907,222**	**76,080,473**	**267,948,387**

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2021

(Amounts in ALL'000, unless otherwise stated)

40 Risk management (continued)

40.3 Liquidity risk (continued)

Exposure to liquidity risk (continued)

31 December 2020	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
ASSETS (Cash flow in)	**34,013,338**	**10,454,557**	**46,191,343**	**71,590,776**	**69,392,546**	**231,642,560**
Cash and cash equivalents	24,717,507	2,356,482	-	-	-	27,073,989
Restriced balances with Central Bank	5,310,236	1,930,095	6,007,583	2,363,605	-	15,611,519
Loans and advances to banks	-	-	119,777	28,655	23,173	171,605
Financial Assets measured at FVPL	-	7,757	-	-	407,407	415,164
Financial Assets measured at FVOCI	931,247	3,368,361	9,466,067	21,204,558	24,556,975	59,527,208
Debt instruments at amortised cost	1,461	2,714	68,400	10,399,754	10,948,381	21,420,710
Quotas of investment fund	-	-	-	-	23,253	23,253
Leasing	52,563	142,032	412,571	666,881	12,439	1,286,486
Loans and advances to customers	2,411,211	2,647,116	30,116,945	36,927,323	33,420,918	105,523,513
Other assets (debtors)	589,113	-	-	-	-	589,113
LIABILITIES(Cash flow out)	**65,496,533**	**27,879,949**	**86,330,612**	**43,944,810**	**1,187,236**	**224,839,140**
Deposits from bank and customers-Current account	**50,131,348**	**12,645,315**	**34,015,936**	**954**	**-**	**96,793,553**
Current account with banks	1,672,124	-	-	-	-	1,672,124
Current account with customers	48,459,224	12,645,315	34,015,936	954	-	95,121,429
Deposits from banks	878,001	48,259	1,638,463	220,400	-	2,785,123
Deposits from customers-Time deposits	13,312,900	15,142,071	50,616,651	39,680,069	-	118,751,691
Borrowing	130,883	15,164	44,444	196,503	17,545	404,539
Subordinated debt	865,491	29,140	15,118	3,846,884	1,169,691	5,926,324
Other liabilities (suppliers)	177,910	-	-	-	-	177,910
TOTAL GAP ON BALANCE SHEET	**(31,483,195)**	**(17,425,392)**	**(40,139,269)**	**27,645,966**	**68,205,310**	**6,803,420**
Off Balace sheet (Cash flow in)	(4,693,613)	-	-	-	-	(4,693,613)
Off Balace sheet (Cash flow out)	-	**-**	**-**	**-**	**-**	**-**
TOTAL GAP OFF BALANCE SHEET	**(4,693,613)**					**(4,693,613)**
Total GAP 31 December	**(36,176,808)**	**(17,425,392)**	**(40,139,269)**	**27,645,966**	**68,205,310**	**2,109,807**
Cumulative GAP 31 December 2020	**(36,176,808)**	**(53,602,200)**	**(93,741,469)**	**(66,095,503)**	**2,109,807**	

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2021

(Amounts in ALL'000, unless otherwise stated)

40 Risk management (continued)

40.3 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 2021						
Deposits from bank and customers-Current account	**72,142,927**	**30,030,412**	**89,384,882**	**48,242,648**	**-**	**239,800,870**
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	-	238,180,429
Deposits from banks	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	-	482,394
	84,777,304	**30,291,070**	**90,572,445**	**52,682,944**	**2,737,564**	**261,061,327**
31 December 2020						
Deposits from bank and customers-Current account	**49,794,066**	**10,477,379**	**34,015,011**	**-**	**-**	**94,286,456**
Current account with banks	2,009,928	-	-	-	-	2,009,928
Current account with customers	47,784,138	10,477,379	34,015,011	-	-	92,276,528
Deposits from bank	878,001	48,259	343,564	841,160	220,400	2,331,384
Deposits from customers-Time deposits	13,062,427	14,438,081	49,910,837	38,189,235	922,808	116,523,388
Borrowing	864,718	41,130	195,233	4,617,741	1,235,202	6,954,024
Subordinated debt	130,883	15,164	44,444	196,503	17,545	404,539
Other liabilities (suppliers)	177,910	-	-	-	-	177,910
	64,908,005	**25,020,013**	**84,509,089**	**43,844,639**	**2,395,955**	**220,677,701**

Banka Credins sh.a.

Notes to the consolidated financial statements for the year ended 31 December 2021

(Amounts in ALL'000, unless otherwise stated)

40 Risk management (continued)

40.4 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 repricing 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 2021 and 31 December 2020 by the foreign currencies in which they were denominated is as follows:

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	-	18,258,643
Loans and advances to banks	3,853,646	42,617	28,910	-	3,925,172
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	-	26,478,556
Quotas of 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**	**267,594,382**
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	-	7,287,955
Other liabilities (suppliers)	453,594	152	28,462	187	482,394
Total liabilities	**138,730,616**	**11,316,396**	**105,941,186**	**5,073,131**	**261,061,327**
Net position	**(2,397,152)**	**2,345,302**	**6,393,264**	**191,638**	**6,533,055**

31 December 2020	**ALL**	**USD**	**EUR**	**OTHER**	**TOTAL**
Cash and Cash equivalent	1,529,220	12,680,004	8,168,036	4,696,729	27,073,989
Restricted balances with Central Bank	5,111,300	1,466,716	9,033,503	-	15,611,519
Loans and advances to banks	29,641	55,533	86,431	-	171,605
Financial Assets measured at FVPL	195,692	19,676	199,796	-	415,164
Debt instruments at FVOCI	36,318,180	2,146,229	21,062,799	-	59,527,208
Debt instruments at amortized cost	10,140	-	21,410,570	-	21,420,710
Quotas in investment fund	23,253	-	-	-	23,253
Leasing	17,854	380	1,268,252	-	1,286,486
Loans and advances to customers	70,602,538	397,476	34,523,499	-	105,523,513
Other assets (debtors)	481,611	86,621	19,628	1,253	589,113
Total assets	**114,319,429**	**16,852,635**	**95,772,514**	**4,697,982**	**231,642,560**
Due to banks and other financial institutions	2,517,199	890,305	1,045,720	4,023	4,457,247
Due to customers	111,233,649	12,543,700	85,323,827	4,771,944	213,873,120
Borrowings	130,001	-	274,538	-	404,539
Subordinated debt	3,286,506	482,764	2,157,054	-	5,926,324
Other liabilities (suppliers)	160,011	344	17,434	121	177,910
Total liabilities	**117,327,366**	**13,917,113**	**88,818,573**	**4,776,088**	**224,839,140**
Net position	**(3,007,937)**	**2,935,522**	**6,953,941**	**(78,106)**	**6,803,420**

(Amounts in ALL'000, unless otherwise stated)

40 Risk management (continued)

40.4 Market risk (continued)

Exposure to foreign exchange risk (continued)

The table below shows the sensitivity analysis on currency risk as at 31 December 2021 and 31 December 2020 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 2021			31 December 2020		
	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.	+/- 17.564	+/- 14.929	+/- 100 b.p.	+/- 12,873	+/- 10,942
USD	+/- 100 b.p.	-/+ 3,372	-/+ 2.866	+/- 100 b.p.	-/+ 3,540	-/+ 3,009
Other	+/- 100 b.p.	+/- 230	+/- 196	+/- 100 b.p.	+/- 353	+/- 300

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 2021 and 31 December 2020 and for the year then ended.

40 Risk management (continued)

40.4 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 2021 and 31 December 2020. The Group's assets and liabilities are included at carrying amount and categorized by the earlier of contractual re–pricing or maturity dates.

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	-	3,925,172
Financial Assets measured at FPVL	-	5,756	-	-	304,302	-	310,058
Debt instruments at FVOCI	2,602,530	3,696,502	11,241,603	22,764,795	25,345,217	-	65,650,648
Debt instruments at amortized cost	6,869	57,092	124,785	12,589,887	13,699,922	-	26,478,556
Quotas in investment fund	-	-	-	-	-	88,626	88,626
Leasing	43,671	94,786	359,540	860,218	11,898	151,743	1,521,855
Loans and advances to customers	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
Due to customers	615,501	-	-	209,823	-	-	825,324
Borrowing	43,716,980	30,030,412	89,399,882	48,387,914	-	37,517,805	249,052,994
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**	**261,061,328**
GAP as at 31 December 2021	**(19,789,944)**	**(20,803,576)**	**(35,800,638)**	**28,893,683**	**73,275,423**	**(18,889,606)**	**6,885,341**

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

(Amounts in ALL'000, unless otherwise stated)

40 Risk management (continued)

40.4 Market risk (continued)

Exposure to interest rate risk (continued)

A summary of the Group's interest rate gap position as of 31 December 2020 is as follows:

31 December 2020	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
Assets							
Cash and cash equivalents	9,238,451	3,082,283	1,156,905	15,197	-	13,581,153	27,073,989
Restricted balances with Central Bank	15,611,519	-	-	-	-	-	15,611,519
Loans and advances to banks	-	-	119,777	28,655	23,173	-	171,605
Financial Assets measured at FPVL	-	7,757	-	-	407,407	-	415,164
Debt instruments at fair value through other comprehensive income	920,864	3,733,882	10,055,977	19,684,237	25,132,248	-	59,527,208
Debt instruments at amortized cost	1,461	2,714	68,400	10,399,754	10,948,381	-	21,420,710
Quotas of investment fund	-	-	-	-	-	23,253	23,253
Leasing (gross)	908	4,717	70,284	1,098,817	65,534	46,226	1,286,486
Loans and advances to customers (gross)	1,832,626	91,931,367	4,275,141	1,678,005	933,135	4,873,239	105,523,513
Other assets (debtors)	-	-	-	-	-	589,113	589,113
Total assets	**27,605,829**	**98,762,720**	**15,746,484**	**32,904,665**	**37,509,878**	**19,112,984**	**231,642,560**
Liabilities							
Due to banks and other financial institutions	3,003,864	48,259	1,184,724	220,400	-	-	4,457,247
Due to customers	22,026,243	20,667,963	75,769,165	63,393,578	-	32,016,171	213,873,120
Borrowing	130,001	-	-	274,538	-	-	404,539
Subordinated debt	865,491	29,140	15,118	3,846,884	1,169,691	-	5,926,324
Other liabilities (suppliers)	-	-	-	-	-	177,910	177,910
Total liabilities	**26,025,599**	**20,745,362**	**76,969,007**	**67,735,400**	**1,169,691**	**32,194,081**	**224,839,140**
GAP as at 31 December 2020	**1,580,230**	**78,017,358**	**(61,222,523)**	**(34,830,735)**	**36,340,187**	**(13,081,097)**	**6,803,420**

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

40 Risk management (continued)

40.4 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 2021			31 December 2020	
	Increase/(Decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
ALL	+100/(100)	+/-364,652	+/-209,485	+/-303,135	+/-68,115
USD	+100/(100)	+/-34,382	-/+45,858	+/-44,863	-/+12,934
EURO	+100/(100)	+/-271,096	-/+1,268,717	+/-153,205	-/+1,530,900

The average interest rates on assets and liabilities for the period as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
ALL	4.27%	1.12%	4.74%	1.28%
USD	0.44%	0.63%	0.30%	0.56%
EUR	2.72%	0.27%	2.50%	0.36%

40.5 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.

40.6 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 arises primary due to different loan provision regulations.

(Amounts in ALL'000, unless otherwise stated)

40 Risk management (continued)

40.6 Capital management (continued)

	31 December 2021	31 December 2020
Equity, as per IFRS	**20,567,774**	**18,535,243**
Difference in revaluation reserve from FVOCI assets	(1,203,790)	(957,133)
Translation reserve	(938,073)	(901,124)
Difference in accumulated retained earnings	1,288,012	596,278
Bank of Albania equity	**19,713,923**	**17,273,264**

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.

40.7 Fair value disclosures

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

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

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

Credins Bank is following with priority the movements of securities prices and the factors that affect their volatility, such as changes in the ratings of securities ratings, macroeconomic data and is monitoring the volatile situation created by COVID-19, to reduce the negative impact of significant yield growth, by diversifying its portfolio or using derivative instruments to protect against price movements.

40 Risk management (continued)

40.7 Fair value disclosures (continued)

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**

31 December 2020	FVPL (mandatory)	FVOCI	Amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	27,073,989	27,073,989	**27,073,989**
Restricted Balances with Central Bank	-	-	15,611,519	15,611,519	**15,611,519**
Loans and advances to banks	-	-	171,605	171,605	**171,605**
Financial assets measured at FVPL	415,164	-	-	415,164	**415,164**
Investment in securities at FVOCI	-	59,527,208	-	59,527,208	**59,527,208**
Investment securities at amortized cost	-	-	21,420,710	21,420,710	**21,420,710**
Quotas on investment fund	23,253	-	-	23,253	**23,253**
Leasing	-	-	1,286,486	1,286,486	**1,195,247**
Loans and advances to customers	-	-	105,523,513	105,523,513	**90,708,311**
Other assets (debtors)	-	-	589,113	589,113	**589,113**
Due to banks and other financial institutions	-	-	4,457,247	4,457,247	**4,457,247**
Due to customers	-	-	213,873,120	213,873,120	**212,331,523**
Borrowing	-	-	404,539	404,539	**248,712**
Subordinated liabilities	-	-	5,926,324	5,926,324	**5,924,158**
Other liabilities (suppliers)	-	-	177,910	177,910	**177,910**

(Amounts in ALL'000, unless otherwise stated)

40 Risk management (continued)

40.7 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 2021 and 31 December 2020:

					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	0	-	791,905	**791,905**
Subordinated liabilities	7,287,955	0	-	5,984,663	**5,984,663**
Other liabilities (suppliers)	191,510	4,069	-	187,441	**191,510**

					31 December 2020
	Carrying amount	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	27,073,989	27,073,989	-	-	**27,073,989**
Restricted Balances with Central Bank	15,611,519	15,611,519	-	-	**15,611,519**
Loans and advances to banks	171,605	171,605	-	-	**171,605**
Financial assets measured at FVPL	415,164	-	415,164	-	**415,164**
Investment in securities at FVOCI	59,527,208	21,474,049	38,053,159	-	**59,527,208**
Investment in securities at amortized cost	21,420,710	21,420,710	-	-	**21,420,710**
Quotas in investment fund	23,253	23,253		-	**23,253**
Leasing	1,286,486	-	-	1,195,247	**1,195,247**
Loans and advances to customers	105,523,513	-		90,708,311	**90,708,311**
Other assets (debtors)	589,113	-	-	589,113	**589,113**
Due to banks and other financial institutions	4,457,247	-	-	4,457,247	**4,457,247**
Due to customers	213,873,120	-	-	212,331,523	**212,331,523**
Borrowing	404,540	-	-	248,712	**248,712**
Subordinated liabilities	5,926,324	-	-	5,924,158	**5,924,158**
Other liabilities (suppliers)	177,910	-	-	177,910	**177,910**

41 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.

Credins Bank Sh.A
Rruga "Vaso Pasha", Nr.8, Tiranë, Shqipëri
Tel: +355 4 5353 000
e-mail: info@bankacredins.com
www.bankacredins.com