ProCredit Bank

Annual Report 2024

Albania

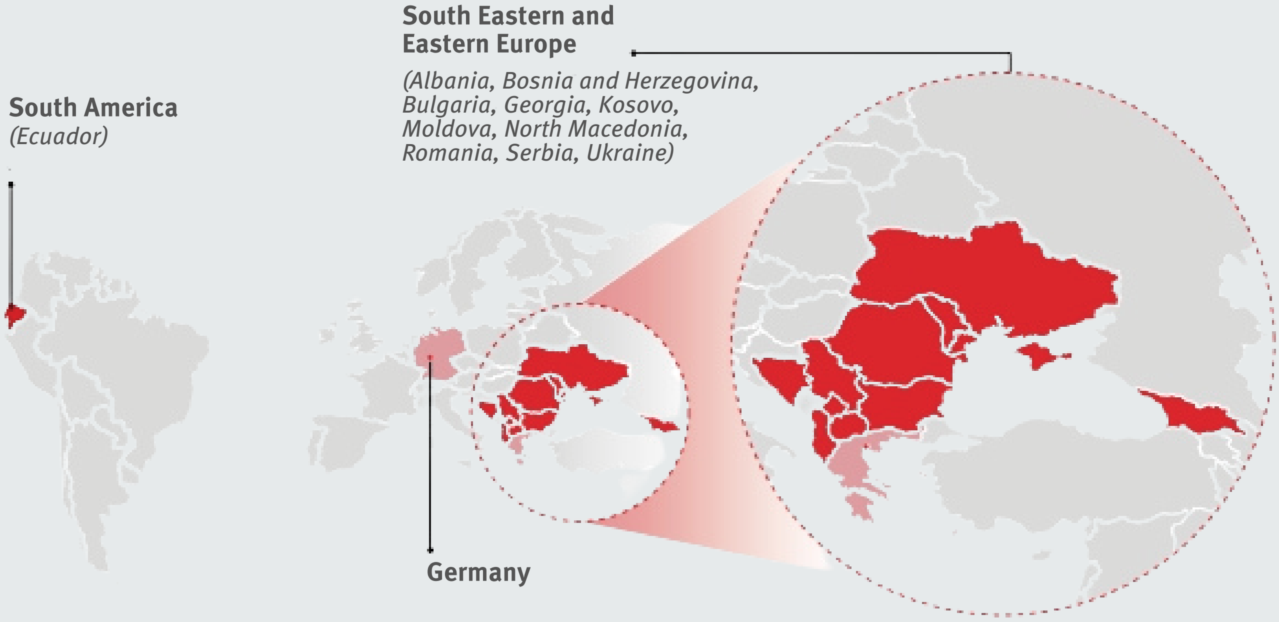
2024
Annual Report

Table of contents

Our Group	4
Our Mission	5
Shareholder Structure	6
ProCredit Group performance	9
Supervisory Board Statement	11
Letter from the Management Board	14
Bank Insights	17
Financial Performance	20
Milestones	25
Senior Management	28
Our approach towards	29
• MSME	
• Retail Clients	
• Digital Banking Services	
• Our People	
• Sustainability	
Risk Management	46
Risk Tolerance / Appetite	51
Independent Auditors Reports and Financial Statements	57
Contacts, addresses	125

Our Group

Countries of operation:



Mission

ProCredit is a German development-oriented bank for Eastern and South Eastern Europe dedicated to supporting micro, small, and medium-sized enterprises (MSMEs) and private individuals, fostering economic growth and sustainable development.
We are committed to delivering exceptional customer service that extends far beyond offering financial products. Our goal is to build strong, lasting partnerships with our clients by providing personalised advice and consistent support at every stage of their financial journey.

Our core principles guide everything we do:

- We take the time to thoroughly understand our clients' unique circumstances, conducting sound financial analysis to promote their long-term financial stability.
- We prioritise transparency in all client interactions, ensuring clarity and trust in our financial services and products.
- We uphold responsible lending practices that promote financial inclusion while protecting clients from over-indebtedness.
- We focus on driving broad social, economic and environmental impact by engaging with our clients to promote sustainable practices and support their transition towards environmentally responsible operations.

We believe MSMEs are vital drivers of economic and social progress. By supporting them through their economic cycle, we aim to foster sustainable development and drive the green transformation in our countries of operation. By offering accessible deposit facilities, digital banking services, and a comprehensive range of financial products, we aim to cultivate a culture of saving and financial responsibility among all our clients, including private individuals.

Our shareholders seek sustainable, long-term returns, aligned with our unwavering commitment to ethical banking practices and positive social impact.
We invest extensively in the training and development of our staff to foster an open, professional, and efficient working environment. This enables us to deliver friendly, knowledgeable, and effective service to our clients.

Shareholder structure

ProCredit Bank Albania is 100% owned by ProCredit Holding with its headquarters in Germany. The bank itself is not a shareholder with shares/quotas and does not own any other commercial company. In addition to the Shareholders' Assembly, the main governing bodies of the bank are: The Management Board, the Board of Directors, Risk Management Committee and the Audit Committee. The Bank's Board of Directors meets four times a year.

The meetings of the Audit Committee and the meetings of Risk Management Committee are also organized the same frequency.

The Board of Directors of the Bank consists of 5 members, while the Audit Commitee and the Risk Management Committee consist of 3 members each. Management Board of the Bank consist of 2 members.

The role of the Risk Management Committee is to advise the Board of Directors and to prepare the decisions to be taken by the latter. The Risk Management Committee should facilitate the development and implementation of a sound internal and effective risk governance framework for the bank.

The Audit Committee is responsible for overseeing the bank's accounting practices, internal controls, and legal compliance, as well as advising the Board and General Shareholders' Assembly on relevant matters. It also handles the selection and evaluation of external auditors, ensures access to necessary documents, and receives regular reports from the Internal Audit Department.

The term of the Board of Directors members is 4 years, with the right to re-election. The term of the Management Board members is 3 years, with the right to re-election. The term of the Audit Committee members is 4 years with the right of re-election and the term of Risk Management Committee members is 4 years with the right of re-election.

The following is the composition of the bank’s governing bodies, until 31.12.2024:

Member of the Management Board:

Mirsad Haliti – Chief Executive Officer

Kastriot Suka – Member of the Management Board

Members of the Board of Directors:

Eriola Bibolli - (Chairperson of the Board of Directors)

Gabriel Schor - Member

Jordan Damchevski - Member

Jovanka Joleska Popovska - Member

Christian Edgardo Dagrosa - Member

Members of the Audit Committee:

Jovanka Joleska Popovska - Chairperson

Vesna Paunovska - Member

Nicole Kraft - Member

Members of the Risk Management Committee:

Gabriel Schor– Chairperson

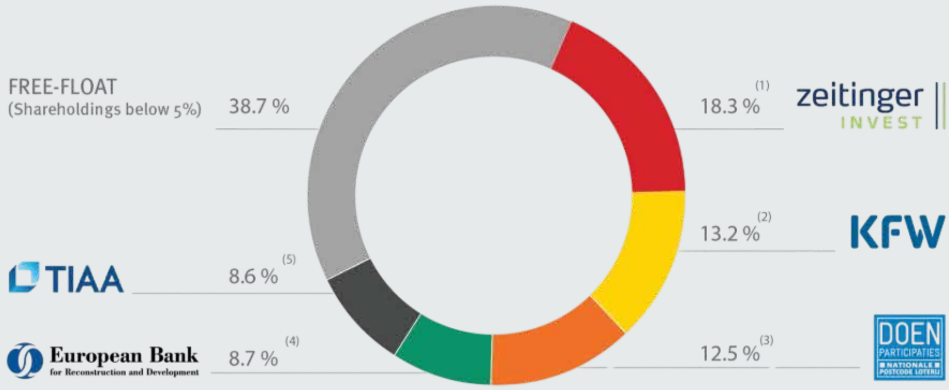
Eriola Bibolli – Member

Jordan Damchevski – Member

ProCredit Holding

Shareholder Structure

ProCredit Bank Sh.A Albania is owned 100% by ProCredit Holding AG, the parent company of the development-oriented ProCredit group, which consists of a commercial banks for MSMEs with a focus of activity in South-Eastern and Eastern Europe.



For more information please visit: https://www.procredit-holding.com/investor-relations/our-share/

1) According to information voluntarily reported by Zeitinger Invest on 13.04.2023 (see section "Other information" on the IR website of ProCredit Holding)
2) According to information voluntarily reported by Kreditanstalt für Wiederaufbau (KfW) on 17.04.2023 (see section "Other information" on the IR website of ProCredit Holding)
3) According to information voluntarily reported by DOEN Participaties on 14.04.2023 (see section "Other information" on the IR website of ProCredit Holding)
4) According to the voting rights notifications as of 23.05.2023
5) According to the voting rights notifications as of 29.12.2016
The shareholder structure presented above is based on public voting rights notifications by EBRD and TIAA, and in the case of Zeitinger Invest GmbH, Kreditanstalt für Wiederaufbau (KfW) and DOEN Participaties B.V., on the voluntary disclosure of voting rights (see "Voting rights notifications" and "Other information" in the Investor relations section of the ProCredit Holding website). This breakdown was calculated by comparing the numbers of voting rights reported by the shareholders on the above-mentioned dates against the total number of voting rights (currently 58,898,492). ProCredit Holding AG has made reasonable efforts to provide a realistic overview of the shareholder structure. However, due to limitations on the availability and verifiability of the underlying data, ProCredit Holding AG does not assume any responsibility that the information presented here is accurate, complete and up to date.

ProCredit Group
performance in 2024

Following a remarkably successful 2023, highlighted by record-breaking results and strong business performance, the ProCredit Group entered the last financial year with a bold new vision. This vision aimed to enhance the group's visibility, influence, and sustainability across its markets, while amplifying the positive impact of its banking activities through a stronger presence. The year 2024 marked the launch of an ambitious growth strategy focused on expanding the core business areas—MSMEs and private clients—and solidifying the ProCredit Group's role as a leader in impact banking in Eastern Europe.

Looking ahead, the group is targeting a loan portfolio exceeding EUR 10 billion and a significant increase in its customer base. The growth strategy remains firmly rooted in responsibility and sustainability. This includes broadening the portfolio with smaller loans for private individuals and micro and small enterprises, while continuing to nurture and expand long-standing relationships with medium-sized businesses.

To support these goals, the ProCredit Group has taken concrete strategic actions over the past year. It made focused investments in its people, technological advancements, marketing efforts, and the expansion and upgrading of its branch network. These initiatives provide a strong platform for sustainable and scalable growth. By the end of 2024, the group achieved an 18.7% increase in staff numbers and opened new branches, complemented by local events that reinforced its position as a top bank for MSMEs in the region.

Moreover, the group's enhanced public relations efforts—through impactful marketing campaigns and innovative digital services—have played a key role in boosting the visibility and reputation of its banks.

Although many of these investments have only recently been implemented and therefore have not yet had a significant impact on our business, the business performance in 2024 was an overwhelming success for ProCredit Group.

Key Group Figures

Statement of financial position

	Dec. 2024
Total Assets (EUR m)	**10,751.6**
Costumer loan portfolio (EUR m, gross)	7,010.0
of which business loans	88.2%
of which green loan portfolio	19.3%
Number of business clients	74,676
Share of defaulted loans	2.3%
Costumer deposits (EUR m)	8,291.4

Key Financial Performance Indicators

Change in costumer loan portfolio	12.6%
Return on average equity	10.2%
Cost income ratio	68.1%
CET 1 ratio	13.1%
Profit of the period (EUR m)	104,309

Supervisory Board Statement

As the Supervisory Board of ProCredit Bank Albania, we are pleased to present key highlights of the bank's 2024 performance and offer our vision for its ongoing advancement. Over the past year, we have collaborated closely with the Management Board to ensure the bank continues to operate responsibly, pursue sustainable growth, and remain committed to its core values and strategic objectives.

The year 2024 marked an important phase in our journey as we laid the groundwork for ambitious growth, continuing to build a solid foundation for the bank's future development. Despite ongoing global economic uncertainties and regional challenges, the bank has demonstrated resilience and a steady commitment to supporting micro, small, and medium-sized enterprises (MSMEs), as well as retail clients. Our focus remains on driving inclusive and impact-oriented banking that strengthens local economies and communities.

We have taken strategic steps to enhance the bank's capabilities, including investments in digital innovation, staff development, and expanding our service offerings. These initiatives are designed to improve the customer experience, increase operational efficiency, and strengthen ProCredit Bank Albania's position as a provider of high-quality banking service.

The Supervisory Board fully supports the bank's commitment to sustainability, which is embedded in our business practices and long-term strategy. We recognize the importance of integrating environmental, social, and governance (ESG) principles into our operations, and we are dedicated to advancing green finance solutions that contribute positively to Albania's sustainable development goals.

Looking ahead, we are optimistic about the future of ProCredit Bank Albania. The upcoming celebration of the bank's 30th anniversary in 2025 represents not only a milestone but also a renewed commitment to excellence and innovation. We are confident that the bank will continue to grow responsibly and create lasting value for all its stakeholders, including clients, employees, shareholders, and the broader community.

Finally, we extend our sincere thanks to the Management Board and all employees for their dedication and hard work throughout 2024. We also express our gratitude to our clients and partners for their trust and cooperation. Together, we will continue to build on this solid foundation and pursue our mission of impact-driven banking in the years to come.

On behalf of the Supervisory Board,
Eriola Bibolli,
Chairperson of the Board of Directors of ProCredit Bank Albania.


ProCredit


Bank

Letter from the Management Board

"Our mission goes far beyond economic success: we are committed to being a driving force for positive change by scaling impact-oriented banking and supporting sustainable growth in Albania"

Committed to Scaling Responsibly

2024 marked a year of strong progress and strategic development for ProCredit Bank Albania. Building on the Group's ambitious growth plan, we have continued scaling our business by deepening our commitment to supporting micro, small and medium-sized enterprises (MSMEs) and retail clients with responsible, tailored financial solutions.

In addition to our ongoing support for businesses, the bank has expanded its focus on individual clients by significantly enhancing services for this segment. As part of our strategy, we opened new branches in major cities across the country, aiming to offer clients not only easier access but also a more advanced and personalized banking experience through our dedicated staff. The combination of a digital banking model with professional advisory services has helped us broaden our client base and provide efficient services to a wider range of users.

We are proud to report a 28.2% increase in our loan portfolio, significantly above the sector average, reflecting our dedication to scaling responsibly by supporting businesses and individuals with financing adapted to their needs. At the same time, customer deposits grew by 16.6%, also surpassing market averages—demonstrating the trust of our clients and the effectiveness of our resource management strategy. As the only German bank in Albania, we continue to attract stable funding and operate responsibly, strengthening our position in the market.

A key pillar of our responsible scaling approach is green lending. We have dedicated over 20% of our loan portfolio to projects promoting renewable energy, energy efficiency, and environmentally friendly investments. As a bank committed to sustainable development, we will continue to support initiatives that contribute to a cleaner and more efficient economy, helping our clients thrive while protecting the environment.

Looking forward, we remain focused on scaling our operations sustainably to meet the evolving needs of our clients and contribute to Albania's economic growth. We thank our clients, employees, and partners for their trust and collaboration, which are fundamental to our shared success.

Together, we are shaping a more sustainable and impactful future.

Mirsad Haliti,

on behalf of the Management Board of

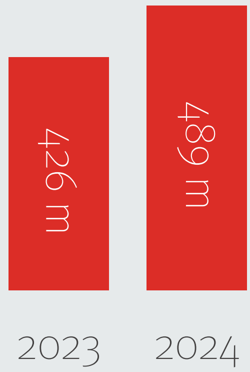
ProCredit Bank Albania.

The Management Board of ProCredit Bank Albania

From left to right: Kastriot Suka, Mirsad Haliti.

Assets

+ 63 million



Deposit to Loan Ratio

107 %

Cost Income Ratio

90.6 %

It has been reduced by 6.8% compared to the previous year.

Strong asset quality

Non-Performing Loans

1 %

Total Capital Ratio

18,2%

ROAE

3.4 %

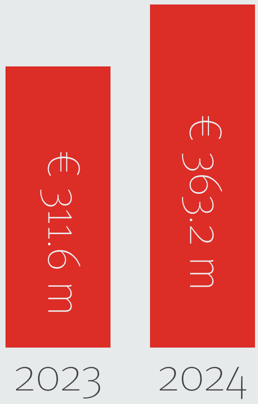
Bank Insights

2024

In 2024, ProCredit Bank demonstrated remarkable financial resilience and growth. The bank's strong performance across key indicators underscores its ability to navigate market challenges and seize opportunities for sustainable expansion. As below, we have summarized some of the key financial indicators showing this performance.

Customer Deposits

+ 17%



Loan Portfolio

+ 28%

Green Loan Portfolio

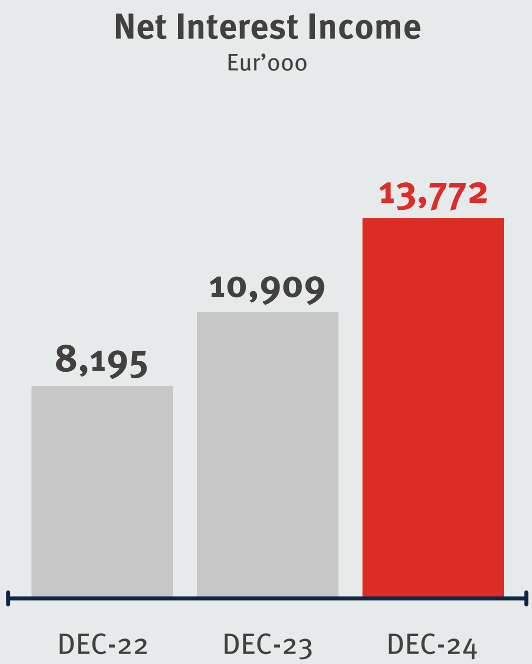
EUR 69 million

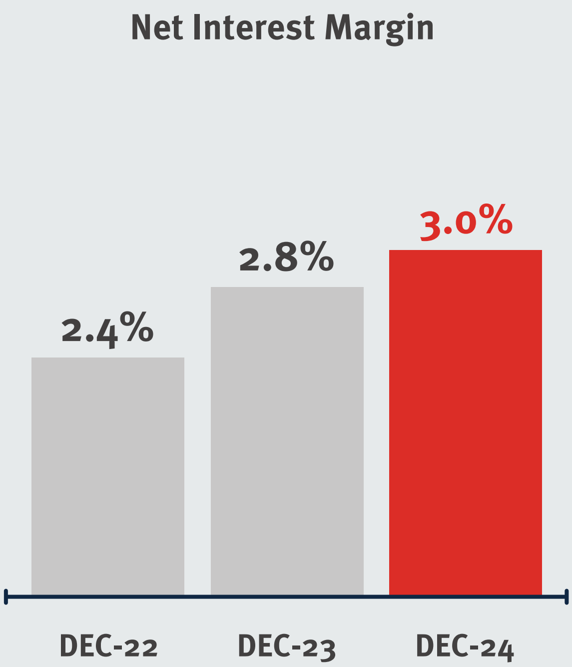
(+16 million increase during 2024)

Financial performance

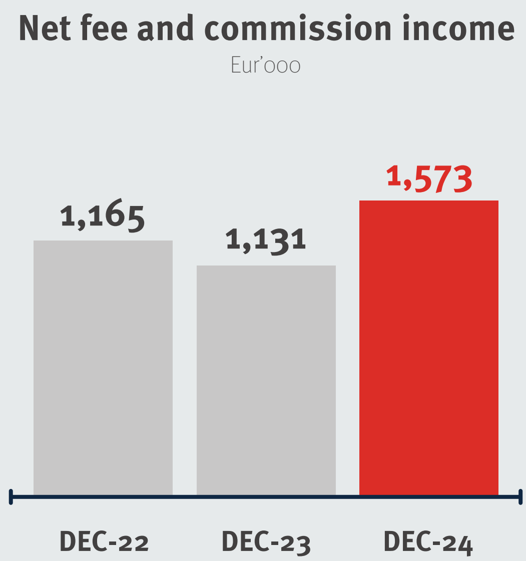
2024

In 2024, ProCredit Bank achieved a profit after tax of EUR 1.5 million. The bank's operating income saw a substantial increase of 36%, rising to EUR 17 million from EUR 12 million in 2023. This growth was primarily driven by the bank's lending activities. By expanding its active client base by 4,223 and growing its gross loan portfolio by 28%, ProCredit Bank increased its interest income from loans to customers by 27%, reaching EUR 16.5 million from EUR 13 million in 2023. This increase in interest income significantly contributed to the overall rise in net interest income, which grew by EUR 2.9 million from 2023, accounting for 63% of the total increase in operating income for 2024. Consequently, the net interest margin improved from 2.8% in 2023 to 3.0% in 2024.



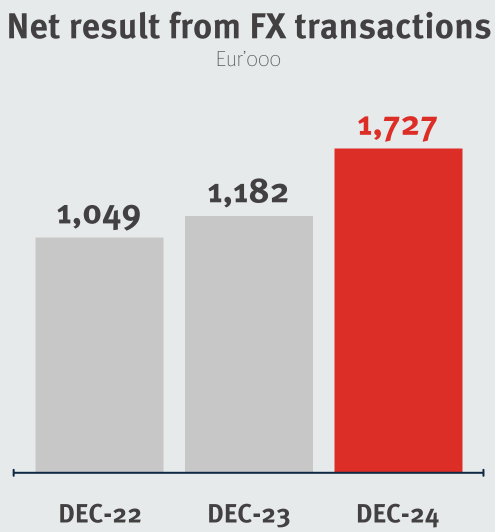


The bank's strategic focus on enhancing fee and commission income has yielded impressive results, with a 39% increase (EUR 442k) in 2024. This growth significantly bolstered the overall operating income, contributing 10% to the total increase and underscoring the bank's commitment to diversifying its revenue streams.



The growth in the net result from FX transactions has been another significant contributor to the increase in operating income for 2024.

With an increase of EUR 545k or 46% compared to 2023, this growth accounted for 12% of the total rise in operating income, showcasing the bank's effective management of foreign exchange operations and its positive impact on overall financial performance.



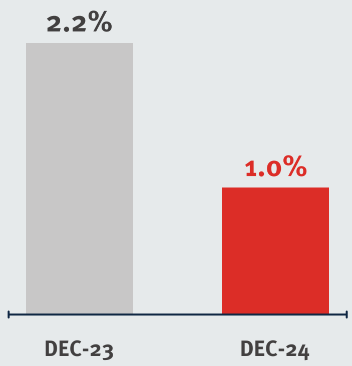
Regarding interest expenses, the bank experienced an increase of EUR 1.4 million, or 26%, in 2024. Notably, 75% of this increase stemmed from higher interest expenses from customers, which resulted from a 17% growth in the deposit base, amounting to EUR 51.7 million.


Zona
24/7

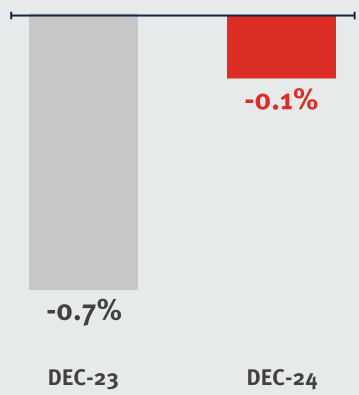
Asset Quality Indicators

2024

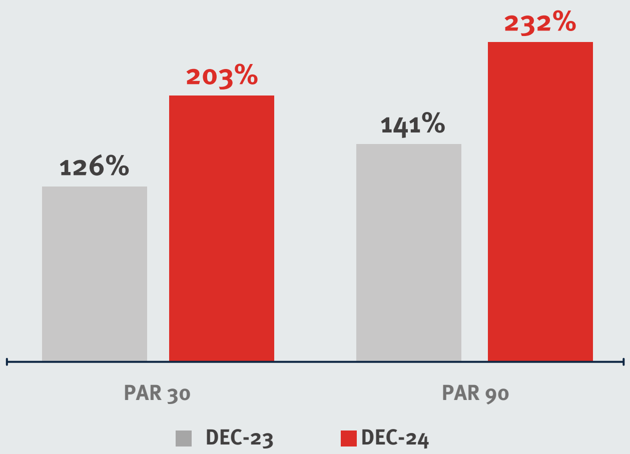
Share of Default Loans



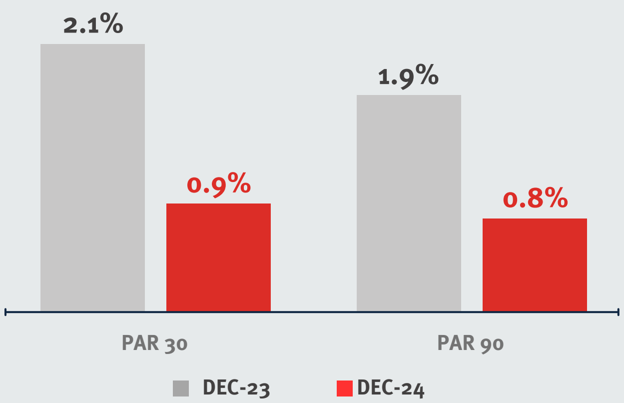
Cost of Risk



Coverage Ratio



PORTFOLIO UNDER ARREARS



BaFin

We work in accordance with the best international banking practices and the regulatory standards in Germany, a banking system proven to be the most stable in Europe. At a consolidated level, ProCredit Banks are under supervision of BaFin - The German Federal Financial Supervisory Authority.

FitchRatings

BB+

ProCredit Bank Albania is rated by the international rating agency Fitch Ratings.

Milestones
over the years

Defining moments

1995

The FEFAD Foundation begins its activity in Albania.

2003

FEFAD becomes ProCredit Bank. First to introduce the debit card in Albanian Market

2004

Launch of PROPay, a new platform enabling transfers within the ProCredit network in Eastern Europe.

2006

Establishment of the ProCredit Academies.

2009

First to introduce:

- e-Banking Platform
- Eco Loan

2015

First to introduce self-service Zones. Move toward Digital Banking

2016

First CASH-IN ATM in Albania.

2017

Achieved 99% level of automation.

2019

Launch of Direct Banking for private clients.

2020

Launch distinctive features within the mobile banking platform.

2023

First bank in Albania to introduce Google Pay.

2024

Opening of new advisory centers in different cities of Albania

30 VITE
BANKA JUAJ!

Senior Management
Team

Kastriot Suka,
Management Board
Member.

Robert Tomja
Head of Business
Division

Belma Lushi
Head of Retail
Division

Ardit Pepa
Head of Internal
Services Division

Mirsad Haliti
Chief Execetive
Officer

Your Business, Our Commitment
Micro, Small and Medium Enterprises

Our mission is fundamentally rooted in promoting sustainable economic growth by empowering micro, small, and medium-sized enterprises (MSMEs). We view these businesses not merely as clients but as essential drivers of innovation, job creation, and community development. Our strategy emphasizes transparency, personalized support, and responsible banking practices, delivering financial solutions that evolve in tandem with our clients' ambitions and business needs.

Over the past year, we have made significant strides in expanding our client base, enhancing staff capabilities, and re-engaging underserved market segments—particularly micro-entrepreneurs, who represent a vital and growing opportunity in Albania. These initiatives align with our strategic vision to enhance financial inclusion and offer sustainable banking solutions to businesses of all sizes.
Looking forward, our objective is to elevate the quality of client service, deepen product utilization, and provide digital and financial tools that streamline daily business operations.

Our focus extends beyond supporting growth, we are committed to creating long-term value for our clients. Through our innovative Haus Bank concept and the expertise of our Business Advisors, we are dedicated to building strong, enduring partnerships with MSMEs. This comprehensive support model is designed to enhance operational efficiency and drive sustainable business growth. ProCredit Bank continues to play a pivotal role in green finance, reinforcing our position as a trusted partner for smart investments in renewable energy and digitalization. Currently, over 20% of our credit portfolio is allocated to green investments, underscoring our commitment to sustainability and the long-term success of our clients.

We are also committed to investing in the professional development of our team, empowering them to provide high-quality advisory services and support to our expanding client network.

Business Loan Portfolio

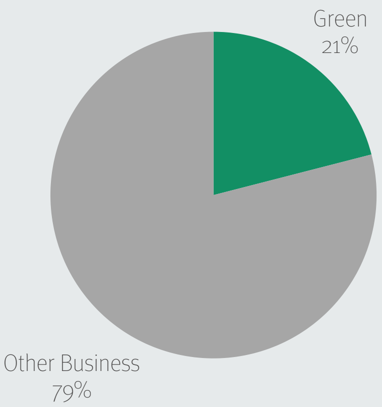
EUR 297,8 million

Green Loans
21 % of total Business Loan Portfolio

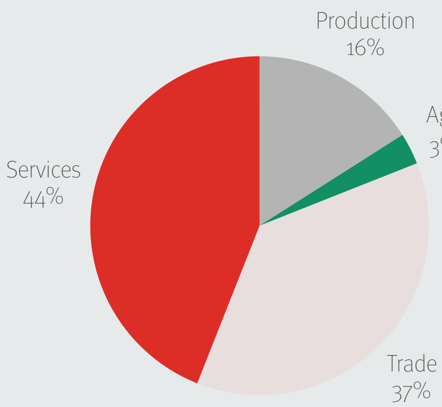
The past year has seen a notable increase in staffing, and we plan to sustain this growth in alignment with our expanding operations and impact.

With robust asset growth and a 10% increase in our deposit base, coupled with the trust of thousands of businesses, we take pride in being recognized as the only German bank in the country. We invite our clients to join us on this journey toward smarter, greener, and more resilient business development.

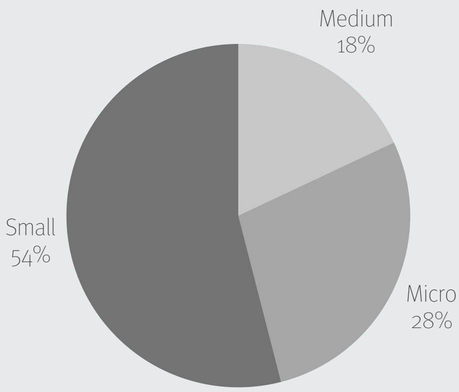
Green Share



Our Clients
(by sector)



Our Clients
(by segment)



Our Approach towards Retail Clients

ProCredit Bank has consistently been an innovator in digital banking, continuously investing to provide a modern, efficient, and simple experience for its clients. However, for us, technology alone is not enough – it goes hand in hand with human care and the support we offer our clients in their financial decision-making. Therefore, an important part of the group's development during 2024 has been strengthening its physical presence through the expansion of the branch network and the growth of advisory staff capacities. Over the past year, the group began implementing a new model that combines the advantages of modern technology with the physical presence of our financial advisors in branches, offering clients the best of both worlds. In this context, we opened 3 new service points, bringing the total number of ProCredit Bank service points to 10 in 6 different cities across Albania. In each service point, our clients are welcomed by qualified financial advisors, in a functional and welcoming environment, where every need is handled with care and professionalism.

We continuously invest in staff development, as we believe that only through a well-trained team can we provide the quality and standards our clients deserve. The expansion of our physical network across the country is a concrete testament to the group's commitment to delivering a full and inclusive banking experience.

In addition to infrastructure and staff investments, during 2024 we also launched a series of new initiatives aimed at improving offerings and products for retail clients. We have introduced competitive rates for most of our products and services. These include packages for individual clients, current accounts, deposits, and financing products. We have expanded partnerships for facilitated financing, especially in the housing loan segment – one of the most critical needs for Albanian families. A key part of the group's strategy has been collaborating with construction companies, creating real opportunities for our clients to benefit from favorable terms and a faster process for purchasing their homes.

In conclusion, during 2024 we further expanded and diversified services for retail clients, while strengthening the group's presence across Albania. This reflects the group's commitment to being a reliable partner for individuals seeking security, efficiency, and personalized financial advice.


ProCredit

Our Approach towards
digital banking services

ProCredit Bank continues to strengthen its digital infrastructure to improve client engagement and internal operational efficiency. In 2024, we continued to place a strong strategic focus on enhancing the client experience by expanding our portfolio of digital products and investing significantly in technological innovation.

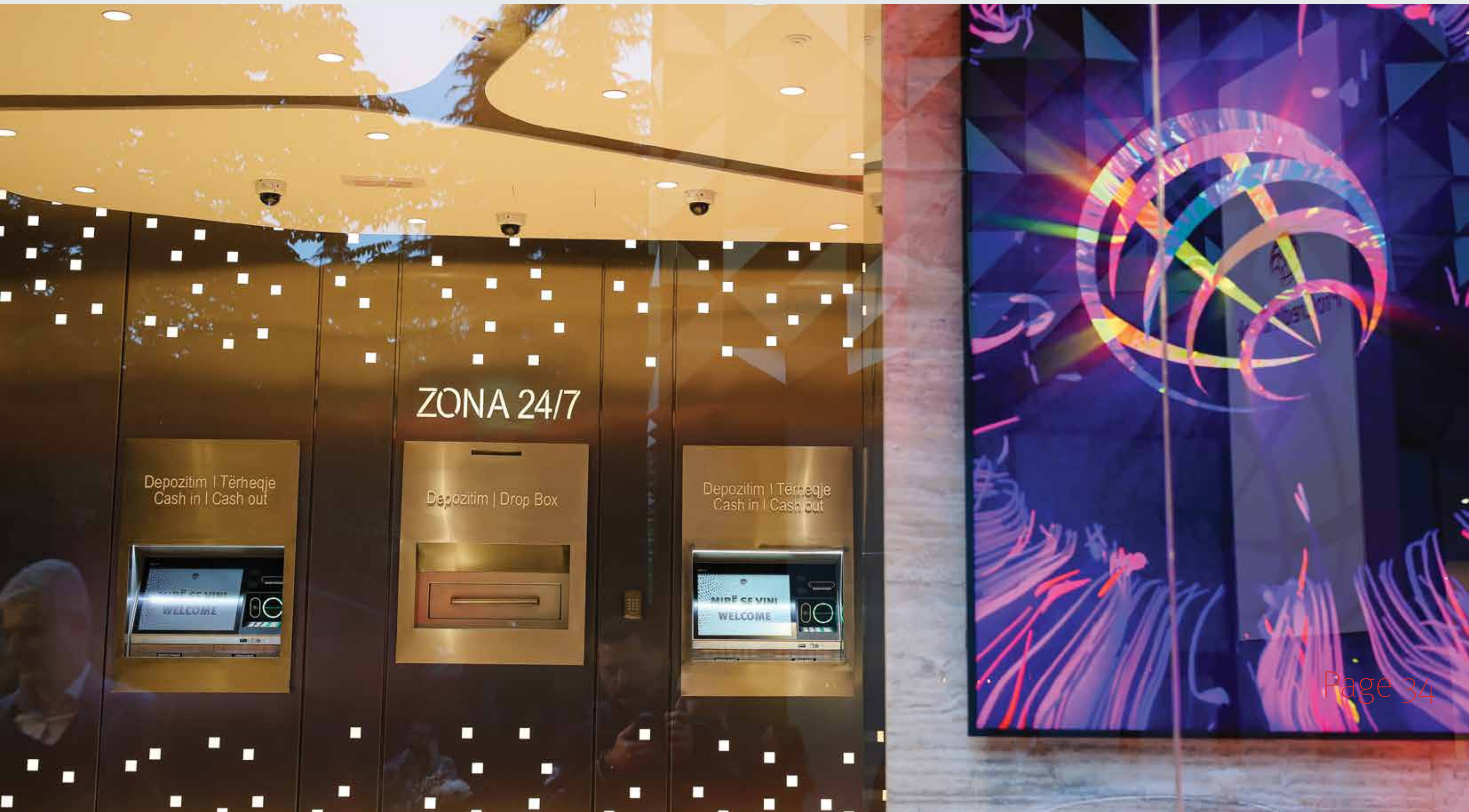
As part of our digital transformation journey, ProCredit Bank has made substantial progress in strengthening its digital infrastructure. Our primary objective is to enhance client engagement, streamline internal operations, and offer secure, efficient, and intuitive banking solutions. We believe that digitalization is not merely a technological shift, but a means to offer clients greater convenience, accessibility, and control over their financial activities.

The bank has been actively working on the development of new e-Banking and m-Banking platforms, which are set to launch in 2025. These platforms will offer improved usability, enhanced security, and a more personalized digital banking experience across devices. This investment reflects our commitment to delivering seamless banking services through modern, user-friendly interfaces.

Our Approach towards digital banking services

We continue to believe that digital solutions are most effective when combined with personalized human interaction. Our Client Advisers remain a key part of our service model, working closely with clients to understand their financial needs and provide tailored advice and solutions.

ProCredit Bank will maintain digitalization as a strategic priority in the years ahead. Through continuous investment in innovative technologies and internal process optimization, we aim to deliver a comprehensive banking experience that is both efficient and client-focused.



Approach towards our people

Our People

At ProCredit Bank Albania, our employees are central to our mission and long-term success. In 2024, ProCredit Bank Albania experienced significant growth in our team, welcoming a notable number of new employees across various departments. This expansion reflects our continued commitment to investing in talent and strengthening our workforce to meet the evolving needs of our clients and communities.

Alongside recruitment, we maintained our focus on employee development, offering tailored training programs and promoting an inclusive, supportive environment. By bringing in fresh perspectives and nurturing internal growth, we are building a diverse and dynamic team prepared to drive sustainable impact for the future.

Training and development

At ProCredit Bank Albania, 2024 was marked by a strong commitment to continuous learning and professional development. We view training not just as a tool for improving performance, but as a key part of our long-term investment in people.

Throughout 2024, we delivered a wide range of training programs tailored to different roles and career stages—from onboarding new employees to advanced leadership development for experienced staff. These initiatives included over 52,000 hours of training, featuring in-house workshops, regional seminars, and international opportunities through the ProCredit Academy. By fostering personal and professional growth, we are not only building individual potential but also reinforcing our capacity to deliver responsible and innovative banking services across Albania.

Diversity, equity and inclusion

At ProCredit Bank Albania, we prioritize creating a workplace that is diverse, fair, and inclusive, where everyone is empowered to grow and succeed.

In 2024, women made up 70% of our workforce, exceeding the national female employment rate of 52% in Albania. Additionally, 60% of leadership roles within the bank are held by women, highlighting our ongoing commitment to gender equality across all levels.

Approach towards our people

These achievements reflect our dedication to fostering a culture that embraces varied perspectives and promotes fairness, which in turn strengthens our team and enhances our service to the communities we support.

As a proud signatory of the Women's Empowerment Principles (WEPs), ProCredit Bank Albania actively participates in initiatives that advance gender equality within the company and beyond. Throughout 2024, we remained engaged in WEPs activities, focusing on developing inclusive policies and encouraging women's leadership throughout the organization. This commitment helps us build a workplace where equal opportunity is a reality for all. Being part of the WEPs network further underscores our responsibility as a business and fuels our efforts to support gender equality across Albania.

Enhancing Employee Engagement and Wellbeing

In 2024, ProCredit Bank Albania reinforced its commitment to fostering a workplace where employees feel engaged, supported, and valued. Recognizing that a motivated and healthy workforce is essential to our success, we introduced initiatives aimed at boosting job satisfaction and promoting a balanced lifestyle. Our wellbeing programs included stress management workshops, health screenings, and activities encouraging physical fitness and mental wellness. Flexible work arrangements and supportive leadership helped employees effectively balance their professional and personal commitments.

Team-building activities played a vital role in strengthening collaboration and camaraderie among our teams. Through workshops, social events, and offsite retreats, we nurtured a positive work culture founded on trust, open communication, and mutual support. To deepen engagement, we maintained transparent communication channels and encouraged employee feedback. This ongoing dialogue enabled us to address needs promptly, enhance workplace culture, and cultivate a strong sense of belonging throughout the organization.

These combined efforts contributed to higher employee morale, improved productivity, and a positive working environment—key elements driving ProCredit Bank Albania's continued growth and success.

Comprehensive Statement

In the framework of the definitions and principles set forth in the Regulation of the Bank of Albania "On the basic principles of the management of banks and branches of foreign banks and the criteria for the approval of their administrators" ProCredit Bank sh.a. declares that:
Pursuant to the ProCredit Bank statute, the Members of the Board of Directors, as well as the Members of the Bank's Control Committee, are not paid for the performance of their duties but receive a per diem allowance appropriate for expenses, which is determined from time to time by the Shareholders' Assembly.

The members of ProCredit Bank's Executive Board, as the most senior executives and in compliance with the risk profile of the bank, are paid based on a fixed monthly salary, the annual gross amount of which is ALL 24,135,396. The salary structure for the members of the Executive Directorate also includes a part of the salary that is paid in shares of ProCredit Holding. The remuneration policies of the bank consist in the distribution of a fixed monthly salary for the job in relation to the position, experience, responsibilities and tasks that each employee has, as well as in not giving additional bonuses. Remuneration policies and practices are well-documented and transparent to staff regarding their constituent elements and the criteria for getting them.

Other ways of rewarding employees are given in the form of:

- Private Health Insurance Package – Includes a comprehensive medical checkup plan, provides coverage for health examinations starting from the annual routine checkup.
- Private Pension Scheme – Available to employees who have completed three years of continuous service with the bank.
- Travel and Rental Allowance Package – Designed to support mobility and housing needs.
- Telephone Package – Offers subsidized mobile services to enhance connectivity.
- Preferential Interest Rates and Loan Fee Benefits – Employees may access personal and housing loans at interest rates below prevailing market levels.

Comprehensive Statement

With the aim of legitimacy, security and effective implementation throughout its activity, ProCredit Bank defines and implements the following acts:

- Risk management policy and procedures
- The procedure on the appointment criteria and the documentation for the approval by the Bank of Albania of the bank's administrators
- The procedure on guaranteeing legal compliance with external regulations.

The Salary Policy is in line with the salary policy of ProCredit banking group, and it also defines the role that ProCredit Holding plays in relation to the internal policy. The purpose of this policy is to determine the basis on which the salary structure is established. Reference is also made to changes in positions, the organizational structure of the institution and training requirements for each salary group. The salary structure of the bank is an essential component of the HR policy. It aims to provide a simple and coherent framework of salary levels for all positions at ProCredit as well as clear pathways for career development. Each position in the bank appears in the salary structure with a salary range consisting of a certain number of salary steps that can be used depending on the performance of each employee.

The principle of a fixed (not variable) salary is strongly reaffirmed as a key element of the institution's salary policy. Not only have performance-based bonuses been abolished, but also additional financial benefits, such as the thirteenth or fourteenth monthly salary, payments of any kind, vouchers, holiday expenses, etc. are also not practiced. This is done to ensure a stable form of remuneration for our employees over the long term, rather than an unpredictable package that can be changed. The positions are interconnected, reflecting the different degrees of complexity and contribution to the development of the Bank. The number of different positions in the pay grid is deliberately limited to reflect the relatively flat hierarchical organization of the bank. Having a clear salary framework illustrates manifestly the identity of ProCredit bank, in coherence with ProCredit banks of the group that share a common vision by gathering all their employees under the same "roof" of principles.

Annual salary increases are subject to performance analysis, individual contribution and dedication of the employee, professional development and decision-making in the Human Resources Committee.

The Human Resources Committee guides the development of Human Resources in the institution through communication and decision-making of strategic issues that are usually proposed by the Human Resources Unit, Members of the Executive Directorate, members of the Human Resources Committee, as well as proposals that may come from the managers of Business Units or Departments/Units attached to the Headquarters. The Human Resources Committee meets at least once every three months.

Our Approach towards sustainabillity

We believe that responsible banking must go hand in hand with environmental and social responsibility. That's why we continue to shape our operations towards improving environmental and social impact, supporting green finance and encouraging long-term, positive change.

Throughout 2024, we focused on improving our environment awareness and further integrating sustainability principles into our daily activities and operations. This includes managing our resources carefully, promoting efficient use of energy and considering sustainability in how we maintain and develop our physical locations. As such, energy efficiency and sustainability criteria have been considered in all the new outlets we have opened during 2024, which are located at: Blloku area, Dibra Street, Elbasan and Durres.
Through our lending practices, we support businesses that prioritize sustainability such as investments in energy-efficient equipment, renewable energy systems, waste reduction measures or cleaner production technologies. We aim to be a reliable partner for clients who are taking steps toward more responsible and future-oriented business models.

In 2024, we revised our Environmental and Social Risk Assessment Standard to incorporate the latest global practices, reinforcing our commitment to responsible financing. As part of this update, we expanded our Exclusion List to include new activities, notably the ban on funding coal-related activities, in line with the specific criteria outlined in the Exclusion List of Supplementary Notes.

Sustainability for ProCredit Bank is a shared journey that involves our staff, clients and community. By integrating these values into our activity, we aim to contribute to a more sustainable economy and a better future for all.

Our Approach towards sustainabillity

Since 2011, the bank has effectively implemented an Environmental Management System (EMS) built on three main pillars to reduce environmental impact and support sustainable development. In 2024 the Environmental Management System has been recertified with ISO 14001:2015 standards, confirming our commitment towards minimizing our environmental footprint and having a positive impact.

Internal Environmental Management

Internal processes are designed to systematically reduce the bank's environmental footprint through efficient banking infrastructure and increased awareness on the responsible use of resources.

Management of Environmental and Social Risk in Lending

ProCredit Bank collaborates with businesses whose activities do not harm the environment or endanger human health and community well-being, using a risk assessment approach to minimize potential negative environmental impact.

Green Loans

We promote green investments and savings by supporting clients in improving business processes through investments in energy efficiency, renewable energy and environmental protection. The green loan portfolio of the bank in December 2024 stands at 20.3%, out of which 39.5% are investments in Renewable Energy, 35.4% are allocated in Energy Efficiency (EE) investment group and 25.1% in Green Resources (GR). As shown in the figures above, significant allocation is dedicated to renewable energy investments with a particular emphasis on photovoltaic energy projects. Our bank has played a pioneering role in advancing this sector, becoming among the first financial institutions in Albania to actively finance photovoltaic initiatives since 2019.

Our Approach towards sustainabillity

As of 2024, we have financed the installation of around 70 MWp of photovoltaic systems. In total more than 200 projects in photovoltaics have been financed from ProCredit Bank. Through renewable energy project financing, we are committed to contribute to decarbonization, energy transition and energy security in Albania.

This leadership is reflected not only in our financing activities but also in our internal commitment to sustainability, demonstrated by the installation of solar panels in the rooftop of our Head Office in 2018 to reduce operational carbon emissions, being among the first energy consumers in the country to install distributed PVs. Looking ahead, we are firmly committed to expanding our support for renewable energy with a strategic objective to increase the share of photovoltaics and other renewable energy projects within our green portfolio in the upcoming years.

Our Approach towards
sustainabillity

The transportation sector in Albania accounts for approximately 37% of the country's total energy consumption by source, making it a significant contributor to the national energy demand. Additionally, it is the second largest source of greenhouse gas (GHG) emissions, due to the use of fossil fuels in vehicles. This high level of energy consumption and emissions requires the need for sustainable transportation solutions to reduce environmental impacts and move towards a cleaner, more energy-efficient system. As part of our commitment to sustainability, we have also transitioned our entire car fleet to 100% eco-friendly vehicles. In 2018 we were amongst the first companies in Albania which started the replacement of fossil fuel engines with electric vehicles.

Over the years we have provided financing for the purchase of electric vehicles, supporting both businesses and private individuals. In total we have financed hundreds of Electric Vehicles, being an important player in the market for the development of the sustainable transportation sector. However much more needs to be done to make a shift towards lower emission vehicles.

Environmental and Social Activities

Trees: Tree planting has been an ongoing annual initiative supported by our institution for several years now, reflecting our deep commitment to environmental sustainability. In 2024 our bank further reinforced this commitment by donating 50 trees to the city of Tirana apart from the other trees that have been planted in previous years. These trees were strategically planted in one of the city's most populated areas, where high traffic levels significantly impact air quality. At ProCredit Bank Albania, we recognize the importance of environmental protection as a very important element of our corporate responsibility. Through initiatives like this, we aim not only to contribute to a greener, healthier urban environment but also to raise public awareness about the effects of climate change and the need for sustainable practices.

Collaboration with University of Tirana, Faculty of Economics, Jean Monnet Programme, Erasmus +:

Financial education is a crucial subject, considering its importance in preparing future generations. We have had a positive cooperation with the University of Tirana, Faculty of Economics during the years. In 2023 we joined the Jean Monnet Programme, Erasmus+ and the collaboration is intended to last up to 2025. We are part of the open lectures and teach the students on the topic of green finance, the importance of their contribution toward future sustainability and sharing the best practices regarding environmental issues. Additionally, we share our practices and real examples of how sustainable initiatives can be implemented across different sectors, aiming to equip the students with knowledge they can apply both during their studies and in their future careers. Through these efforts, our goal is to foster a generation of young professionals who are not only aware of environmental issues but are also proactive in meaningful initiatives for a sustainable future.

Sustainable investments play an important role in the future development of our country by reducing emissions and supporting the fight against climate change.

We actively participate in a range of workshops, webinars, training sessions, and other initiatives aimed at raising awareness about the importance of sustainable investing and sharing practices among different stakeholders.

Discussion Panel – Energy, Construction, and Green Economy Fair 2024

The panel addressed key opportunities and challenges Albania faces in advancing sustainable investments, with a focus on the collaboration between public and private sectors. Key elements included the strategic importance of sustainable investments in the fight against climate change, the role of financial institutions in supporting energy transition, and the benefits of green investments in the housing sector, along with available incentives for individuals. The panel also discussed the integration of climate risk factors into the financial sector and the promotion of sustainable finance, as well as best practices in eco-friendly construction within the residential sector.

Risk Management

Risk Management
at ProCredit Bank Albania

A Responsible and Transparent Approach

ProCredit Bank's socially responsible business model is firmly grounded in a transparent and informed approach to risk management. This principle is embedded in our risk culture and appetite, guiding our decision-making with balanced and thoughtful assessments of risk. We aim to create a risk-aware environment that safeguards our stakeholders while promoting sustainable growth and innovation.

Our risk management principles and strategy have remained broadly consistent with previous years, despite an external environment marked by persistent macroeconomic and geopolitical uncertainty—trends we expect to continue across the regions in which we operate. While the direct impact on the ProCredit group has thus far been limited, we anticipate that these factors will significantly shape our risk management activities in 2025.

Additionally, evolving regulatory frameworks continue to tighten expectations across the banking sector. ProCredit Bank remains committed to full compliance with both internal risk limits and all external regulatory requirements. As of 2024, our overall risk profile is considered appropriate, as supported by comprehensive analyses outlined in the Risk Report.

Our Risk Culture: Foundations and Principles

At ProCredit, risk management is an integral part of our corporate culture. All employees —from senior leadership to front-line teams—share responsibility for identifying, assessing, and managing risk. Our approach is rooted in transparency, accountability, and open communication, ensuring a culture where risks are proactively identified and addressed.

Risk Management
at ProCredit Bank Albania

We adhere to three core principles:

- **Focus on Core Business**

Our core banking activities concentrate on serving MSMEs and private clients. We implement strict client selection processes, including ESG assessments, and generate revenue primarily through lending and account-related services. We limit exposure to risks outside our core focus and maintain a conservative risk profile that prioritizes customer credit, interest rate, operational, liquidity, and (at group level) foreign currency risk.

- **Diversification and Transparent Services**

Our business model emphasizes diversification across geographies, client types, and sectors. This includes both urban and rural areas and a balanced mix of MSMEs and private clients. We also maintain a commitment to clear, understandable financial services, which support risk reduction across the group.

- **Careful Staff Selection and Training**

Responsible banking begins with people. We prioritize rigorous recruitment and continuous professional development, emphasizing personal responsibility, mutual respect, and open communication. Well-trained employees who think critically are essential to effective risk mitigation.

Risk Management
at ProCredit Bank Albania

Credit Risk Management

Credit risk remains our principal area of focus. We define credit risk as the potential loss arising from a counterparty's failure to meet contractual obligations. This encompasses both client credit risk and counterparty risk, including creditor risk.

Key Credit Risk Strategies Include:

- Analyzing borrower repayment capacity and future cash flows
- Documenting risk assessments to maintain transparency
- Preventing client over-indebtedness
- Maintaining close client relationships and regular monitoring
- Managing arrears proactively and recovering collateral

Credit risk is managed through well-defined policies, with responsibilities clearly delineated between front and back offices. All credit decisions are made by dedicated committees whose authority reflects their experience and expertise. Credit exposures are tailored to the client's needs and risk profile, with clearly defined collateral requirements and valuations conducted by independent experts.

ESG Risk Integration

ESG risks are fully integrated into our credit risk management processes. Business clients are assessed based on the environmental and social impact of their activities, and ESG risk is factored into the broader credit evaluation. We use Key Risk Indicators (KRIs) to quantify ESG-related exposures and analyze the portfolio for transition and physical climate risks, supported by macroeconomic modeling and scenario analysis. These assessments are updated quarterly.

.

Early Risk Detection and Monitoring

Proactive risk detection is embedded in our credit processes. We use a combination of quantitative and qualitative indicators—including changes in client behavior, business operations, and market data—to identify early signs of rising risk.
Clients identified as higher-risk are closely monitored via a watchlist process. Comprehensive reporting ensures timely intervention at all organizational levels. In the event of major risk developments, we initiate detailed analysis and coordinated mitigation strategies.

Performance in 2024 and Outlook

In 2024, ProCredit Bank maintained a vigilant stance in credit risk management, responding effectively to shifting macroeconomic conditions. Our efforts to expand market insight, refine client selection, and improve portfolio resilience enabled us to preserve portfolio stability and achieve solid growth. Transparent client engagement proved instrumental in identifying financial difficulties early and delivering tailored solutions.

As we look to 2025, our focus remains on adapting to an uncertain external environment, staying compliant with tightening regulations, and continuously strengthening our integrated risk management framework to ensure long-term resilience.

Risk tolerance/appetite of ProCredit Bank Albania

The Bank explicitly refrains from engaging in speculative lines of business. The overall orientation is geared towards stability, particularly with regard to the earnings situation and the risk profile of the bank.

The first important aspect in the determination of the Bank's risk appetite is the desired risk profile which is directly implied by the business model. Therefore, ProCredit's risk appetite is expressed, among other things, in the following business policy principles:

- Responsible banking for development including strong environmental/social/governance (ESG) risk awareness
- Focus on core business: the provision of financial services to MSMEs
- Provision of simple, transparent financial products for the target customers (MSMEs and PIs)
- Modern banking services via electronic channels
- Avoidance of risk concentrations
- Careful selection of Business and PI clients with the objective of long-term cooperation
- Structured, multi-phase selection process for all staff as well as careful training of staff, during which great importance is placed on ethical, social and environmental aspects
- A vibrant risk culture that underlines the responsibility of each and every employee in the context of taking risks and which emphasises open communication and flat hierarchies

Based on these general principles, the Bank conducts annually, and ad hoc, if necessary, a risk inventory process, to assess which risks could have a significant negative impact on financial position, financial performance or liquidity position, thereby including the effects of ESG-risks. The bank adheres to all applicable regulatory requirements as well as international best practices in the area of risk management.

Risk tolerance/appetite of ProCredit Bank Albania

After all risks have been identified, the second important aspect in this context is the maximum amount of risk that the Bank is willing to take and can accept with respect to its available funds and liquidity. Risk appetite is defined as the overall aggregate risk for individual risk types that the Bank is willing to accept with respect to available funds and liquidity, in order to achieve its strategic objectives and business plan.

Accordingly, the management has defined the bank's risk appetite based on the internal capital adequacy assessment process (ICAAP) and the internal liquidity assessment process (ILAAP). The guiding principle is that the bank cannot incur greater risks than it is able to bear, in this way appropriate levels of capital and liquidity shall be ensured at all times.

In order to achieve capital adequacy, as well as appropriate liquidity levels at all times, the individual material risks of the bank need to be managed appropriately. The risk appetite therefore also implicitly covers the approach to risk management in the bank, including all policies, standards, guidelines, management instruments, risk reporting, controls and processes, as well as risk governance.

ICAAP

Normative perspective

In order to ensure the normative perspective at all times, the bank complies with internal limits and reporting triggers, aligned to the regulatory requirements of the Bank of Albania (BoA) and ProCredit Group policies.

Economic perspective

On the basis of the simple development-oriented sustainable business model and the resulting stable risk profile, along with the strong risk management processes, the management determines the maximum capital (called resources available to cover risk, RAtCR) that can be used to cover risks in the economic perspective.

Risk tolerance/appetite of ProCredit Bank Albania

In line with the business and risk strategy, the bank assumes the following material risks and assigns these risks percentages of the RAtCR in the economic perspective:
Credit risk: Based on the Hausbank strategy for MSMEs and focus on the provision of financial services, credit risk represents the most significant risk category for the bank. Accordingly, this risk is assigned the highest share (51%) of the Bank's RAtCR.

Thanks to highly trained staff, as well as a strong internal control system and various instruments used specifically to manage Operational risk (such as a risk event database), the Bank has historically experienced stable and low-level losses from operational risks (including fraud risks). This risk is, therefore, assigned a relatively low share of 13% of the RAtCR.
Since it's almost impossible to fully match the repricing structure of assets and liabilities, and as the local financial market offers limited mechanisms for hedging the Interest rate risk, acceptance of interest rate risk to a certain degree is necessary for achieving the strategic objectives. This risk has thus been allocated a share of 13% of the RAtCR.
Although the bank pursues a conservative strategy with respect to foreign currency risk, and it aims to keep currency positions closed to the maximum possible extent, it is impossible to avoid currency risks in specific circumstances. Therefore, this risk is assigned a share of 3% of RAtCR. Furthermore, the remained 20% of RAtCR represents a buffer, intended to cover other risks, as well as the stress scenarios.

ILAAP

The liquidity risk appetite/tolerance is defined through a set of indicators and related limits and reporting triggers, which intend to measure and limit the undertaken risks under different dimensions/elements. The internally set reporting triggers are stricter than the regulatory requirements, therefore ensuring a prudent approach in relation to the liquidity risk management.
In addition, based on internal policy requirements, the bank monitors, assesses and manages the liquidity risk under an internally defined model, where compliance to related indicators limits and reporting triggers should be ensured at all times.

Independent Auditors Reports and Financials

Independent Auditor’s Report and Financial Statements

ProCredit Bank Sh.a.

Independent Auditor’s Report and
International Financial Reporting Standards

Financial Statements
for the year ended 31 December 2024

Contents

Independent auditor's report.......... 60
Statement of Profit or Loss and Other Comprehensive Income.......... 62
Statement of Financial Position 63
Statement of Changes in Equity 64
Statement of Cash Flows.......... 65
Notes to the Financial Statements.......... 66

Grant Thornton Sh.p.k.
Rr: Sami Frasheri, Kompleksi T.I.D,
Shk. B, Floor 1,
1001 Tirana,
Albania

T +355 44 525 880
E contact@al.gt.com

Independent Auditor's Report

To the Shareholder and Management of ProCredit Bank Sha

Opinion

We have audited the financial statements of ProCredit Bank Sha (the Bank), which comprise the statement of financial position as of December 31, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2024, and 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in ProCredit Bank Sha Annual Report

Other information consists of the information included in Bank's Annual Report, prepared in accordance with articles 17 and 19 of the Law no. 25/2018 "For Accounting and Financial Statements", other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2024 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate 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
30 April 2025

Grant Thornton shpk

Statutory Auditor
Erjona Isufi

Grant Thornton Sh.p.k. NIPT K 91923007 M Tirana ALBANIA Rruga Sami Frasheri, Kompleksi T.I.D. Hyrja B, Kati 1

PROCREDIT BANK SH.A.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

(All amounts expressed in Lek'ooo, unless otherwise stated)

		In Lek'ooo		In EUR'ooo	
		31 December		31 December	
	Note	**2024**	**2023**	**2024**	**2023**
Interest income	9	2,051,945	1,757,511	20,377	16,161
Interest expense	9	(665,060)	(571,185)	(6,604)	(5,252))
Net interest income		**1,386,885**	**1,186,326**	**13,772**	**10,909**
Loss reversal/(allowance)	10	18,339	191,059	182	1,757
Net interest income after loss reversal/ (allowance)		**1,405,224**	**1,377,385**	**13,954**	**12,666**
Fee and commission income	11	328,937	286,498	3,266	2,634
Fee and commission expense	11	(170,582)	(163,528)	(1,694)	(1,504)
Net fee and commission income		**158,355**	**122,970**	**1,573**	**1,130**
Result from foreign exchange transactions		173,407	127,587	1,722	1,173
Net other operating result	12	(11,330)	(85,083)	(113)	(782)
Operating Income		**1,725,656**	**1,542,859**	**17,136**	**14,187**
Personnel expense	14	(467,315)	(398,340)	(4,641)	(3,663)
Administrative expenses	13	(1,079,683)	(917,883)	(10,722)	(8,440)
Profit/(Loss) before tax		**178,658**	**226,636**	**1,774**	**2,084**
Income tax (expense)	15	(32,475)	(52,870)	(322)	(486)
Profit/(Loss) for the year		**146,183**	**173,766**	**1,452**	**1,598**
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Investment securities measured at FVOCI		-	-	-	-
Deferred tax	15	-	-	-	-
Total comprehensive profit / (loss) for the year		**146,183**	**173,766**	**1,452**	**1,598**

EUR equivalent figures are provided for information purposes only and do not form part of the audited financial statements (refer to note 1).

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 66 to 123.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

(All amounts expressed in Lek'000, unless otherwise stated)

		In Lek'000		In EUR'000	
		31 December		31 December	
	Note	2024	2023	2024	2023
Assets					
Cash and balances with Central Bank	16	8,093,555	10,191,805	82,461	98,111
Loans and advances to financial institutions	17	3,653,624	4,024,763	37,225	38,744
Loans and advances to customers	18	32,753,351	26,813,196	333,707	258,117
Investment securities at amortized cost (AC)	19	2,694,819	2,871,917	27,456	27,646
Deferred income tax assets	15	4,903	-	50	-
Corporate income tax receivable	15	9,106	-	93	-
Other assets	20	254,465	195,568	2,593	1,884
Property, plant and equipment	21	537,274	197,434	5,474	1,901
Intangible assets	22	4,084	4,901	42	47
Total assets		**48,005,181**	**44,299,584**	**489,100**	**426,450**
Liabilities					
Liabilities to banks	23	3,159,499	2,784,221	32,191	26,802
Liabilities to customers	24	35,697,830	32,415,538	363,707	312,048
Other borrowed funds	25	2,951,151	3,412,262	30,068	32,848
Deferred tax liabilities	15	-	1,024	-	10
Corporate income tax liability	15	453	28,116	5	271
Subordinated debt	26	547,815	749,186	5,581	7,212
Other liabilities	27	55,499	598,209	565	5,759
Other provisions	27	1,188,652	52,929	12,111	510
Total liabilities		**43,600,899**	**40,041,485**	**444,227**	**385,460**
Shareholders' equity					
Share capital	28	5,711,469	5,711,469	58,191	54,981
Accumulated deficit	28	(2,033,040)	(2,170,535)	(20,751)	(20,970)
Legal reserves	28	725,853	717,165	7,395	6,904
Currency translation reserve		-	-	38	75
Total shareholders' equity		**4,404,282**	**4,258,099**	**44,873**	**40,991**
Total liabilities and shareholders' equity		**48,005,181**	**44,299,584**	**489,100**	**426,450**

EUR equivalent figures are provided for information purposes only and do not form part of the audited financial statements (refer to note 1)

These financial statements have been approved by Management on 30 April, 2025 and signed on their behalf by:

Mirsad Haliti
Chief Executive Officer

Kastriot Suka
Member of the Management Board

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 66 to 123.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024
(All amounts expressed in Lek'000, unless otherwise stated)

In Lek'000	Share Capital	Legal Reserves	Retained Earnings/ Accumulated deficit	Total
Balance at 1 January 2023	**5,711,469**	**711,854**	**(2,338,990)**	**4,084,333**
Profit for the year	-	-	173,766	173,766
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**173,766**	**173,766**
Increase in Paid Up Capital	-	-	-	-
Transfer to legal reserve	-	5,311	(5,311)	-
Balance at 31 December 2023	**5,711,469**	**717,165**	**(2,170,535)**	**4,258,099**
Profit for the year	-	-	146,183	146,183
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**146,183**	**146,183**
Increase in Paid Capital	-	-	-	-
Transfer to legal reserve	-	8,688	(8,688)	-
Balance at 31 December 2024	**5,711,469**	**725,853**	**(2,033,040)**	**4,404,282**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 66 to 123.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

(All amounts expressed in Lek'ooo, unless otherwise stated)

		In Lek'ooo		In EUR'ooo	
	Note	2024	2023	2024	2023
Cash flows from operating activities					
Profit/Loss before income tax		178,658	226,635	1,774	2,084
Adjustments to reconcile profit before income tax to net cash flows from operating activities					
Depreciation of property, plant and equipment and investment property	21	109,886	91,148	1,091	838
Amortization of intangible assets	22	1,154	1,658	11	15
Impairment charge for credit losses	18	(18,339)	(191,054)	182	(1,757)
Interest income	9	(2,051,945)	(1,757,511)	(20,377)	(16,161)
Interest expense	9	665,060	571,185	6,604	5,252
Gain/Loss on disposal of assets		37	507	-	5
Charge of other provisions		4,663	45,442	46	418
		(1,110,826)	**(1,011,990)**	**(11,033)**	**(9,306)**
Changes in operating assets and liabilities:					
Loans and advances to financial institutions and compulsory reserve		(185,028)	(668,006)	(1,885)	(6,431)
Loans and advances to customers	18	(5,945,736)	1,086,416	(60,578)	10,458
Other assets	20	(60,298)	70,619	(614)	680
Liabilities to banks	23	(198,411)	(432,113)	(2,022)	(4,160)
Liabilities to customers	24	3,273,671	5,374,853	33,354	51,741
Other liabilities	27	(310,948)	(93,695)	(3,168)	(902)
		(4,537,576)	**4,326,084**	**(45,946)**	**42,081**
Interest received		2,067,894	1,740,406	21,069	16,754
Interest paid		(739,056))	(481,507)	(7,530)	(4,635)
Corporate income received		(75,171)	(53,152)	(766)	(512)
Net cash generated from/(used in) operating activities		**(3,283,909)**	**5,531,831**	**(33,173)**	**53,688**
Cash flows from investing activities					
Acquisition investment securities measured at AC		(2,693,373)	(2,872,787)	(27,441)	(27,655)
Proceeds from matured Investment securities measured at AC		2,871,917	1,833,348	29,260	17,648
Proceeds from sale of property, plant and equipment		3,117	2,300	32	22
Acquisition/ disposal of intangible assets		(337)	(343)	(3)	(3)
Acquisition of premises and equipment		(193,805)	(42,090)	(1,975)	(405)
Net cash (used in)/generated from investing activities		**(12,481)**	**(1,079,572)**	**(127)**	**(10,392)**
Cash flows from financing activities					
Proceeds from subordinated debt		-	-	-	-
Capital Increase		-	-	-	-
Proceeds from other borrowed funds		4,390,942	2,804,760	44,737	27,000
Repayment of other borrowed funds		(3,756,281)	(4,573,468)	(38,271)	(44,026)
Net cash generated from financing activities		**634,661**	**(1,768,708)**	**6,466**	**(17,026)**
Translation differences		-	-	5,860	6,758
Increase in cash and cash equivalents		**(2,661,729)**	**2,683,550**	**(26,835)**	**26,269**
Cash and cash equivalents at the beginning of the year		**10,931,848**	**8,248,297**	**105,235**	**72,208**
Cash and cash equivalents at end of the year	16	**8,270,119**	**10,931,848**	**84,261**	**105,235**

EUR equivalent figures are provided for information purposes only and do not form part of the audited financial statements (refer to note 1).

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 66 to 123.

1. Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2024 for ProCredit Bank Sh.a. (the “Bank”).
The Bank, originally known as FEFAD Bank, was incorporated and domiciled in Albania since February 1999. The Bank is licensed to operate in retail banking activity in Albania in accordance with Law No. 9662 dated 18 December 2006 “On Banks in the Republic of Albania”, as amended. The Bank is a joint stock company limited by shares set up in accordance with Law 9901, dated 14 April 2008 “On entrepreneurs and commercial companies”.
As at 31 December 2024, the immediate and ultimate parent company of the Bank is ProCredit Holding AG holding 100% of the shares.

Principal activity. The Bank’s principal business activity is commercial and retail banking operations within the Republic of Albania. The Bank operates under a full banking license issued by the central Bank of Albania. The Bank participates in the state deposit insurance scheme managed by the Albanian Deposit Insurance Agency. As at 31 December 2024 the Bank was operating from Head Office in Tirana, 1 branch, and 8 agencies located in Tirana, Durres, Korçe, Fier and Shkoder.

Registered address and place of business. The official address of the Bank is Rruga “Dritan Hoxha”, 92, H.15, Njesia Administrative Nr.11, Tirana, Albania.

Board of Directors

Board of Directors members as of 31 December 2024 are:
- Eriola Bibolli, Chairperson of the Board
- Christian Edgardo Dagrosa
- Gabriel Schor
- Jovanka Joleska Popovska
- Jordan Damchevski

Functional and presentation currency. The financial statements are presented in Albanian Lek (“Lek”), which is the Bank’s functional currency, currency of the primary economic environment in which the Bank operates. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

Presentation in EUR

In addition to presenting the financial statements in the Bank’s functional currency, supplementary information in EUR has been prepared for the convenience of users of the financial statements, translating Lek’000 to EUR’000. The statement of financial position at 31 December 2024 has been translated at the official rate of BOA as at 31 December 2024 of Lek 98.15 to EUR 1 (2023: 103.88). The statement of profit or loss and other comprehensive income and statement of cash flows are presented in EUR translating the Lek amounts into EUR at the average exchange rate during the year of EUR 1: Lek 100.70 (2023: EUR 1: Lek 108.75).
The supplementary information in EUR does not form part of the audited financial statements.

2. Material accounting policy information

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern

Management prepared these financial statements on a going concern basis. In making, this judgement management considers the Bank’s financial position, current intentions, profitability of operations and access to financial resources and analyzed the impact of the situation in the financial market on the operations of the Bank. The Bank’s CAR (capital adequacy ratio) at 31 December 2024 was 18.23% while the required minimum CAR for banks in Albania is 12%. During the year ended 31 December 2024, the bank generated a profit of LEK 146,183 thousand. There are no other factors or that may determine that the bank may not be in line with going concern principle. Support from the Group is also available on a need basis. The Bank has no intention to liquidate or cease its operations during the year 2024. Management expects the Bank to continue to be profitable in the future, and its ability to continue as going concern will not be impaired.

2. Material accounting policy information (continued)

Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (AC), net of the Expected Credit Loss (ECL). Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

Fees and commissions

Fee and commission income is recognized over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes recurring fees for account maintenance, account servicing fees. Variable fees are recognized only to the extent that management determines that it is highly probable that a significant reversal will not occur. Other fee and commission income which is recognized at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for processing payment transactions, fees for cash settlements, collection or cash disbursements.

Financial instruments - key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2. Material accounting policy information (continued)
Financial instruments - key measurement terms (continued)
Amortized cost ("AC") is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position. The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognized for financial assets measured at Amortized cost ("AC") and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss or gain. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model.
The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL. Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 3 for critical accounting estimates and judgements applied by the Bank in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics.
Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

2. Material accounting policy information (continued)

Financial assets – classification and subsequent measurement – cash flow characteristics (continued)
In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset, and it is not subsequently reassessed. Refer to Note 3 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole change. This reclassification has a prospective effect and is implemented commencing from the outset of the initial reporting period subsequent to the modification in the business model.

Financial assets impairment – credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognizes credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognized as a liability in the statement of financial position. For debt instruments at FVOCI, changes in ECL allowances and interest income, are recognized in profit or loss (within separate line items) and other changes in carrying value are recognized in OCI as gains less losses on debt instruments at FVOCI.

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 5 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 5 For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 5 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Bank measures expected credit losses over the period that the Bank is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

Financial assets – write-off. Financial assets are written off, in whole or in part according to delinquency and collateral coverage as regulated with local regulations. The write-off represents a derecognition event. The Bank may write off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Derecognition of financial assets. The Bank derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without imposing restrictions on the sale.

2. Material accounting policy information (continued)

Financial assets – modification. The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset significant change in interest rate, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flow from the original asset expire and the Bank derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognizes a modification gain or loss in profit or loss. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the bank shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for: (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all vault cash, interbank placements, and deposits with the Bank of Albania (BOA), with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

2. Material accounting policy information (continued)

Cash and cash equivalents (continued)

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the Central Bank. Mandatory cash balances with the Bank of Albania are carried at AC and represent non-interest-bearing mandatory reserve deposits which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities.
Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL depending on the results of the business model assessment and SPPI test. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce or eliminate an accounting mismatch. Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognized in profit or loss. An impairment allowance estimated using the expected credit loss model is recognized in profit or loss for the year. All other changes in the carrying value are recognized in OCI. When the debt security is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from OCI to profit or loss. Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognized or measured on different accounting bases.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL. Impairment allowances applicable to financial assets at amortized cost are determined based on the forward-looking ECL models. Note 5 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. The Bank's repossessed collateral at the reporting date is mainly included in inventories within other assets and it is subsequently measured at the lower between cost, typically determined by execution procedures, and net realisable value, being the fair value of the collateral determined by external independent appraisers that hold a recognized and relevant professional qualification and license with experience in valuation of similar location and category, less costs to realize the sale. Repossessed collateral that is held for the purpose either by earning rentals or capital appreciation is included in investment property. Movable collateral and immovable collateral with issues related to the legal titles are not recognized as an asset when repossessed. Any loss arising from the above remeasurement is recorded in profit or loss. Gains or losses from the sale of these assets are recognized in the profit or loss.

2. Material accounting policy information (continued)

Credit related commitments. The Bank issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortized balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognized together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognized as a liability.

Financial guarantees. Financial guarantees require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortized balance of the amount at initial recognition. In addition, an ECL loss allowance is recognized for fees receivable that are recognized in the statement of financial position as an asset.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Investment property. Investment property is property held by the Bank to earn rental income or for capital appreciation, or both. Investment property includes assets for future use as investment property. Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Bank estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognized in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Bank, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment. Earned rental income is recorded in profit or loss for the year within other operating income.

Property, plant, and equipment. Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation and impairment losses. Acquisition or production costs include all expenditure directly attributable to the goods. Component parts of an asset are recognized separately if they have different useful lives or have different patterns of use. The acquisition costs of rights-of-use assets (ROU) include the amount of the lease liability, plus all lease payments made at or before provision, initial direct costs and estimated dismantling and removal costs, less any incentives received. Subsequent purchase or production costs are included in the asset's carrying amount or are recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the Statement of Profit or Loss during the current financial period. The carrying values of property, plant and equipment are reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2. Material accounting policy information (continued)

Property, plant, and equipment (continued)

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing the 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 assets. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss. Land is not depreciated. Depreciation of assets is charged on a straight-line basis at prescribed rates to allocate the cost of property, plant and equipment over their estimated useful lives. The annual depreciation rates are determined by the estimated useful lives of certain assets as presented below:

Description	Useful life 2024
Buildings	40 years
Business and office equipment	2-10 years

Leasehold improvements are depreciated over the shorter of rental contract life or expected use life. The right of use are amortized on a straight-line basis until the end of the lease term. Property, plant and equipment with useful lives of more than one year which fall under the materiality threshold of LEK 10,000 (2023: LEK 5,000) and, are also not material in aggregate, are expensed in profit or loss. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other income or other operating expenses (as appropriate) in Statement of Profit or Loss.

Intangible assets

Intangible assets primarily include acquired computer software licences capitalized on the basis of costs incurred to acquire and bring to use the specific software. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are entirely comprised of computer software which is amortized using the straight-line method over their estimated useful life of ten years.

Leases

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computers, small items of office furniture and telephones). In such cases, lease payments are recognized as operating expenses on a straight-line basis over the lease term, unless another systematic approach better represents the consumption pattern of economic benefits from the leased assets. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate is not readily determinable, the Bank uses its incremental borrowing rate. Generally, the Bank uses its average interest rate on business loans as the discount rate.

Liabilities to other banks

Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortized cost. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from extinguishment of debt..

Customer accounts

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortized cost.

Other borrowed funds

Other borrowed funds include loans taken from international financial institutions. Funds borrowed are carried at Amortized Cost.

2. Material accounting policy information (continued)

Subordinated debt

Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at Amortized Cost.

Income tax

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity. Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorized prior to filing relevant tax returns.

Taxes other than on income are recorded within administrative and other operating expenses. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions

The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest, and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Employee benefits

The Bank makes statutory social security contributions (retirement obligations) that provide pension benefits for all employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan. The Bank's contributions to the benefit pension plan are charged to profit or loss as incurred. The bank makes use of an occupational pension scheme for its employees. Employees that benefit from this scheme are those with experience with bank 3 years and more. In this case, the bank takes out pension insurance for its employees as the insured. With this form of direct insurance, a portion of employee gross salary can be paid by bank directly to the insurer in the form of insurance, in cases when they want to contribute for themselves. There are tax advantages to this procedure.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognized as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognized as a prepayment.

Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortized cost.

2. Material accounting policy information (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity. Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the reporting date are disclosed as events after the end of the reporting period. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

Legal Reserve

According to law no. 9901 dated 14.4.2008 "On traders and trade companies", article 127 "From profit after tax, realized during the previous financial year, deducting expenses, the company must pass to the legal reserve, at least 5 percent of this value, until this reserve is equal to 10 percent of the registered capital of the company, or with a higher value, defined in the statute". According to Regulation No. 69, dated 18.12.2014, Article 6, "Other reserves include general reserves, which are created by the bank in the amount of 1.25% to 2% of the total possible exposures and exposures of the bank weighted by risk. These reserves are created by deducting one-fifth of the profit and are freely used by the bank in order to cover the unidentified risks in its activity and do not reflect the reduction of the value of a certain asset. Banks, in cases when the created reserve fund falls below the required minimum level, is obliged to meet it within a time limit of 2 (two) years.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rates of the Bank of Albania ("BOA") at the reporting date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the BOA, are recognized in profit or loss for the year as foreign exchange translation net result. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

3. Critical accounting estimates and judgments in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 5. The following components have a major impact on credit loss allowance: definition of default, Significant Increase in Credit Risk (SICR), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Bank used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Several macroeconomic quantities are investigated regarding their potential as a part of the PD model. The time series of macroeconomic factors is taken from the IMF World Economic Outlook Database, specifically for Albania. In particular, at least the following quantities are considered for the specification of the PD models: Growth of the gross domestic product, percentage change of the inflation, unemployment rate, lending rate, gas price, purchasing power parity rate.

These quantities reflect directly the development of the business cycle and are therefore valid potential inputs for a meaningful PD model.

3. Critical accounting estimates and judgments in applying accounting policies (continued)

Credit exposure on revolving credit facilities (e.g. credit cards, overdrafts). For certain loan facilities, the Bank's exposure to credit losses may extend beyond the maximum contractual period of the facility. This exception applies to certain revolving credit facilities, which include both a loan and an undrawn commitment component and where the Bank's contractual ability to demand repayment and cancel the undrawn component in practice does not limit its exposure to credit losses. For such facilities, the Bank measures ECLs over the period that the Bank is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this exception requires judgement. Management applied its judgement in identifying the facilities, both private and business, to which this exception applies. The Bank applied this exception to facilities with the following characteristics: (a) there is no fixed term or repayment structure, (b) the contractual ability to cancel the contract is not in practice enforced as a result of day-to-day management of the credit exposure and the contract may only be cancelled when the Bank becomes aware of an increase in credit risk at the level of an individual facility, and (c) the exposures are managed on a collective basis. Further, the Bank applied judgement in determining a period for measuring the ECL, including the starting point and the expected end point of the exposures.

The Bank considered historical information and experience about: (a) the period over which the Bank is exposed to credit risk on similar facilities, including when the last significant modification of the facility occurred and that therefore determines the starting point for assessing SICR, (b) the length of time for related defaults to occur on similar financial instruments following a SICR and (c) the credit risk management actions (e.g. the reduction or removal of undrawn limits), prepayment rates and other factors that drive expected maturity. In applying these factors, the Bank segments the portfolios of revolving facilities into sub-groups and applies the factors that are most relevant based on historical data and experience as well as forward-looking information.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioral aspects of particular customer portfolios. The Bank identifies behavioral indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 5.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimizing potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets. The residual category includes those portfolios of financial assets, which are managed with the objective of realizing cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month .

3. Critical accounting estimates and judgments in applying accounting policies (continued)

Assessment whether cash flows are solely payments of principal and interest ("SPPI") (continued)

The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situations that can occur in financial markets. The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method.

As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual paramount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition. The Bank considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation in certain countries), are not relevant for assessing whether cash flows are SPPI. The Bank's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Modification of financial assets. When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognized and whether the new recognized loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognized nor reclassified out of the credit-impaired stage.

Repossessed collateral. In determining the net realizable value for repossessed collateral that is included in inventories within other assets, the Bank determines the fair value measurement based on reports of external, independent property valuators, having appropriate recognized statutory professional qualifications. Management has reviewed the appraisers' assumptions underlying discounted cash flow models used in the valuation, and confirms that factors such as similar properties and/or similar transactions, the discount rate applied have been appropriately determined based on the inputs and assumptions used and considering the market conditions at the end of the reporting period. Notwithstanding the above, management considers that the valuation of its repossessed collateral is currently subject to an increased degree of judgement and an increased likelihood that actual proceeds on a sale may differ from the carrying value even though the latest results have shown insignificant variances between actual proceeds and carrying values.

4. Adoption of new and revised International Financial Reporting Standards (IFRSs)

4.1. New Standards adopted as at 1 January 2024

Several accounting standards effective from 1 January 2024, and subsequently adopted, do not have a significant impact on the financial results or financial position of the Company. Therefore, explanatory information regarding these standards is not provided in the Company's financial statements:

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

These amendments are not expected to have a significant impact on these Financial Statements; therefore, explanatory disclosures have not been provided.

4. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

4.2. Standards, amendments, and interpretations to existing standards that are not yet effective and have not been early adopted by the Company/Group/Bank

Several standards and amendments that are not yet effective and have not been early adopted by the Company/Group/Bank include: Changes to SNRF 16 Leases: Lease Liability in a Sale and Leaseback Transaction (issued on September 22, 2022, and effective for annual periods beginning on or after January 1, 2024).

- Lack of Exchangeability (Amendments to IAS 21)
- Amendments to Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- IFRS 18 "Presentation and Disclosure in Financial Statements"
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures"

These amendments are not expected to have a significant impact on the financial statements during the period of initial application; thus, explanatory disclosures have not been provided. At the date of authorization of these consolidated financial statements, several new but not yet effective standards, amendments, additions to existing standards, and interpretations have been published by the IASB or IFRIC. None of these standards or amendments to existing standards have been early adopted by the Company/Group/Bank, and no interpretations have been issued that are applicable or must be considered by the Company at the reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments, and interpretations not adopted in the current year have not been disclosed, as they are not expected to have a material impact on the Company's consolidated financial statements.

5. Financial risk management

The Bank's activities expose it to a variety of risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Credit risk

The Bank defines credit risk as the risk that the party to a transaction cannot fulfil its contractual obligations, not in full or not in time. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring placements and debt securities into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as letters of credit, guarantees and credit commitments. The credit risk management and control for loans and advances are centralized in the Credit Risk Department, while the interbank risk for placements and debt securities are concentrated in the Treasury Unit and Risk Management Department. All departments responsible for credit risk management and control, report to the Management Board and to the Board of Directors, regularly.

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)
Credit risk (continued)

The following table shows the maximum credit exposure at their net amount:

	31 December 2024	31 December 2023
Cash and balances with Central Bank	8,093,555	10,191,805
Loans and advances to banks and other financial institutions	3,653,624	4,024,763
Loans and advances to customers:		
Business Trade	12,370,131	9,836,846
Business Production	6,711,832	7,056,935
Business Agriculture	512,556	551,439
Business Transport	481,840	555,806
Business Other	8,673,312	5,963,568
Private Housing	3,326,126	2,481,959
Private Investment	301,045	98,105
Private Other	376,509	268,538
	32,753,351	**26,813,196**

	31 December 2024	31 December 2023
Investment securities measured at AC	2,694,819	2,871,917
Other financial assets	187,630	177,566
Total	**2,882,449**	**3,049,483**
Credit risk exposures relating to off-balance sheet items are as follows:		
Loan commitments and other credit related liabilities	2,788,203	2,586,852
Financial guarantees and Letters of Credit	1,321,228	1,122,668
Total	**4,109,431**	**3,709,520**

Off balance sheet	31 December 2024	31 December 2023
Credit commitments	2,788,203	2,586,852
Financial guarantees	1,321,228	1,120,524
Letters of Credit	-	2,144
Provisions recognized as liabilities	(14,433)	(12,160)
Total	**4,094,998**	**3,697,360**

Credit default risk from customers' credit exposures

The differentiation between individually significant and insignificant credit exposures leads to distinct processes in lending for the different types of credit exposures – processes that have demonstrated in the past to ensure an effective management of credit default risk. The processes are distinguished mainly in terms of segregation of duties, which is fully implemented for all individually significant credit exposures. The starting point of the analysis is the information collected from the client, ranging from audited financial statements to self-declarations. The key criteria for credit exposure decisions are based on the financial situation of the client; in particular for individually insignificant credit exposures, supplemented by a review of liquid funds and the assessment of the creditworthiness of the client. Finally, the collateral requirements are generally higher for individually significant credit exposures. As a general rule, the lower the amount of the credit exposure, the stronger the documentation provided by the client, the shorter the term of the credit exposure, the longer the client's history with the bank and the higher the turnover of the client with the Bank, the lower collateral requirements will be.

5. Financial risk management (continued)

Credit default risk from customers' credit exposures (continued)

The decision-making process ensures that all credit decisions on individually significant exposures are taken by a credit committee. As a general principle, the Bank considers it very important to ensure that our lending business is conducted on the basis of organizational guidelines that provide for appropriate rules governing organizational structures and operating procedures; job descriptions that define the respective tasks; a clear allocation of decision-making authority; and a clear definition of responsibilities.

Risk- and quality-dependent treatment

On the basis of asset quality indicators, the loan portfolio is divided into categories: performing, underperforming and defaulted. This categorization is based on a risk classification system that takes account for repayment arrears as well as other risk characteristics, including the initiation of bankruptcy or legal proceedings, restructurings or collateral liquidations by other banks. In addition, other factors which indicate a significant deterioration of the economic situation of the client can also play a role. The portfolio indicators allow for a clear overview of the quality of the group's portfolio and that of an individual bank, and represent one of the most important tools for the credit risk management process. The indicators and the associated internal processes are defined in accordance with the requirements of the European Banking Authority.

- The performing loan portfolio shows no signs of a potential risk increase. Although some exposures show early warning signals, these may not necessarily result in a risk increase being specifically determined.
- The underperforming loan portfolio comprises exposures with elevated credit risk. This can be caused by temporary payment difficulties (30-90 days) or restructuring, or by a deterioration in the financial circumstances of clients, as expressed through an adjustment of the risk classification. Nevertheless, the bank still assesses full repayment of the exposure to be probable, e.g. after restructuring.
- The defaulted loan portfolio comprises all exposures in default, pursuant to the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178), that have shown lasting payment difficulties (over 90 days) or other indications. These include, among other factors, when the borrower is highly unlikely to meet their loan obligations to the banking group in full or when insolvency proceedings have been initiated. Further details are provided below.

Once we identify a higher risk of default for a credit exposure, it is placed on the watch list or put directly under intensified management and assigned to the underperforming category. Particularly for our business clients, this centres around close communication, identification of the source of higher credit default risk and close monitoring of business activities. For private customers, any changes in the income or debt situation are investigated in more detail by initiating contact. Decisions on measures to reduce the default risk for individual credit exposures are taken by the authorized decision-making bodies for the credit exposures in question. In addition, specialised recovery officers may be called in to support the intensified management of the credit exposure.

One of the first steps in managing the exposure is to determine the current economic and financial situation of the client, as this is the most important basis for decisions on whether or not the exposure can be restructured. The aim is to take such decisions at an early stage, while the chances of stabilization are high and before the exposure enters an advanced phase of payment delay. When a credit exposure is classified as defaulted, specialised officers take over dealings with these loans. Based on the prospects for the customer, a strategy is developed with the goal of either restructuring or winding down the exposure. These officers are supported by the legal department of the respective bank. In the event of collateral realisation, items are sold through liquidation to a third party at the highest possible price, typically via public auction. The majority of collateral acquired consists of tangible assets such as land or buildings.

Loss allowances

The expected credit loss (ECL) model pursuant to IFRS 9 is the central element of the approach to quantifying loss allowances for both on- and off-balance sheet financial instruments and is continually optimised. The calculated loss allowances are determined based on the expected credit losses for several future default scenarios. This represents the combined sum of the probability-weighted results from the scenarios. ECL estimates are based on reliable information about past events, current conditions, and projections of future economic conditions. A detailed description of the model specifications is provided below.

Three-stage approach

As with all of our debt instruments, loans and advances to customers are also broken down into the three stages described below, based on the development of credit risk since initial recognition. A specific methodology is applied for each stage in order to determine impairment. During the term of exposure, movement is possible between the stages.

5. Financial risk management (continued)

Loss allowances (continued)

- **Stage 1** comprises exposures for which credit risk has not significantly increased since initial recognition and for which there is no indication of a trigger for allocation to Stage 2 or Stage 3; this also includes exposures which have been re-assigned to Stage 1 from other stages or that have low credit risk at the reporting date. Generally, all exposures are allocated to Stage 1 upon initial recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). For Stage 1 exposures, one-year expected credit losses are recognized in the profit or loss and a loss allowance is established. One-year expected losses refer to the expected credit losses that result from default events possible within 12 months after the reporting date. For receivables with a remaining term of less than 12 months, the shorter contractual maturity is applied.
- **Stage 2** comprises exposures for which credit risk has significantly increased since initial recognition, but for which there are no objective indications of impairment, this also includes exposures which have been assigned to Stage 2 from Stage 3. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.
- **Stage 3** includes exposures that have objective evidence of impairment at the reporting date. The respective calculation of loss allowances is performed based on the expected credit losses over the entire remaining maturity considering 100% probability of default.
- **POCI** exposures refer to defaulted exposures; however, they are recorded separately and are differentiated from other exposures in Stage 3 in recognition of loss allowances.

Calculation of expected credit loss (ECL)

The following parameters are used in the calculation of expected credit loss:

- ***Exposure at Default (EAD):*** EAD is the expected exposure amount at the time of a loan default; it is derived from the currently outstanding receivable from the customer and possible future changes under the applicable contractual conditions. Thus, the EAD consists of the expected exposures (including credit risk from off-balance sheet business) at the time of default. For exposures with regular repayment plans, the modelled EAD is adjusted for the expected possibility of early repayment based on historical observations and on scenarios for the development of the economic environment and associated future forecasts. For potential exposures that may arise in the future from the utilisation of existing credit commitments, such as credit lines or overdraft facilities, conversion factors are estimated based on empirical analysis of historical data; for payment guarantees and letters of credit, a conversion factor of 100% or 50%, respectively, is set on the basis of professional judgment.
- ***Probability of Default (PD)***: The probability of a loan default within a certain period of time is derived from historical default events, taking account for the current macroeconomic expectations. These data include the time, type and amount of default as well as information about the characteristics of the customer from our internal risk classification system. The parameters are country-specific and differentiate the risk levels of exposures according to the customer segments. Bank use statistical models to analyze the collected data and make forecasts for the expected PD, taking account of scenarios for the development of the economic environment (PiT estimate). In addition, bank estimate the PDs over the remaining lifetime of an exposure.
- ***Loss Given Default (LGD)***: The LGD reflects the expected extent of the loss from a defaulted credit exposure. The figure comprises the probability of recovery from the default and the estimated recovery rates for both scenarios (recovery/non-recovery). The recovery rates are calculated from the discounted cash flows based on historical data on funds received from defaulted customers and on the realisation of collateral and guarantees. The estimated probabilities and recovery rates are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment. Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Input data for the assessment of credit risk parameters are based on multi-year data histories for our borrowers. The influence of customer-specific risk characteristics and macroeconomic factors on the selected parameters is determined through a regression analysis.
The multi-stage selection process for relevant macroeconomic factors, which address various dimensions of the economic environment (economic performance, inflation, unemployment, interest rate environment, currency strength, energy prices), is based on professional discretion, their statistical significance and economic relevance.

5. Financial risk management (continued)

Calculation of expected credit loss (ECL) (continued)

The selection process is validated annually. Publications of the International Monetary Fund (IMF), the Economist Intelligence Unit (EIU) and the European Central Bank (ECB) are used as data sources for the historical data and forecasts of the following relevant macroeconomic factors: GDP, inflation, unemployment rate, lending rate, purchasing power parity, gas and oil price index.

In order to establish the ECL parameters, a probability-weighted average value is calculated based on various scenarios for the macroeconomic factors. The calculation of loss allowances is automated and parameter-based for exposures in Stage 1 and Stage 2 as well as individually insignificant Stage 3 exposures. Loss allowances for individually significant Stage 3 exposures are estimated by credit analysts. The current macroeconomic forecasts from the IMF World Economic Outlook Database and the EIU were used in establishing loss allowances. The parameters are calculated by weighting the three scenarios (baseline/downside/upside), with the base scenario normally weighted at 50% and the alternative scenarios at 25%. The stronger weighting of the downside scenario (40%) as of the reporting date is intended to reflect the currently tense overall economic situation.

Significant increase in credit risk (SICR)

Quantitative and qualitative information is used to determine whether there is a significant increase in credit risk.The quantitative test for SICR consists of a comparison between the expected PD over the remaining lifetime as of the reporting date and the expected PD over that remaining time period at initial recognition. A significant increase in credit risk is deemed to exists if the difference between these two PDs exceeds a factor of 2.5. This limit is set by the Management Board, based on an analysis of historical data on the risk characteristics of the loan portfolio. In this case, the respective financial instrument is transferred from Stage 1 to Stage 2. Conversely, a transfer from Stage 2 to Stage 1 is possible once the associated credit risk is no longer significantly elevated. In addition, qualitative criteria are used for SICR decisions. A transfer from Stage 1 to Stage 2 is made when one of the following criteria is met:

- Contractual payments are past due by more than 30 days but not more than 90 days.
- Classification of the loan as "restructured" (forbearance) pursuant to internal policies (adjustment of contractually agreed conditions).
- Classification of the loan in risk classes 6 or 7, which are associated with an increase in credit risk.
- Recognition of a possible increase in credit risk based on information from the early warning system.

A return from Stage 2 to Stage 1 occurs when no overdue payments are outstanding for more than 30 days and no other Stage 2 criteria are met. Forborne exposures are subject to an additional two-year probationary period during which no payments due may be outstanding for more than 30 days. The period begins with the restructuring of the contract. If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the bank monitors whether that indicator continues to exist or has changed. The bank discusses on monthly basis, through the asset quality indicators committee, all cases identified with SICR and based on the monitoring feedback and existence of indicators decides the proper classification of the exposures.

Risk Classification System

The risk classification system is based on many years of experience in working with small and medium clients and broad knowledge of the reasons for default. The risk classification system consists of the qualitative and quantitative characteristics of each client, which are weighted according to their importance and impact on the business activity, and consequently the performance of the credit exposure. As a result, a final score is calculated for each client ranging from 1 to 8, where 6 and 7 are considered as SICR events and 8 implies the highest degree of risk. The specific PDs are assigned to the scale for internal risk classification. This results in a breakdown of the loan portfolio into the presented PD intervals. Exposures assigned to risk classes 6 and 7 correspond to the underperforming category and are considered to have higher risk. The risk classifications are assigned according to an internal evaluation process for the current repayment capacity of the credit exposure, based on quantitative as well as qualitative factors.

The Bank fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Bank.

5. Financial risk management (continued)

Impaired credit exposures

If a credit exposure is deemed to be impaired, it is transferred to Stage 3 accordingly. The definition of impairment according to IFRS 9 corresponds to the definition used for the Defaulted portfolio in internal risk management, and also to the regulatory definition of default. This default definition is applied to all exposures which are part of the loan portfolio of the bank. The bank considers an exposure to be impaired if at least one of the default definition criteria is met and the expected cash flows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed.

When establishing Stage 3 loss allowances, a distinction is drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 250,000 (for all exposures to a client).. For indications of impairment of significant exposures, an individual assessment is performed to determine loss allowances, taking account for probability-weighted expected inflows in various scenarios, including collateral liquidation. For individually insignificant exposures, loss allowances are determined using parameters for the collective assessment of credit risk with the ECL model. Returning an exposure from Stage 3 to a lower stage is possible if the customer can settle outstanding debts in full without recourse to collateral realisation. Unrestructured loans can be reclassify no sooner than three months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. Restructured loans can be reclassify no sooner than 12 months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. No migration between stages is possible for POCI exposures.Impaired credit exposures.

Purchased or Originated Credit Impaired (POCI) exposures

In line with IFRS, the group performs separate recognition of POCI exposures. Within our business model, the acquisition of impaired exposures is not permitted. Accordingly, POCI exposures can only arise in the course of a new negotiation through substantial modification of the contractually agreed cash flows. For POCI exposures, no allowances for impairment are made at the time of initial recognition. In subsequent periods, all changes with regard to the expected losses over the remaining maturity period (lifetime ECL) are recognised as an expense in the income statement and reported accordingly as loss allowances for these exposures.

Changes to contractual terms (modifications) and forbearance

Changes to the originally agreed contractual conditions of an exposure are possible, in particular with the aim of improving the prospects of repayment and, if possible, avoiding default, foreclosure or the realization of collateral. If financial difficulties are identified for the customer at the time of the modifications, they are classified as a forbearance measure. This has an impact on the risk classification, the stage and thus on the calculated loss allowance. We use qualitative and quantitative factors to determine the existence of financial difficulties and the existence of a substantial modification of contractual conditions. As a quantitative factor, the net present value of cash flows is determined in order to assess the changed conditions of an exposure (net present value test). In the event of a substantial change, the original contract is derecognized and a new exposure is recognized at the fair value at the time of modification. In the case of a non-substantial change, the gain or loss is recognized through profit or loss.

Write-offs

When a loan is uncollectible, it is written off against the corresponding loss allowance which has been set aside, provided there is no justified expectation of repayment. The direct and indirect costs of actively managing credit exposures that have not been written off must be in proportion to the size of the outstanding exposure. For exposures of any size, the banks carry out an individual assessment of the justified feasibility of repayments. Based on the assessment, the banks may decide to write off the exposure or continue to actively manage the exposure in order to allow for further repayment of the loan. A portion of written-off exposures are still subject to enforcement activities.

Market risk

Market risks comprise the risk of potential losses from shifts in market prices, such as exchange and interest rates or other parameters which influence prices. The Bank manages market risks in such a way that their impact is as limited as possible from an overall risk perspective. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. In accordance with our risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes. Foreign currency and interest rate derivatives are used exclusively for hedging or liquidity purposes.

Page 83

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)

Foreign currency risk

Foreign currency risk specifies the risk of negative effects on an institution's financial results caused by changes in exchange rates, which are: 1. Currency risk of the Bank's income statement; 2. Currency risk of the capital adequacy; 3. Foreign currency investment risk (not applicable for the Bank).

As a matter of principle, the Bank does not engage in proprietary trading and does not enter speculative positions on foreign exchange markets for the purpose of generating potential additional income. Therefore, the Bank is a non-trading book credit institution. The Bank aims to close currency positions and ensures that an open currency position remains within the conservative limits at all times.

Foreign Currency Risk Management Policy and Central Bank Regulation on Open Currency Position Risk Management, limit currency risk by setting limits and reporting triggers for open currency positions in relation to the bank's regulatory capital. Exceptions to the limits and reporting triggers in the policy can only be approved by the PC Group Risk Management Committee. Compliance to approved OCP limits are regularly reviewed and monitored by Risk Management Department. Official exchange rates for major currencies used in the translation of the balance sheet items denominated in foreign currencies were as follows (in Lek):

	2024	2023
USD	94.26	93.94
EUR	98.15	103.88
GBP	118.16	119.47
CHF	104.27	112.1
CNY	12.91	13.21

5. Financial risk management (continued)
Foreign currency risk (continued)

The following tables summarize the assets and liabilities of the Bank denominated in foreign currencies as of 31 December 2024 and 2023, translated into Lek'000.

31 December 2024	LEK	EUR	USD	Other	Total
Assets					
Cash and balances with Central Bank	2,389,839	5,370,853	332,863	-	**8,093,555**
Loans and advances to banks	-	2,920,750	717,298	15,576	**3,653,624**
Securities measured at amortized cost (AC)	2,694,819	-	-	-	**2,694,819**
Loans and advances to customers	14,947,497	17,491,151	314,703	-	**32,753,351**
Other financial assets	72,557	80,191	34,882	-	**187,630**
Total Financial Assets	**20,104,712**	**25,862,945**	**1,399,746**	**15,576**	**47,382,979**
Open forward position (asset)	39,260	5,888	-	-	**45,148**
Liabilities					
Liabilities to banks	286,605	2,872,894	0	0	**3,159,499**
Liabilities to customers	15,594,973	18,692,387	1,399,935	10,535	**35,697,830**
Other borrowed funds	-	2,951,151	-	-	**2,951,151**
Other financial liabilities	166,433	336,874	9,390	18	**512,715**
Subordinated debt	0	1,188,652	0	0	**1,188,652**
Total Financial Liabilities	**16,048,011**	**26,041,958**	**1,409,325**	**10,553**	**43,509,847**
Open forward position (liability)	-	39,280	5,889	-	**45,169**
Net on-balance sheet currency position	**4,095,961**	**(212,405)**	**(15,468)**	**5,023**	**3,873,111**
Off-balance sheet commitments and guarantees					
Credit commitments	898,171	1,888,157	1,875	-	**2,788,203**
Off balance sheet - letters of credit	-	-	-	-	**-**
Off balance sheet - bank guarantees	561,553	684,267	75,408	-	**1,321,228**
Total credit related commitments	**1,459,724**	**2,572,424**	**77,283**	**-**	**4,109,431**

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)
Foreign currency risk (continued)

31 December 2023	LEK	EUR	USD	Other	Total
Assets					
Cash and balances with Central Bank	1,859,452	8,004,427	327,926	-	**10,191,805**
Loans and advances to banks	450,128	2,634,558	931,953	8,124	**4,024,763**
Securities measured at amortized cost (AC)	2,871,917	-	-	-	**2,871,917**
Loans and advances to customers	12,812,089	13,787,408	213,699	-	**26,813,196**
Other financial assets	30,123	130,353	17,091	-	**177,566**
Total Financial Assets	**18,023,708**	**24,556,745**	**1,490,669**	**8,124**	**44,079,247**
Open forward position (asset)	**-**	**51,940**	**86,648**	**-**	**138,588**
Liabilities					
Liabilities to banks	-	2,784,221	-	-	**2,784,221**
Liabilities to customers	13,479,543	17,365,436	1,564,623	5,936	**32,415,538**
Other borrowed funds	-	3,412,262	-	-	**3,412,262**
Other financial liabilities	308,936	185,890	16,557	18	**511,400**
Subordinated debt	-	749,186	-	-	**749,186**
Total Financial Liabilities	**13,788,479**	**24,496,995**	**1,581,180**	**5,954**	**39,872,607**
Open forward position (liability)	51,900	86,220	-	-	**138,120**
Net on-balance sheet currency position	**4,235,230**	**59,751**	**(90,511)**	**2,170**	**4,206,639**
Off-balance sheet commitments and guarantees					
Credit commitments	870,351	1,589,476	127,025	-	**2,586,852**
Off balance sheet - letters of credit	-	-	2,144	-	**2,144**
Off balance sheet - bank guarantees	471,493	592,667	56,364	-	**1,120,524**
Total credit related commitments	**1,341,844**	**2,182,143**	**185,533**	**-**	**3,709,520**

The Bank's sensitivity analysis takes into consideration the 10-year historical exchange rates movements of the ALL against the foreign currencies, EUR and USD. Following the calculated historical shocks and related financial impact based on the Bank's open currency positions, the sensitivity towards exchange rates risk is measured and reported to key management personnel and included in the ICAAP calculations. This analyze is based on statistical methods and it represents management's assessment of effects from reasonably possible changes in foreign exchange rates.

The calculation of economic capital necessary to cover currency risk shows the impact that a historical extreme exchange rate shock would have on the bank, given its present currency risk exposure. The calculation of such impact based on 31 December 2024 data and 31 December 2023 (under a standard scenario) is presented below:

			Effect on profit or loss	
Currency	**Historical shocks 2024**	**Historical shocks 2023**	**31 December 2024**	**31 December 2023**
EUR	2.05%	1.93%	(3,361)	(2,039)
USD	2.99%	4.68%	(122)	(206)
Total			**(3,482)**	**(2,245)**

5. Financial risk management (continued)
Foreign currency risk (continued)
Exchange rate shock is determined as follows:

- For a period of ten years, the daily exchange rates for each currency pair are listed. The currency pairs are the bank's functional currency (Lek) against each of the foreign currencies of the bank's OCPs. The year-on-year change (i.e. holding period = one year) is identified as the movement, expressed as a percentage, of the exchange rate of each of the foreign currencies.
- The profit or loss impact for each of the bank's OCPs is calculated for each simultaneous year-on-year change (by multiplying for each currency the OCP by each year-on-year exchange rate change).
- The simultaneous historical exchange rate movements of all currencies leading to the 1st percentile largest aggregated loss impact are taken.

Economic capital necessary to cover currency risk is obtained by multiplying each OCP by its respective exchange rate shock and these results are aggregated, i.e. positive and negative impacts are netted.

Interest rate risk

Interest rate risk specifies the risk that movements in market interest rates will adversely affect the Bank's economic value and its interest earnings and eventually capital. Changes in market interest rates can affect the Bank in a direct way, for balance sheet positions indexed to market reference rates (i.e. customer loans with variable interest rates, indexed to 12M TRIBOR, 12M T-Bills rates, 12M EURIBOR and 12M LIBOR, or EUR borrowed funds indexed to 6M and 12M EURIBOR). In addition, other positions might be affected accordingly, because of a pricing decision, in order to reflect the market changes.

The Bank does not aim to earn profits through speculation in the interest rate market. Rather, it seeks to ensure that its interest rate structure is sufficiently balanced across all maturities by staying within the limits defined in the Interest Rate Risk Management Policy and Central Bank Instruction on Interest Rate Risk Management. The Bank achieves this by matching repricing profiles between assets and liabilities. The measurement, monitoring, limiting and management of interest rate risk by the bank is based on both the economic value impact (EVI) and P&L-oriented perspectives. The assets and liabilities are distributed across time buckets according to the contractual terms, thereby aggregating individual contracts into homogeneous groups.

1) Economic perspective – the risk of interest rate changes resulting in a loss in the present value of all interest rate sensitive positions. The economic value risk is measured by the economic value impact which represents the change in present value of the Bank's future cash flows which would result in the case of an interest rate shock. The economic value risk has a longer-term perspective and therefore identifies the risk arising from long term re-pricing mismatches. The size of the economic value impact depends on the repricing structure and characteristics of interest sensitive assets and liabilities, as well as on the assumed interest rate change.

2) Earnings perspective – the risk of interest rate changes resulting in a loss in the profit and loss account in the balance sheet within a defined timeframe. Interest earnings risk considers how changes in interest rate could affect the Bank's profitability, over a defined time horizon, given its current re-pricing structure. The interest earnings risk has a short-term perspective (up to one year) and identifies the risk arising from shorter-term re-pricing mismatches. It is measured by the interest earnings impact2, which displays the change in the net interest income over the one year time horizon, factoring in also the effect of fair-value change of financial instruments.

Both analyses are performed using an instant shock (parallel shift of the yield curve) high enough to cover different scenarios of yield curve shifts, which is done for all interest rate risk relevant currencies. Only by assessing both perspectives (i.e. the long and the short term) simultaneously, it is possible to determine the full scope of the interest rate risk exposure. Moreover, besides the EUR or USD interest rates frequently used as benchmarks, other market-relevant interest rates are also used.

Considering Lek, EUR and USD denominated asset and liability structures as at 31 December 2024 and 2023, and assuming a parallel shift of interest rates in rate sensitive assets and liabilities, the Bank's interest rate risk profile is presented below:

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)
Interest risk rate (continued)

LEK Interest Sensitivity Gap At 31 December 2024		**Up to 1 month**	**1-6 months**	**6-12 months**	**1-2 Years**	**2-5 Years**	**More than 5 Years**	**Total interest sensitive**	**No interest sensitive**
Assets									
Cash on hand		-	-	-	-	-	-	-	1,532,221
Balances with Central Banks		857,697	-	-	-	-	-	857,697	-
Current accounts with banks		-	-	-	-	-	-	-	-
T-bills and marketable securities	Fixed	1,888,311	337,918	460,733	15,995	-	-	2,702,957	(4,825)
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		-	-	-	-	-	-	-	-
Loans and advances to customers	Fixed	409,553	2,317,634	2,108,011	218,893	118,295	55,145	5,227,531	-
	Var.	939,473	4,574,779	4,725,795	182,366	214,898	163,910	10,801,222	-
Off balance sheet items		28,836	374,843	490,060	-	-	-	893,739	-
Other financial assets		-						-	-
Total assets		**4,123,870**	**7,605,174**	**7,784,599**	**412,254**	**333,193**	**219,055**	**20,483,146**	**1,527,396**
Liabilities									
Current accounts from banks		287,368	-	-	-	-	-	287,368	-
Current accounts from customers		4,262,905	1,283,080	752,224	1,212,892	1,993,957	-	9,505,057	98,195
Deposits from customers		352,062	909,025	2,654,397	1,398,861	744,017	31,552	6,089,915	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-		-
	Var.	-	-	-	-	-	-	-	-
Off balance sheet items		-	-	-	-	-	-	-	-
Other financial liabilities		39,280	-	-	-	-	-	39,280	-
Total liabilities		**4,941,615**	**2,192,105**	**3,406,621**	**2,611,753**	**2,737,974**	**31,552**	**15,921,620**	**98,195**
IR sensitivity gap- open position		**(817,746)**	**5,413,069**	**4,377,979**	**(2,194,499)**	**(2,404,781)**	**187,502**	**4,561,525**	**-**

EUR Interest Sensitivity Gap At 31 December 2024		**Up to 1 month**	**1-6 months**	**6-12 months**	**1-2 Years**	**2-5 Years**	**More than 5 Years**	**Total interest sensitive**	**No interest sensitive**
Assets									
Cash on hand		-	-	-	-	-	-	-	818,749
Balances with Central Banks		4,552,328	-	-	-	-	-	4,552,328	-
Current accounts with banks		1,559,738	-	-	-	-	-	1,559,738	257,573
T-bills and marketable securities	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		1,119,354	-	-	-	-	-	1,119,354	-
Loans and advances to customers	Fixed	352,681	1,743,484	1,761,735	241,324	119,000	11,030	4,229,254	-
	Var.	1,699,150	5,731,808	6,439,781	391,511	356,238	236,149	14,854,637	-
Off balance sheet items		123,103	785,122	974,925	-	-	-	1,883,149	-
Other financial assets		39,260	-	-	-	-	-	39,260	-
Total assets		**9,445,614**	**8,260,414**	**9,176,441**	**632,835**	**475,238**	**247,179**	**28,237,720**	**1,076,322**
Liabilities									
Current accounts from banks		237,632	1,209,252	1,523,538	525,650	5,692	-	3,501,764	-
Current accounts from customers		4,981,384	1,482,418	999,276	1,727,142	3,060,766	-	12,250,997	40,497
Deposits from customers		548,004	1,736,467	2,851,860	832,200	376,256	107,042	6,451,830	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-		-
	Var.	269,890	2,226,613	1,298,028	103,268	240,675	380,770	4,519,243	-
Off balance sheet items		-	-	-	-	-	-	-	-
Other financial liabilities		5,889	-	-	-	-	-	5,889	-
Total liabilities		**6,042,799**	**6,654,750**	**6,672,702**	**3,188,260**	**3,683,389**	**487,812**	**26,729,723**	**40,497**
IR sensitivity gap- open position		**3,402,805**	**1,605,663**	**2,503,738**	**(2,555,426)**	**(3,208,151)**	**(240,633)**	**1,507,997**	**-**

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)

Interest risk rate (continued)

USD Interest Sensitivity Gap At 31 December 2024		Up to 1 month	1-6 months	6-12 months	1-2 Years	2-5 Years	More than 5 Years	Total interest sensitive	No interest sensitive
Assets									
Cash on hand		-	-	-	-	-	-	-	118,861
Balances with Central Banks		190,324	-	-	-	-	-	190,324	23,696
Current accounts with banks		717,298	-	-	-	-	-	717,298	-
T-bills and marketable securities	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		-	-	-	-	-	-	-	-
Loans and advances to customers	Fixed	880	150,754	4,053	520	430	-	156,638	-
	Var.	5,034	38,921	119,944	1,308	1,266	19	166,491	-
Off balance sheet items		-	-	1,872	-	-	-	1,872	-
Other financial assets		5,888	-	-	-	-	-	5,888	-
Total assets		**919,424**	**189,675**	**125,869**	**1,828**	**1,696**	**19**	**1,238,511**	**142,557**
Liabilities									
Current accounts from banks		-	-	-	-	-	-	-	-
Current accounts from customers		435,304	241,483	48,778	42,394	-	-	767,958	7,433
Deposits from customers		134,305	76,845	37,073	122,734	61,020	-	631,977	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Off balance sheet items		-		-	-	-	-	-	-
Other financial liabilities		-	-	-	-	-	-	-	-
Total liabilities		**569,609**	**318,328**	**85,851**	**165,128**	**61,020**	**-**	**1,399,935**	**7,433**
IR sensitivity gap- open position		**349,816**	**(128,652)**	**(159,983)**	**(163,300)**	**(59,324)**	**18**	**(161,424)**	**-**

LEK Interest Sensitivity Gap At 31 December 2023		Up to 1 month	1-6 months	6-12 months	1-2 Years	2-5 Years	More than 5 Years	Total interest sensitive	No interest sensitive
Assets									
Cash on hand		-	-	-	-	-	-	-	1,709,281
Balances with Central Banks		8,438,138	-	-	-	-	-	8,438,138	44,386
Current accounts with banks		2,765,732	-	-	-	-	-	2,765,732	572,359
T-bills and marketable securities	Fixed	1,642,755	706,876	372,833	175,476	-	-	2,897,940	(16,689)
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		1,167,423	-	-	-	-	-	1,167,423	-
Loans and advances to customers	Fixed	830,703	3,424,274	4,194,932	551,173	418,142	68,145	9,487,369	-
	Var.	1,894,634	7,730,544	8,755,201	225,408	336,908	198,478	19,141,173	-
Off balance sheet items		295,956	1,157,179	1,125,500	-	-	-	2,578,635	-
Other financial assets		138,588	-	-	-	-	-	138,588	-
Total assets		**17,173,929**	**13,018,873**	**14,448,466**	**952,057**	**755,050**	**266,623**	**46,614,998**	**2,309,337**
Liabilities									
Current accounts from banks		-	2,808,678	645,264	531,367	19,172	-	4,004,481	-
Current accounts from customers		557,689	1,869,467	4,297,544	2,273,208	31,654	-	9,029,562	12,912,687
Deposits from customers		1,173,622	1,739,337	5,318,617	1,733,303	784,162	90,119	10,839,160	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-
	Var.	376,501	2,778,093	48,772	43,122	113,463	14,857	3,374,808	-
Off balance sheet items		-	-	-	-	-	-	-	-
Other financial liabilities		138,120	-	-	-	-	-	138,120	-
Total liabilities		**2,245,932**	**9,195,575**	**10,310,197**	**4,581,000**	**948,451**	**104,976**	**27,386,131**	**12,912,687**
IR sensitivity gap- open position		**14,927,997**	**3,823,298**	**4,138,269**	**(3,628,943)**	**(193,401)**	**161,647**	**19,228,867**	**-**

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)
Interest risk rate (continued)

EUR Interest Sensitivity Gap At 31 December 2023		Up to 1 month	1-6 months	6-12 months	1-2 Years	2-5 Years	More than 5 Years	Total interest sensitive	No interest sensitive
Assets									
Cash on hand		-	-	-	-	-	-	-	509,439
Balances with Central Banks		7,494,988	-	-	-	-	-	7,494,988	-
Current accounts with banks		1,833,781	-	-	-	-	-	1,833,781	572,359
T-bills and marketable securities	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		717,187	-	-	-	-	-	717,187	-
Loans and advances to customers	Fixed	369,890	1,417,875	2,060,764	282,781	158,693	33,673	4,323,676	-
	Var.	1,195,112	4,619,260	4,223,368	128,927	191,963	121,410	10,480,040	-
Off balance sheet items		264,732	631,333	689,076	-	-	-	1,585,141	-
Other financial assets		51,940	-	-	-	-	-	51,940	-
Total assets		**11,927,630**	**6,668,468**	**6,973,208**	**411,708**	**350,656**	**155,083**	**26,486,753**	**1,081,798**
Liabilities									
Current accounts from banks		-	2,808,678	645,264	531,367	19,172	-	4,004,481	-
Current accounts from customers		379,589	1,272,417	2,925,033	1,525,680	-	-	6,102,719	7,123,950
Deposits from customers		475,277	606,525	2,334,885	551,097	306,421	31,434	4,305,639	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-
	Var.	376,501	2,778,093	48,772	43,122	113,463	14,857	3,374,808	-
Off balance sheet items		-	-	-	-	-	-	-	-
Other financial liabilities		86,220	-	-	-	-	-	86,220	-
Total liabilities		**1,317,587**	**7,465,713**	**5,953,954**	**2,651,266**	**439,056**	**46,291**	**17,873,867**	**7,123,950**
IR sensitivity gap- open position		**10,610,043**	**(797,245)**	**1,019,254**	**(2,239,558)**	**(88,400)**	**108,792**	**8,612,886**	**-**

USD Interest Sensitivity Gap At 31 December 2023		Up to 1 month	1-6 months	6-12 months	1-2 Years	2-5 Years	More than 5 Years	Total interest sensitive	No interest sensitive
Assets									
Cash on hand		-	-	-	-	-	-	-	91,592
Balances with Central Banks		191,948	-	-	-	-	-	191,948	44,386
Current accounts with banks		931,951	-	-	-	-	-	931,951	-
T-bills and marketable securities	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		-	-	-	-	-	-	-	-
Loans and advances to customers	Fixed	489	20,490	5,441	-	-	-	26,420	-
	Var.	11,328	174,226	6,910	1,368	2,140	205	196,177	-
Off balance sheet items		-	125,726	1,144	-	-	-	126,870	-
Other financial assets		86,648	-	-	-	-	-	86,648	-
Total assets		**1,222,364**	**320,442**	**13,495**	**1,368**	**2,140**	**205**	**1,560,014**	**135,978**
Liabilities									
Current accounts from banks		-	-	-	-	-	-	-	-
Current accounts from customers		7,861	26,394	60,687	63,288	31,654		189,884	625,229
Deposits from customers		217,235	70,364	360,180	98,605	17,733	-	764,117	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Off balance sheet items		-		-	-	-	-	-	-
Other financial liabilities		-	-	-	-	-	-	-	-
Total liabilities		**225,096**	**96,758**	**420,867**	**161,893**	**49,387**	**-**	**954,001**	**625,229**
IR sensitivity gap- open position		**997,268**	**223,684**	**(407,372)**	**(160,525)**	**(47,247)**	**205**	**606,013**	**-**

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)

Interest risk rate (continued)

The table below summarizes the effects based on the internal analyses and implemented methodology for quantification of interest rate risk. The analysis and calculations are done to quantify the effect of the interest rates movements on economic value and interest earnings over a 12-month time horizon, and consequently to analyze and mitigate related risks, by improving the repricing structure, when this is possible. Considering EUR and USD denominated asset and liability structures as at 31 December 2024 and 2023, and assuming a parallel shift of interest rate for +/-200bp in rate sensitive assets and liabilities, the Bank's interest rate risk profile is presented below, based on interest earnings effects, where negative figures represent possible losses and decrease of net equity.

Estimated economic value effect	2024		2023	
	+200 bp	-200 bp	+200 bp	-200 bp
Change Lek market rates	100,004	(109,074.4)	(41,100)	41,375
Change EUR market rates	249,069	(271,300.8)	59,556	(60,875)
Change USD market rates	11,199	(11,629.1)	13,274	(13,771)
Total effect (netted)	360,272	(392,004)	31,729	(33,270)
As % of capital	6.5%	-7%	0.6%	-0.7%

Liquidity risk

Liquidity risk is the risk that the Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. The Bank must therefore maintain at all times sufficient liquid funds available to meet its obligations, even in view of potential extraordinary circumstances. Liquidity risk management includes as well the longer-term perspective (structural), defined as funding risk. Funding risk is the danger that additional funding can no longer be obtained, or can only be obtained at increased market interest rates. It can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

To mitigate liquidity and funding risk, the Bank diversifies funding sources and manages the assets with liquidity caution, maintaining a balance of cash and cash equivalents sufficiently enough to meet immediate liability calls. The Bank aims to keep the expected cumulative maturity gap positive, for at least a period of 90 days (survival period at 90 days, being a limit for the standard scenario and trigger for extended stress scenario, as defined in the Liquidity Management Policy). As for December 2024, the survival period of the Bank for all currencies in total is calculated above 360 days.

The table below presents financial assets and liabilities by remaining contractual maturities at the reporting date, or by expected maturities.

(All amounts expressed in Lek'000, unless otherwise stated)

5. Financial risk management (continued)
Liquidity risk (continued)

31 December 2024	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and balances with Central Bank	8,093,555	-	-	-	-	**8,093,555**
Investment securities measured at AC	1,598,008	597,169	306,086	193,554	-	**2,694,817**
Due from other banks	3,653,624	-	-	-	-	**3,653,624**
Loans and advances to customers	290,266	3,907,039	4,178,840	13,149,630	11,227,578	**32,753,354**
Other financial assets	254,465	-	-	-	-	254,465
Total	**13,889,918**	**4,504,208**	**4,484,926**	**13,343,184**	**11,227,578**	**47,449,815**
Liabilities						
Liabilities to banks	95,541	1,136,831	1,435,953	491,175	-	**3,159,499**
Customer accounts – Private	9,270,685	1,923,050	4,055,419	4,387,730	11,885	**19,648,768**
Customer accounts – Business	13,826,763	1,177,836	553,356	491,108	-	**16,049,062**
Other borrowed funds	98	495,072	373,606	1,582,891	499,483	**2,951,151**
Subordinated debt	-	10,852	-	-	1,177,800	**1,188,652**
Gross loan commitments	2,788,203	-	-	-	-	**2,788,203**
Financial guarantees	1,321,228	-	-	-	-	**1,321,228**
Other financial liabilities	547,815	-	-	-	-	**547,815**
Total potential future payments for financial obligations	**27,850,333**	**4,743,641**	**6,418,334**	**6,952,904**	**1,689,168**	**47,654,378**
Liquidity gap arising from financial instruments	**(13,960,414)**	**(239,432)**	**(1,933,407)**	**6,390,281**	**9,538,410**	**(204,562)**

31 December 2023	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and balances with Central Bank	10,191,805	-	-	-	-	**10,191,805**
Investment securities measured at AC	1,098,744	981,425	488,803	302,944	-	**2,871,917**
Loans and advances to customers	581,354	4,833,704	6,656,053	10,080,039	4,662,046	**26,813,196**
Other financial assets	177,566	-	-	-	-	**177,566**
Total	**12,049,469**	**5,815,129**	**7,144,856**	**10,382,983**	**4,662,046**	**40,054,484**
Liabilities						
Liabilities to banks	-	1,934,674	849,547	-	-	**2,784,221**
Customer accounts – Private	8,269,748	1,605,663	3,128,932	3,832,113	3,991	**16,840,446**
Customer accounts – Business	14,211,042	198,822	433,829	731,399	-	**15,575,092**
Other borrowed funds	-	282,619	211,470	2,823,737	94,436	**3,412,262**
Subordinated debt	-	22,026	-	-	727,160	**749,186**
Gross loan commitments	2,586,852	-	-	-	-	**2,586,852**
Financial guarantees	1,122,668	-	-	-	-	**1,122,668**
Other financial liabilities	511,400	-	-	-	-	**511,400**
Total potential future payments for financial obligations	**26,701,710**	**4,043,804**	**4,623,778**	**7,387,249**	**825,587**	**43,582,127**
Liquidity gap arising from financial instruments	**(14,652,241)**	**1,771,325**	**2,521,078**	**2,995,734**	**3,836,459**	**(3,527,643)**

5. Financial risk management (continued)
Liquidity risk (continued)
In order to measure short-term liquidity risk, the Bank uses the contractual liquidity data as a basis and adjustments are made wherever it is not sensible to apply the contractual maturity from a liquidity risk perspective. The adjustments are done when calculating the sufficient liquidity indicator (SLI), survival period and stress tests as defined in the Liquidity Risk Management Model (LRM Model), approved and applicable at the Group level. The adjustments are made by applying certain assumptions, which transform the contractual maturities of highly liquid assets, inflows and liabilities due in the tested period into maturities which are assumed to depict their behavior in case if the defined scenarios materialize. Assumptions have been chosen with the aim of being prudent based on historical analyses, regulations, theoretical foundations, operational requirements and risk managers and expert opinions.

Following the above, i.e. the current and saving deposits are classified as due on demand and maturing within one month, based on their contractual maturity. As a result, the contractual liquidity gap of up to twelve months results in negative. However, the possibility that such large amounts of customer deposits, amounting to approx. 57% of total deposits will leave the Bank within 1 month or even 12 months period is very unlikely and not historically evidenced, including times of crisis. Following the LRM Model, current and savings accounts are distributed in different time buckets, by applying different outflows rates, as resulted from the related historical analyses over a period of more than 10 years (including the 2008 financial crisis) and by covering as well potential risks related to deposits concentration (dependency from large depositors). Following this the applicable 1-month outflow rates vary from 9%, to 12% and 32% (for high-risk categories), respectively for standard and stress scenarios, being higher than any historical evidence. In any event that these are not sufficient, or increased concentration risk is assessed, the Bank has to adjust / increase these rates accordingly and still is required to comply with the related limits.

In addition, the Bank maintains a portfolio of highly marketable financial assets that can easily be liquidated or used under a repo mechanism, as a protection against any unforeseen interruption to cash flows. From a liquidity management point of view, these assets fall under the first maturity bucket and provide therefore a buffer in case of unexpected outflows. On the other side, the Bank has established and maintains relationships with local and international counterparts, as well as with different IFI-s, in relation to any needs for raising funds in the Money Market or having access to longer term funding alternatives, based on careful liquidity projections performed on monthly bases. It should be emphasized that the deposit strategy remains the main focus of the Bank, aiming to provide stable and diversified funding from the targeted core clientele, in order to cover any expected or unexpected outflows as well as to support the aimed growth. Liquidity Risk Management is based on and supported by a well-designed risk management framework, consisting of the Liquidity Strategy, Liquidity Risk Management Policy (including LRM Model) and Procedures, Liquidity Contingency Plan, Recovery Plan, specialized responsible structures and steering committees (ALCO and RMCO). The Management of the Bank is monitoring the liquidity risk management and all related liquidity ratios and indicators against internal and regulatory requirements on a daily, weekly and monthly basis. As a result, Management believes that the short-term liquidity gap is being managed accordingly.

6. Management of capital
The Bank's objectives when managing capital, which is a broader concept than the 'equity' presented on the face of the balance sheet, are:
- to comply with the capital requirements set by the Bank of Albania;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are regularly monitored by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by Bank of Albania, for supervisory purposes. The required information is filed with Bank of Albania on a quarterly basis. Bank of Albania requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of 1 billion Lek and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel II ratio') at or above minimum of 12%. In addition, the bank ensures to fulfil at any times additional capital requirements, as resulted by the local ICAAP reported to the Central Bank, as well as applicable macro-prudential buffers, as defined in the related regulation and Governor Decisions.

(All amounts expressed in Lek'000, unless otherwise stated)

6. Management of capital (continued)

Regulatory capital is the Bank's capital, calculated pursuant to the requirements of the Bank of Albania regulations to cover credit risk, market risk and operational risk. The Bank's regulatory capital is divided into two tiers. The Bank calculates the regulatory capital as the sum of Tier 1 capital and Tier 2 capital, considering the deductions pursuant to the requirements prescribed in the Bank of Albania regulations. The Banks calculates risk-weighted exposures as the sum of the following elements:

- Items of exposures and possible exposures weighted for the credit, or counterparty risk;
- Capital requirements for market risks; and
- Capital requirement for operational risk.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2024 and 2024. During these two years, the Bank complied with all of the externally imposed capital requirements. Should be noted that the following amounts are based on Bank of Albania regulations and do not necessarily agree to the amounts shown in these financial statements:

Tier 1 capital	**2024**	**2023**
Share capital	5,711,469	5,711,469
Statutory reserve	725,853	717,165
Statutory accumulated (losses)/profits	(2,060,801)	(2,196,263)
Statutory intangible assets	(4,084)	(4,806)
Total qualifying Tier 1 capital	**4,372,437**	**4,227,565**
Tier 2 capital		
Subordinated liability	1,177,800	750,345
Other deductions	-	-
Total qualifying Tier 2 capital	**1,177,800**	**750,345**
Total regulatory capital	**5,550,237**	**4,977,910**
Total risk-weighted assets	**30,447,270**	**23,622,565**

Risk-weighted assets:		
On-balance sheet	26,201,647	20,135,972
Off-balance sheet	1,347,841	1,111,255
Risk assets for operational risk	2,756,807	2,375,273
Risk assets for market risk	140,975	-
Total risk-weighted assets	**30,447,270**	**23,622,500**
Tier I capital adequacy ratio	**14.36%**	**17.90%**
Total capital adequacy ratio	**18.23%**	**21.07%**

Capital adequacy is monitored additionally using a uniform capital adequacy calculation method across the ProCredit group in accordance with the guidelines of the Basel Committee (Basel III). The capital management of the Bank is governed by the Bank Policy on ICAAP. Regulatory and Basel III capital ratios, the Tier 1 leverage ratio ICAAP triggers and limit are monitored on a monthly basis by the Bank's ALCO/Risk Management Committee as well as reported to the respective Group's structures.

ICAAP – Economic perspective

In addition to the above mentioned, which aims to ensure that the Bank can meet all regulatory and external obligations and resulting internal requirements on an ongoing basis in the medium term (normative perspective), the Bank complements its ICAAP with an economic perspective, as well. The economic perspective mainly serves to safeguard the bank's economic substance in the long term. The assessment is expected to cover the full universe of risks that may have a material impact on the capital position from an economic perspective. Own processes and methodologies are used to identify and quantify risks, and to set aside internal capital for expected losses (insofar as these are not considered in the determination of internal capital) and unexpected losses. The methods used to calculate the amount of economic capital required to cover the different risks to which the bank is exposed are based on statistical models, to the extent that appropriate models are available.

6. Management of capital (continued)

ICAAP – Economic perspective (continued)

For each risk category, the economic capital required to cover the current level of risk arising in a normal operating environment (standard scenario) is calculated on a monthly basis. Economic capital requirements are then compared with the resources available to cover risk.

The following concepts are used to calculate potential losses in the different risk categories:

- Credit risk (customers): Based on a regularly updated migration analysis on the loan portfolio, the historical loss rates and their statistical distribution are calculated. The historical loss rates in different arrears categories are applied to the loan portfolio to calculate potential loan losses and therefore economic capital required. For standard scenario, loss rates based on 99% confidence level are applied and for stress scenario based on a 99.9% confidence level.
- Counterparty risk (issuer risk included): To quantify the amount of economic capital that is needed to cover the counterparty risk (including issuer risk) of the bank a standard measure, Value at Risk (VaR) is used to express the degree of credit risk inherent in the portfolios. The VaR is defined for a level of confidence and represents a loss amount, which based on the modelled loss distribution, will not be exceeded within a given time-horizon (i.e. one year for standard ICAAP – economic perspective) with the pre-defined (e.g. 99% or 99.9%) level of confidence. The credit risk expressed in the VaR measure is further separated into an "expected" and an "unexpected" loss part. The mean of the loss distribution is commonly denoted as "expected loss" (EL) – representing that part of VaR losses which can be expected to occur under standard conditions. The amount by which VaR exceeds EL is denoted as "unexpected loss" (UEL) – the part of VaR, which represents extreme loss scenarios.
- Foreign currency risk: The calculation of economic capital required to cover currency risk is based on the open currency position of the bank and an exchange rate shock in the respective currency. The simultaneous historical year-to-year exchange rate movements of all currencies leading to the 1st percentile largest aggregated loss impact (in absolute value) represent the economic capital necessary to cover currency risk.
- Interest rate risk: The calculation of economic capital necessary to cover interest rate risk is based on the interest rate risk exposure (repricing gap) in EUR, USD and the local currency of the bank (Lek), and interest rate shocks in the respective currencies. This is captured by the economic value impact indicator and calculated using instantaneous parallel shifts of yield curves. Two interest rate shock scenarios (parallel up and parallel down) are determined per currency:
    a. For EUR and USD a shock of 200 basis points up and down is used for the yield curves that reflect the interest rate environment on international markets.
    b. For the local currency as well as for EUR and USD: a parallel up and down shock, that reflects the local specifics of the market interest rates is determined, while ensuring that a minimum shock of ±200 basis points is applied (daily interest rates for each risk-free yield curve over more than ten years are used to derive the interest rate shock). Economic capital necessary to cover interest rate risk is obtained as the absolute sum of the currency specific net present value impacts, while taking into account only the adverse scenario.
- Operational risk: The value used for the internal capital adequacy calculation equals the capital charge under the Standardised Approach. Under this approach, the business activities of the Bank are subdivided into standardised business lines. The capital requirement for a given business line corresponds to a fixed percentage ("beta factor") of a relevant indicator. This indicator is calculated for each business line individually and equals the average over three years' annual gross income. The beta factor for each business line has been defined and serves as a proxy for the industry-wide relationship between the operational risk loss experience for a given business line and the aggregate level of gross income for that business line. The capital requirement for operational risk corresponds to the sum of capital requirements in the individual business lines.

7. Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(All amounts expressed in Lek'000, unless otherwise stated)

7. Fair values of financial instruments (continued)

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 inputs:

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the bank can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 Inputs:

Other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation techniques applied refer to the current fair value of similar instruments and valuation techniques using observable market parameters.

Level 3 Inputs:

Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the related assets or liabilities. If observable market rates are not available, internal rates are used as an input for a discounted cash flow model. Internal rates are determined taking into consideration the cost of funds depending on currencies and maturities plus a risk margin. Internal rates are regularly compared to those applied for third party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Financial instruments not measured at fair value for which fair value is disclosed

The following table sets 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.

				Fair value hierarchy		
As of 31 December 2024	**Category**	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets						
Cash and balances with Central Banks	AC	8,093,555	8,093,555	8,093,555	-	-
Loans and advances to banks	AC	3,653,624	3,653,624	-	3,653,624	-
Loans and advances to customers	AC	32,753,351	32,754,218	-	-	32,754,218
Investment securities	AC	2,694,819	2,695,888	-	2,695,888	-
Other assets (shares)	FVOCI	156	156	-	156	-
Other financial assets	AC	187,630	187,630	-	187,630	-
Total		**47,383,135**	**47,385,071**	**8,093,555**	**6,537,298**	**32,754,218**
Financial Liabilities						
Liabilities to banks	AC	3,159,499	3,159,499	-	3,159,499	-
Liabilities to Customers	AC	35,697,830	35,967,170	-	22,571,729	13,395,441
Borrowings	AC	2,951,151	2,865,392	-	-	2,865,392
Subordinated debts	AC	1,188,652	1,188,652	-	1,188,652	-
Other financial liabilities	AC	512,715	512,715	-	512,715	-
Total		**43,509,847**	**43,693,428**	-	**27,432,595**	**16,260,833**

(All amounts expressed in Lek'000, unless otherwise stated)

7. Fair values of financial instruments (continued)

				Fair value hierarchy		
As of 31 December 2023	**Category**	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets						
Cash and balances with Central Banks	AC	10,191,805	10,191,805	10,191,805	-	-
Loans and advances to banks	AC	4,024,763	4,024,763	-	4,024,763	-
Loans and advances to customers	AC	26,813,196	26,692,011	-	-	26,692,011
Investment securities	AC	2,871,917	2,872,988	-	2,872,988	-
Other assets (shares)	FVOCI	165	165	-	165	-
Other financial assets	AC	177,566	177,566	-	177,566	-
Total		**44,079,412**	**43,959,298**	**10,191,805**	**7,075,482**	**26,692,011**
Financial Liabilities						
Liabilities to banks	AC	2,784,221	2,784,221	-	2,784,221	-
Liabilities to Customers	AC	32,415,538	32,298,744	-	21,576,376	10,722,368
Borrowings	AC	3,412,262	3,303,210	-	521,176	2,782,034
Subordinated debts	AC	749,186	749,186	-	749,186	-
Other financial liabilities	AC	511,400	511,400	-	511,400	-
Total		**39,872,607**	**39,646,761**	-	**26,142,359**	**13,504,402**

Categories: AC - Amortized cost;

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates and prepayment rates. To improve the accuracy of the valuation, estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics.

The fair value of deposits from banks and customers is estimated by using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

The fair value of borrowings and subordinated debt is based on discounted contractual cash flows, taking into consideration market interest rates, which would have been payable by the Bank in need of replacing the old sources with the new ones of equal remaining maturity.

8. Presentation of Financial Instruments by Measurement Category

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

Under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

(All amounts expressed in Lek'000, unless otherwise stated)

8. Presentation of Financial Instruments by Measurement Category (continued)

As at 31 December 2024	FVOCI	AC	Total
Cash and current accounts with banks	-	8,093,555	8,093,555
Loans and advances to banks	-	3,653,624	3,653,624
Other financial assets	-	187,630	187,630
Loans to Business	-	**28,749,671**	**28,749,671**
Loans to customers	-	21,288,902	21,288,902
Overdrafts	-	7,460,769	7,460,769
Loans to Private	-	**4,003,680**	**4,003,680**
Loans to customers	-	3,925,549	3,925,549
Overdrafts	-	64,888	64,888
Credit Cards	-	13,243	13,243
Total loans and advances to customers	-	**32,753,351**	**32,753,351**
Investment securities	-	**2,694,819**	**2,694,819**
Albanian Government Treasury Bills	-	2,194,914	2,194,914
Albanian Government Bonds	-	499,905	499,905
Total Financial Assets	-	**47,382,979**	**47,382,979**

As at 31 December 2023	FVOCI	AC	Total
Cash and current accounts with banks	-	10,191,805	10,191,805
Loans and advances to banks	-	4,024,763	4,024,763
Other financial assets	-	177,566	177,566
Loans to Business	-	**23,964,594**	**23,964,594**
Loans to customers	-	18,237,492	18,237,492
Overdrafts	-	5,727,102	5,727,102
Loans to Private	-	**2,848,602**	**2,848,602**
Loans to customers	-	2,796,035	2,796,035
Overdrafts	-	45,419	45,419
Credit Cards	-	7,148	7,148
Total loans and advances to customers	-	**26,813,196**	**26,813,196**
Investment securities	-	**2,871,917**	**2,871,917**
Albanian Government Treasury Bills	-	2,568,973	2,568,973
Albanian Government Bonds	-	302,944	302,944
Total Financial Assets	-	**44,079,247**	**44,079,247**

(All amounts expressed in Lek'000, unless otherwise stated)

9. Net interest income

	2024	2023
Interest income from		
Loans and advances to customers	1,766,105	1,500,145
Investment securities measured at AC	106,369	116,886
Loans and advances to financial institutions	173,503	135,111
Other interest income	5,969	5,369
Total interest income	**2,051,945**	**1,757,511**
Interest expense on		
Liabilities to customers	319,927	234,579
Interest expenses on subordinated debts	66,604	61,262
Interest expenses on financial institutions	272,935	271,416
Other	5,594	3,928
Total interest expense	**665,060**	**571,185**
Net interest income	**1,386,886**	**1,186,326**

Interest income and expenses are recognized in Statement of profit or loss on an accrual basis. Net interest Income is calculated on the gross book value of a financial asset; for financial assets in Stage 3, net interest income is calculated on the net book value of a financial asset. Payments received in respect of written-off loans are not recognized in the net interest income, but rather under "Loss allowance".

10. Loss allowance

	2024	2023
Change in loss allowances	(46,242)	129,643
Recovery of written-off loans	64,581	61,416
Total	**18,339**	**191,059**

11. Net fee and commission income

Fees and commissions income were comprised as follows:

Fee and commission income from:	2024	2023
Payment services	115,065	100,569
Debit/credit cards	61,415	45,327
Account maintenance	127,567	123,666
Letters of credit and guarantees	23,821	15,922
Others	1,069	1,014
Total	**328,937**	**286,498**

Fee and commission expenses on:		
Payment services	61,431	56,180
Debit/credit cards	96,446	73,410
Account maintenance	12,586	12,705
Letters of credit and guarantees	-	21,216
Others	120	17
Total	**170,582**	**163,528**
Net fee and commission income	**158,355**	**122,970**

(All amounts expressed in Lek'000, unless otherwise stated)

12. Net other operating result

Other operating income from:	**2024**	**2023**
Reversal of provision not related to lending	25,028	4,819
Sale of repossessed properties	29,118	29,562
Sale of property, plant and equipment	46	-
Others	21,764	12,287
Total	**75,956**	**46,668**

Other operating expenses for:		
Deposit insurance	50,025	46,669
Disposal of property, plant and equipment	83	507
Impairment of repossessed properties	-	30,530
Impairment on claims to customers	2,886	14,734
Expenses for banking supervision	21,070	19,482
Litigation settlements	-	2,979
Others	13,223	16,850
Total	**87,287**	**131,751**
Net other operating result	**(11,330)**	**(85,083)**

13. Administrative Expenses

	2024	**2023**
IT, Maintenance and repairs	378,173	318,853
Non-profit tax expenses	172,930	132,864
Consultancy, legal fees and other services	127,801	108,481
Depreciation of property, plant and equipment	109,886	91,148
Security services	89,200	81,586
Marketing, advertising and representation	55,830	52,292
Telephone and electricity	59,302	51,471
Transport	22,894	22,119
Training	23,146	20,533
Insurance	9,992	11,770
Office supplies	8,819	9,692
Lease expenses	10,196	4,690
Amortization of intangible assets	1,154	1,658
Other expenses	10,360	10,726
Total	**1,079,683**	**917,883**

(All amounts expressed in Lek'000, unless otherwise stated)

14. Personnel expenses

Personnel expenses were comprised as follows:

	2024	2023
Salary expenses	406,445	348,562
Social insurance	41,632	34,561
Public defined contribution plan	17,843	14,812
Other	1,395	405
Total	**467,315**	**398,340**

At 31 December 2024, the Bank had 239 employees (31 December 2023: 182 employees).

15. Income tax

(a) Amounts recognized in profit or loss

Income tax in Albania is assessed at the rate of 15% (2023:15%) of taxable income. Profit before tax is based on the Law no 25/2018 date 10.05.2018 "Accounting and Financial Statement" and is calculated according to International Financial Reporting Standards. Based on the Instruction no.26 dated 08.09.2023 of the Law "On Income Tax: profit before tax is corrected with non-deductible expenses. The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense.

Income tax for the years ended 31 December 2024 and 2023 is presented as it follows:

	2024	2023
Current tax	38,402	51,846
Deferred tax (benefit)/expenses	(5,927)	1,024
Income tax expense	**32,475**	**52,870**

(b) Reconciliation of the effective tax rate

The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense:

	2024	2023
Profit / (Loss) before tax	178,658	226,635
Theoretical charge / (credit) tax calculated at 15% (2023:15%)	26,799	33,995
Non-taxable income	(10,205)	(1,115)
Non-deductible expenses	15,881	19,990
Income tax expense	**32,475**	**52,870**

Non-deductible expenses relate to expenditure that are not tax deductible from the calculation of taxable profit/loss as defined in the Law No. 29/2023, dated 30 March 2023 "On Income Tax".

16. Cash and balances with Central Bank

Cash and balances with Central Bank consisted of the following:

	2024	2023
Cash on hand	2,469,830	1,709,280
Current account with Central Bank of Albania	2,146,650	5,197,782
	4,616,480	**6,907,062**
Compulsory reserve with Central Bank of Albania	3,477,395	3,292,367
Allowance for impairment losses	(320)	(7,624)
Total	**8,093,555**	**10,191,805**

(All amounts expressed in Lek'000, unless otherwise stated)

16. Cash and balances with Central Bank (continued)

Compulsory reserves with Central Bank represent a minimum reserve deposit, required by the Central Bank of Albania. Such reserves are calculated as 7.5% of balances of deposits in ALL up to one-year maturity and 5% of balances of deposits in Lek that do not exceed two-year maturity. Whereas the mandatory reserve for deposits in foreign currencies (mainly USD and EUR) is calculated as 12.5% of balances of deposits up to two-year maturity in case the share of foreign deposits over total deposits does not exceed 50%. In case its share is above 50% then the mandatory reserves is calculated as 20% of balances of deposits that exceed the predefined limit.

Cash and cash equivalents at 31 December 2024 and 2023 are presented below:

	2024	**2023**
Cash and balances with Central bank	4,616,480	6,907,062
Loans and advances to financial institutions with maturities of three months or less	3,653,639	4,024,786
Total	**8,270,119**	**10,931,848**

Cash and balances with central banks

The credit quality of cash and balances with central banks is provided below. Central Bank of Albania is not rated. However, the Albanian Government is rated as B+ by S&P and by Moody's B1, with stable outlook.

31 December 2024	**Rating**	**Cash balances with central banks, including mandatory reserves**	**Albanian Government securities with maturities less than 3 months**	**Total**
Low credit risk exposures (Stage 1)				
Central Bank of Albania	B+			
- Current accounts		2,146,650	-	2,146,650
- Compulsory reserve		3,477,395	-	3,477,395
- Government securities			2,195,278	2,195,278
Total cash and balances with central banks		**5,624,045**	**2,195,278**	**7,819,323**

31 December 2023	**Rating**	**Cash balances with central banks, including mandatory reserves**	**Albanian Government securities with maturities less than 3 months**	**Total**
Low credit risk exposures (Stage 1)				
Central Bank of Albania	B+			
- Current accounts		5,197,782	-	5,197,782
- Compulsory reserve		3,292,367	-	3,292,367
- Government securities			2,080,524	2,080,524
Total cash and balances with central banks		**8,490,149**	**2,080,524**	**10,570,673**

(All amounts expressed in Lek'000, unless otherwise stated)

17. Loans and advances to financial institutions

Loans and advances to financial institutions are detailed as follows:

	2024	2023
Deposits with resident banks with original maturities of three months or less	147,228	450,129
Deposits with non-resident banks with original maturities of three months or less	3,506,397	3,574,634
Total	**3,653,625**	**4,024,763**

Interbank exposures are closely monitored on a daily basis by Risk Management Department and Treasury Unit. The Bank limits its deposits and other banking transactions to sound local or international banks. Before a business relationship is initiated with a given bank, the management and the Risk Management Department carry out an analysis of the institution's financial standing. The financial performance of the counterparties is continuously monitored. Moreover, all correspondent banks as well as bond issuers in which the Bank has investment exposures are continuously monitored for their ratings by international rating agencies like: Standard & Poor's (S&P), Fitch and Moody's. A function independent from the treasury department, usually risk management, has to monitor that the exposure toward all banks does not exceed regulatory limits or internal limits set by the management of the Bank.

18. Loans and advances to customers

Loans and advances consisted of the following:

	2024	2023
Loans to customers	25,647,407	21,610,935
Overdrafts	7,580,566	5,812,174
Credit Cards	14,061	7,565
Accrued interest	100,683	116,632
	33,342,717	**27,547,306**
Credit loss allowance	(589,366)	(734,110)
	32,753,351	**26,813,196**

Movements in the allowance for credit losses on loans and advances to customers are as follows:

	2024	2023
At 1 January	734,110	1,096,229
Credit loss allowance for the year	67,657	(105,974)
Loans written off	(173,937)	(201,644)
Translation impact	(38,464)	(54,501)
Total	**589,366**	**734,110**

All the loans are denominated in Lek, EUR and USD and bear interest at the following rates:

	2024	2023
Loans in Lek	1.55% to 12.00%	2.00% to 12.00%
Loans in Euro	1.50% to 12.00%	1.50% to 9.29%
Loans in USD	5.00% to 6.07%	6.47% to 7.47%

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Loans and advances to customers and related impairment allowance for each of the Bank's internal days past due categories is presented as follows:

	31 December 2024		31 December 2023	
	Loans and advances	ECL	Loans and advances	ECL
Stage 1 and 2				
Arrears 0-7 days	32,799,620	(324,050)	26,518,518	(277,918)
Arrears 8-30 days	184,738	(2,824)	374,479	(4,980)
Arrears 31-90 days	34,747	(956)	60,819	(4,909)
Stage 3	323,612	(261,536)	593,490	(446,303)
	33,342,717	**(589,366)**	**27,547,306**	**(734,110)**

Loans and advances to customers and impairment grouped by type of customer is presented as follows.

31 December 2024	Business	Private	Total
Total gross amount	29,215,337	4,127,380	33,342,717
Credit loss allowance (individual and collective)	(465,666)	(123,700)	(589,366)
Net carrying amount	**28,749,671**	**4,003,680**	**32,753,351**

31 December 2023	Business	Private	Total
Total gross amount	24,584,092	2,963,214	27,547,306
Credit loss allowance (individual and collective)	(619,498)	(114,612)	(734,110)
Net carrying amount	**23,964,594**	**2,848,602**	**26,813,196**

Loans to customers by credit risk stages are presented below:

31 December 2024	Business	Private
Stage 1	28,249,667	3,967,704
Stage 2 (SICR)	668,401	133,333
Stage 3 (Default)	297,269	26,343
Gross	**29,215,337**	**4,127,380**
Less: credit loss allowance	(465,666)	(123,700)
Net carrying amount	**28,749,671**	**4,003,680**

31 December 2023	Business	Private
Stage 1	23,454,164	2,766,082
Stage 2 (SICR)	571,820	161,750
Stage 3 (Default)	558,108	35,382
Gross	**24,584,092**	**2,963,214**
Less: credit loss allowance	(619,498)	(114,612)
Net carrying amount	**23,964,594**	**2,848,602**

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2024 and 31 December 2023 are disclosed in the table below:

	31 December 2024			31 December 2023		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Business						
Loans	21,686,823	(397,921)	21,288,902	18,798,617	(561,125)	18,237,492
Overdrafts	7,528,514	(67,745)	7,460,769	5,785,475	(58,373)	5,727,102
Private						
Loans	4,044,473	(118,924)	3,925,549	2,907,120	(111,085)	2,796,035
Overdrafts	68,838	(3,950)	64,888	48,529	(3,110)	45,419
Credit Cards	14,069	(826)	13,243	7,565	(417)	7,148
Total loans and advances to customers at AC	**33,342,717**	**(589,366)**	**32,753,351**	**27,547,306**	**(734,110)**	**26,813,196**

The following table discloses the changes in the gross carrying and credit loss allowance amount for loans and advances to customers carried at amortized cost between the beginning and the end of the reporting period.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1 January	**26,220,246**	**733,570**	**592,551**	**939**	**27,547,306**
New financial assets originated	20,496,440	-	-	-	20,496,440
Modification of contractual cash flows of financial assets	-	-	-	-	-
Derecognitions	(7,578,242)	(304,011)	(96,127)	-	(7,978,380)
Write-offs	-	-	(173,937)	-	(173,937)
Changes in interest accrual	(5,943)	(1,175)	22,603	(3)	15,482
Changes in the principal and disbursement fee amount	(5,473,589)	(203,663)	(65,977)	(332)	(5,743,561)
Transfers to Stage 1	(966,108)	966,108	-	-	-
Transfers to Stage 2	325,995	(376,034)	50,039	-	-
Transfers to Stage 3	247	1,322	(1,569)	-	-
Foreign exchange and other movements	(801,674)	(14,384)	(4,644)	69	(820,633)
Gross outstanding amount as of 31 December 2024	**32,217,372**	**801,733**	**322,939**	**673**	**33,342,717**

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Loss allowance loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January	**(210,247)**	**(77,559)**	**(445,397)**	**(907)**	**(734,110)**
New financial assets originated	(167,601)	-	-	-	(167,601)
Release due to derecognition	20,551	6,493	56,978	-	84,022
Transfers to Stage 1	8,447	(8,447)	-	-	-
Transfers to Stage 2	(5,964)	10,544	(4,580)	-	-
Transfers to Stage 3	(7)	(67)	74	-	-
Increase in PD/LGD/EaD	(69,758)	(45,833)	(137,173)	-	(252,764)
Decrease in PD/LGD/EaD	153,240	50,934	64,277	235	268,686
Usage of allowance	-	-	173,937	-	173,937
Foreign exchange and other movements	6,306	1,138	31,021	(1)	38,464
Loss allowances as of 31 December 2024	**(265,033)**	**(62,797)**	**(260,863)**	**(673)**	**(589,366)**

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1 January	**27,515,960**	**457,867**	**817,226**	**1,094**	**28,792,146**
New financial assets originated	16,128,396	-	-	-	16,128,396
Modification of contractual cash flows of financial assets	401	-	(239)	-	162
Derecognitions	(8,967,307)	(412,380)	(34,967)	-	(9,414,654)
Write-offs	-	-	(201,644)	-	(201,644)
Changes in interest accrual	23,774	1,087	37,945	(5)	62,801
Changes in the principal and disbursement fee amount	(6,077,600)	(168,745)	(65,956)	(274)	(6,312,575)
Transfers to Stage 1	(1,253,208)	1,250,509	2,699	-	-
Transfers to Stage 2	288,559	(379,231)	90,672	-	-
Transfers to Stage 3	2,699	2,409	(5,108)	-	-
Foreign exchange and other movements	(1,441,428)	(17,946)	(48,077)	124	(1,507,327)
Gross outstanding amount as of 31 December 2023	**26,220,246**	**733,570**	**592,551**	**939**	**27,547,306**

Loss allowance loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January	**(354,641)**	**(102,015)**	**(638,790)**	**(783)**	**(1,096,229)**
New financial assets originated	(131,834)	-	-	-	(131,834)
Release due to derecognition	36,480	6,362	30,700	-	73,542
Transfers to Stage 1	30,208	(30,033)	(175)	-	-
Transfers to Stage 2	(2,361)	22,133	(19,772)	-	-
Transfers to Stage 3	(175)	(831)	1,006	-	-
Increase in PD/LGD/EaD	(72,848)	(46,328)	(156,220)	(240)	(275,636)
Decrease in PD/LGD/EaD	271,464	71,699	96,623	116	439,902
Usage of allowance	-	-	201,644	-	201,644
Foreign exchange and other movements	13,460	1,454	39,587	-	54,501
Loss allowances as of 31 December 2023	**(210,247)**	**(77,559)**	**(445,397)**	**(907)**	**(734,110)**

18. Loans and advances to customers (continued)

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognized. The carrying amount of loans and advances to customers below also represents the Bank's maximum exposure to credit risk on these loans. The credit quality of loans to customers carried at amortized cost is as follows at 31 December 2024:

31 December 2024	Stage 1 (12 months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
Business					
Performing	18,149,834	306,390	-	-	18,456,224
Performing Loan Portfolio (LP) with Early Warnings Indicators (EWI)	10,099,833	55,522	-	-	10,155,355
Underperforming	-	306,489	-	-	306,489
Default	-	-	296,596	673	297,269
Gross carrying amount	**28,249,667**	**668,401**	**296,596**	**673**	**29,215,337**
Expected Credit Loss	(170,915)	(48,178)	(245,900)	(673)	(465,666)
Carrying amount	**28,078,752**	**620,223**	**50,696**	-	**28,749,671**
Private					
Performing	3,479,567	103,492	-	-	3,583,059
Performing LP with EWI	486,225	16,257	-	-	502,482
Underperforming	1,913	13,583	-	-	15,496
Default	-	-	26,343	-	26,343
Gross carrying amount	**3,967,705**	**133,332**	**26,343**	-	**4,127,380**
Expected Credit Loss	(94,118)	(14,619)	(14,963)	-	(123,700)
Carrying amount	**3,873,587**	**118,713**	**11,380**	-	**4,003,680**

The credit quality of loans to customers carried at amortized cost is as follows at 31 December 2023:

31 December 2023	Stage 1 (12 months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
Business					
Performing	14,183,985	127,141	-	-	14,311,126
Performing Loan Portfolio (LP) with Early Warnings Indicators (EWI)	9,270,179	74,356	-	-	9,344,535
Underperforming	-	370,323	-	-	370,323
Default	-	-	557,169	939	558,108
Gross carrying amount	**23,454,164**	**571,820**	**557,169**	**939**	**24,584,092**
Expected Credit Loss	(135,844)	(59,705)	(423,042)	(907)	(619,498)
Carrying amount	**23,318,320**	**512,115**	**134,127**	**32**	**23,964,594**
Private					
Performing	2,404,638	130,214	-	-	2,534,852
Performing LP with EWI	358,809	15,003	-	-	373,812
Underperforming	2,635	16,533	-	-	19,168
Default	-	-	35,382	-	35,382
Gross carrying amount	**2,766,082**	**161,750**	**35,382**	-	**2,963,214**
Expected Credit Loss	(74,403)	(17,854)	(22,355)	-	(114,612)
Carrying amount	**2,691,679**	**143,896**	**13,027**	-	**2,848,602**

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2024 is as follows:

	2024		
	Private	Business	Total
Stage 1 and Stage 2			
0 days past due	3,937,133	28,519,279	32,456,412
1 to 30 days past due	158,334	398,789	557,123
31 to 90 days past due	4,765	-	4,765
over 90 days past due	805	-	805
Total Stage 1 and Stage 2	**4,101,037**	**28,918,068**	**33,019,105**
Stage 3 collectively impaired loans			
0 days past due	12,182	37,470	49,652
1 to 30 days past due	6,073	11,711	17,784
31 to 90 days past due	3,251	2,993	6,244
over 90 days past due	4,837	45,011	49,848
Total Stage 3 Collectively impaired loans	**26,343**	**97,185**	**123,528**
Stage 3 Individually impaired loans			
0 days past due	-	673	673
1 to 30 days past due	-	-	-
31 to 90 days past due	-	-	-
over 90 days past due	-	199,411	199,411
Total Stage 3 Individually impaired loans	-	**200,084**	**200,084**
Total loans	**4,127,380**	**29,215,337**	**33,342,717**
Expected credit losses	(123,700)	(465,666)	(589,366)
Net loans	**4,003,680**	**28,749,671**	**32,753,351**

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

	2023		
	Private	Business	Total
Stage 1 and Stage 2			
0 days past due	2,811,700	23,478,876	26,290,576
1 to 30 days past due	101,127	488,236	589,363
31 to 90 days past due	15,005	58,872	73,877
Total Stage 1 and Stage 2	**2,927,832**	**24,025,984**	**26,953,816**
Stage 3 collectively impaired loans			
0 days past due	12,815	25,736	38,551
1 to 30 days past due	10,350	25,200	35,550
31 to 90 days past due	3,602	17,514	21,116
over 90 days past due	7,448	78,906	86,354
Total Stage 3 Collectively impaired loans	**34,215**	**147,356**	**181,571**
Stage 3 Individually impaired loans			
0 days past due	-	939	939
1 to 30 days past due	-	-	-
31 to 90 days past due	-	-	-
over 90 days past	1,167	409,813	410,980
Total Stage 3 Individually impaired loans	**1,167**	**410,752**	**411,919**
Total loans	**2,963,214**	**24,584,092**	**27,547,306**
Expected credit losses	(114,612)	(619,498)	(734,110)
Net loans	**2,848,602**	**23,964,594**	**26,813,196**

According to the Bank's policy, only short-term credit exposures may be issued uncollateralized up to a certain amount. Credit exposures with a higher risk profile are always covered with collateral, typically through mortgages. For an insignificant number of financial assets, the Bank holds cash collateral.

Restructuring of a credit exposure is generally necessitated by economic problems encountered by the client that adversely affect the payment capacity, mostly caused by the significantly changed macro-economic environment in which clients currently operate. Restructurings follow a thorough, careful and individual analysis of the client's changed payment capacity. The decision to restructure a credit exposure is always taken by a credit committee and aims at full recovery of the credit exposure. If a credit exposure is restructured, amendments are made to the parameters of the loan. Otherwise, these credit exposures for which the terms have been renegotiated would be past due or impaired.

Depending on the type of restructuring (standard, watch or impaired), the credit exposure may be categorized or not in a better category (risk classification) based on the performance of the exposure. The healing period for standard and watch restructured exposures is defined as 24 months and during this period, the exposure should not show additional SICR. If SICR is noted (at least 30 days in arrears) the healing period starts recounting. For impaired restructured loans the reclassification is done in two steps, first 12 months of probation period with no SICR indicators in order to classify it to Watch Restructured exposure and then 24 months of healing period to reclassify it as standard exposure. For any reclassification after the healing period is fulfilled, the bank performs full financial monitoring of the exposure in order to make sure that no signs of further deterioration is expected.

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

	2024		2023	
	Outstanding balance	Allowance for impairment	Outstanding balance	Allowance for impairment
Business Trade	36,326	(5,348)	-	-
Business Agriculture			1,928	(14)
Business Production	4,031	(467)	15,728	(4,278)
Business Other			20,408	(1,313)
Private Housing	-	-	-	-
Private Investment	494	(74)	-	-
Total	**40,851**	**(5,889)**	**38,064**	**(5,605)**

31 December 2024	Business	Private	Total
Loans with renegotiated terms			
Carrying amount	40,357	494	40,851
Credit loss allowance	(5,815)	(74)	(5,889)
Net carrying amount	**34,542**	**420**	**34,962**
Loans with renegotiated terms			**2024**
Stage 1			26,136
Stage 2			4,525
Stage 3			10,190
Total gross amount			**40,851**
Individual impairment			-
Collective impairment			40,851
Total gross amount			**40,851**

31 December 2023	Business	Private	Total
Loans with renegotiated terms			
Carrying amount	38,064	-	38,064
Credit loss allowance	(5,605)	-	(5,605)
Net carrying amount	**32,459**	-	**32,459**
Loans with renegotiated terms			**2023**
Stage 1			-
Stage 2			33,341
Stage 3			4,723
Total gross amount			**38,064**
Individual impairment			-
Collective impairment			38,064
Total gross amount			**38,064**

The level of credit exposure defaults to be expected within a given year is analyzed regularly, based on past experience in this area. Incurred losses are fully covered with loan loss provisions.

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Credit portfolio risk from customer lending

The granularity of the loan portfolios is a highly effective credit risk mitigating factor. The core business of the banks, lending to small and medium enterprises, necessitated a high degree of standardization in lending processes and ultimately led to a high degree of diversification of these exposures in terms of geographic distribution and economic sectors. Nevertheless, lending to larger credit exposures constitutes a supplementary area of the Bank's business in terms of its overall strategic focus. Most of these clients are enterprises that have been working with the Bank for a number of years. Nonetheless, the higher complexity of these businesses requires an appropriate analysis of both the business, the project that is to be financed and any connected entities. A strict division of front and back office functions is applied and requirements for both documentation and collateral are typically more stringent.

An analysis of loans and advances to customers by industry amount of security is provided below:

	2024	%	2023	%
Business Trade	12,470,677	45%	9,972,531	36%
Business Production	6,977,140	25%	7,340,881	27%
Business Other	8,754,006	32%	6,022,420	23%
Business Agriculture	523,100	2%	576,266	2%
Business Transport	490,414	2%	671,994	2%
Private Housing	3,416,568	12%	2,571,687	9%
Private Investment	312,936	1%	106,174	0%
Private Other	397,876	1%	285,353	1%
Total	**33,342,717**	**100%**	**27,547,306**	**100%**

	2024		
	Stage 1	**Stage 2**	**Stage 3**
Business Trade	12,093,032	335,533	42,111
Business Agriculture	473,938	40,912	8,250
Business Production	6,595,070	155,428	226,643
Business Transport	482,789	1,349	6,276
Business Other	8,604,838	135,179	13,989
Private Housing	3,280,424	118,916	17,227
Private Investment	305,644	3,346	3,946
Private Other	381,637	11,070	5,170
Total	**32,217,372**	**801,733**	**323,612**

	2023		
	Stage 1	**Stage 2**	**Stage 3**
Business Trade	9,742,657	103,165	126,710
Business Agriculture	505,225	42,001	29,039
Business Production	6,851,845	245,340	243,696
Business Transport	524,703	2,366	144,925
Business Other	5,829,734	178,948	13,738
Private Housing	2,400,944	146,575	24,167
Private Investment	93,370	6,694	6,110
Private Other	271,768	8,481	5,105
Total	**26,220,246**	**733,570**	**593,490**

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Loans and advances to customers -Stage 3

The breakdown of stage 3 loans to customers both collective and individually impaired loans and advances in 2024 along with the fair value of related collateral held by the Bank as security is presented as it follows.

	2024		2023	
	Gross outstanding amount	Fair value of collateral	Gross outstanding amount	Fair value of collateral
Business Trade	42,111	21,673	126,710	107,004
Business Agriculture	8,250	5,580	29,039	26,945
Business Production	226,643	34,797	243,696	78,581
Business Transport	6,276	4,496	144,925	103,729
Business Other	13,989	11,558	13,738	12,075
Private Housing	17,227	12,987	24,167	16,285
Private Other	9,116	1,545	11,215	3,350
Total	**323,612**	**92,636**	**593,490**	**347,969**

The fair value of collaterals disclosed above are based on the determination by local certified evaluators and represents market value realizable by the legal owners of the assets, deducted with the haircuts applied from the internal evaluators based on the bank's internal policies.

The structure of the loan portfolio is regularly reviewed in order to identify concentration risks. Events which could have an impact on large areas of the loan portfolio (common risk factors) lead, if necessary, to limits of the exposure towards certain groups of clients, e.g. according to specific sectors of the economy or geographical areas. The Bank follows a guideline that limits concentration risk in their loan portfolio by ensuring that large credit exposures (those exceeding 10% of regulatory capital) require the approval by the PCH Group Risk Management Committee. No single large credit exposure may exceed 25% of regulatory capital.

Larger credit exposures are particularly well analyzed and monitored, both by the responsible employees through regular monitoring activities enabling early detection of risks, and through the regular reviews carried out by the Credit Risk Committee of the Bank. Full information about any related parties is typically collected prior to lending. All in all, this results in a high portfolio quality and comparatively little need for allowance for individual impairment.

At 31 December 2024, the ten largest borrowers represent 9.58% (2023: 9.04%) of the total loans.

Individually significant credit exposures are closely monitored by the Credit Risk Committee of the Bank. For such credit exposures, the Bank performs an impairment test if the following default events are identified, i.e.:

- An impaired restructuring event
- The bank has initiated court procedures
- Bankruptcy proceedings have been initiated
- Past due days in arrears of 90 days
- A credit fraud event
- A downgrade of risk classification to 8 for all clients with small and medium credit exposures
- Originated Credit Impairment exposures (POCI) at initial recognition
- Other signs of impairment

The impairment test also takes into consideration the realizable net value of collateral held. For the calculation of the individual impairment a discounted cash flow approach is applied. For individually significant credit exposures for which the individual impairment calculation showed that present value of expected future cash flows is higher than book, the provisioning for these exposures is defined as an absolute amount of the calculated impairment loss, applying the minimum LLP rate for Stage 1 of the respective exposure class. While calculating PDs the portfolio is segmented in different buckets as Very Small Exposures (<EUR 50K), or non SME rated clients <EUR 100K, SME Exposures (>EUR 50K). The same distribution of exposure size is done for business portfolio and private clients' portfolio. For SME Exposures the loss parameters are based on the internal risk classification system for the rated exposures. For Stage 2, the type of restructuring is measured in addition for Private Clients and Very Small Exposures of the exposure.

18. Loans and advances to customers (continued)

If credit risk increases significantly, the assets are classified as "Stage 2" and loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity. The significant increase in credit risk is established based on both quantitative and qualitative information: based on the comparison of the remaining lifetime PD of an exposure at each reporting date against its remaining lifetime PD at the date of origination. The loss parameters are based on the internal risk classification system for the rated exposures. A significant increase in credit risk occurs if the difference in PDs exceeds a pre-defined threshold and the respective asset will be transferred from Stage 1 to Stage 2.

Stage 3 includes a defaulted financial assets and loss allowances are likewise established in an amount equivalent to the expected credit losses over the entire remaining maturity. The expected LGD is based on historical data about recoveries obtained from defaulted customers. LGDs are calculated as discounted cash flows, taking into account the cost of recovery and the size of the credit exposure. As stated in the IFRS 9 framework, the necessity to estimate lifetime expected losses arises in IFRS 9 Stages II and III; in Stage I, one-year expected losses are used. Details of the different approaches are given below. 12-month expected credit losses are the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Lifetime expected credit losses are the present value of losses that arise if a borrower defaults on his obligation throughout the life of the financial instrument. Because expected credit losses consider the amount as well as the timing of payments, a credit loss (i.e., a cash shortfall) arises even if the entity expects to be paid in full but later than when contractually due. 12-month expected credit losses can be viewed as a part of the lifetime expected credit losses that are associated with a potential default during the next twelve months. However, in contrast to lifetime expected credit losses, they do not correspond to expected cash shortfalls over the next twelve months. In particular, no timing information is taken into account.

Impairment and provisioning

The Bank reviews its loan portfolios to assess staging at least on a quarterly basis. The Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Subsequent recoveries of amounts which have been written off are recognized in the Statement of Profit or Loss under ''Loss allowances''. Repayments of loans previously written off amounted to Lek 64,580 thousand in 2024 (2023: Lek 61,416 thousand).

Lending commitments and financial guarantees

The maximum exposure from financial guarantees represents the maximum amount that the Bank should pay if the guarantee is called on, which may be significantly greater than the amount recognized as a liability. The maximum credit exposure for lending commitments is the full amount of the commitment (see Note 29).

Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups and to affiliates. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a continuous basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors.

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Risk limit control and mitigation policies(continued)

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Other controls and mitigation measures are outlined below.

Collateral held and other credit enhancements and their financial effect

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over cash and bank guarantees (cash collateral);
- Mortgages over residential properties; and
- Charges over business assets such as premises, inventory and accounts receivable.

Loans to corporate entities and individuals are generally secured; private individual overdrafts and credit cards issued to individuals are secured by cash collateral or other types of collateral determined with a decision of credit committees. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralized assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralized assets"). The effect of collateral at 31 December 2024.

	Over-collateralised assets		Under-collateralised Assets	
31 December 2024	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Business	16,065,886	16,241,041	12,683,785	7,597,583
Private	2,321,911	2,383,359	1,681,769	625,545
	18,387,797	**18,624,400**	**14,365,554**	**8,223,128**

	Over-collateralised assets		Under-collateralised Assets	
31 December 2023	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Business	12,384,291	12,610,022	11,580,303	5,120,061
Private	1,672,402	1,730,759	1,176,200	293,024
	14,056,693	**14,340,781**	**12,756,503**	**5,413,085**

The fair value of the collateral is evaluated by the Bank on individual basis. The assessed value represents expected market value. Expected income from collateral liquidation is also taken into account in calculation of individual impairment provisioning.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

(All amounts expressed in Lek'000, unless otherwise stated)

18. Loans and advances to customers (continued)

Geographical sectors

The following table breaks down the Bank's main credit exposure at their gross amount, as categorized by geographical region as of 31 December 2024 and 2023. The Bank has allocated exposures to regions based on the country of domicile of its counterparties.

	2024			2023		
	OECD countries	Albania	Total	OECD countries	Albania	Total
Balances with Central Banks		5,623,725	5,623,725	-	8,482,525	8,482,525
Loans and advances to banks	3,506,403		3,506,403	3,574,635	450,128	4,024,763
Loans and advances to customers		32,753,351	32,753,351	-	26,813,196	26,813,196
Debt securities held at Amortized Cost (AC)		2,694,819	2,694,819	-	2,871,917	2,871,917
Other financial assets		187,630	187,630	-	177,566	177,566
Total	**3,506,403**	**41,259,525**	**44,765,928**	**3,574,635**	**38,795,332**	**42,369,967**

Loans and advances to customers based on specific industry sectors at 31 December 2024 and 2023 are presented below:

	31 December			
Industry sector	**2024**	**%**	**2023**	**%**
Trade	12,414,745	38	9,869,450	37
Industry and other production	8,254,681	25	8,418,081	31
Construction	3,773,159	12	1,939,397	7
Transport	483,881	1	559,234	2
Services	3,917,311	12	3,273,129	12
Other	3,909,574	12	2,753,905	11
Total	**32,753,351**	**100**	**26,813,196**	**100**

19. Investment securities measured at amortized cost

Investment securities measured at amortized cost are comprised of treasury bills and bonds presented as follows:

	2024	2023
	Amortized Cost	Amortized Cost
Treasury bills at AC	2,195,278	2,570,082
Bonds	499,905	303,645
Loss allowance for Investment Securities AC	(364)	(1,810)
Total	**2,694,819**	**2,871,917**

The movement in investments securities is summarized as follows:

	2024	2023
At 1 January	2,871,917	1,833,348
Additions	2,695,183	2,873,727
Loss allowance for Investment Securities AC	1,446	(871)
Matured	(2,873,727)	(1,834,287)
Total	**2,694,819**	**2,871,917**

(All amounts expressed in Lek'000, unless otherwise stated)

19. Investment securities measured at amortised cost (continued)

Treasury bills

Details of treasury bills in ALL issued by the Albanian Government by contractual maturity are presented as follows:

		2024			2023	
Issuer	**Maturity**	**Yield**	**Carrying value**	**Maturity**	**Yield**	**Carrying value**
Albanian government	12 months	3.29%-3.70%	2,194,914	12 months	3.02% - 5.35%	2,568,973
			2,194,914			**2,568,973**

The table below contains an analysis of the credit risk exposure of debt securities measured at AC at 31 December 2024. Such assets by default are classified in Stage 1 for which an ECL allowance is recognized based on Basel min PD of 0.24% and LGD of 30%.

Movement in impairment for the years ended December 31, 2024 and 2023, charged to profit and loss is as following:

	31-Dec-24	**31-Dec-23**
Opening balances	1,810	940
New financial assets originated	364	1,810
Release due to derecognition	(1,810)	(940)
Increase/Decrease in PD/LGD/EaD	-	-
Closing balance	**364**	**1,810**

Exposure to debt securities is regulated by Treasury Policy and Procedures. Investments are allowed only in liquid securities that have minimum credit ratings of (AA-) or in Albanian Government papers, subject to approval from the Group ALCO. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Investments in debt securities are with central banks, or other financial institutions rated as detailed below:

Ratings at 31 December	**31-Dec-24**	**31-Dec-23**
Securities at Amortized Cost		
B+	2,695,183	2,873,727
Total	**2,695,183**	**2,873,727**

20. Other assets

	31-Dec-24	**31-Dec-23**
Current assets		
Other debtors	187,630	177,566
Other financial assets	**187,630**	**177,566**
Prepaid expenses	71,551	23,229
Inventory	2,393	3,358
Shares	156	165
Loss allowance	(7,265)	(8,750)
Total	**254,465**	**195,568**

(All amounts expressed in Lek'000, unless otherwise stated)

20. Other assets (continued)

Movement in loss allowance for the years ended December 31, 2024 and 2023, charged to profit and loss is as following:

	31-Dec-24	31-Dec-23
Opening balances	8,749	14,383
Increase/Decrease in PD/LGD/EaD	(1,486)	(5,633)
Closing balance	**7,263**	**8,750**

Other debtors mainly relate to prepayments made to Bailiff Offices that collect funds from loan customers, either for repossession processes which have not yet been concluded, or for processes which have been finalized but the amount is expected to be collected from the debtors and also included sales of properties on condition. The repossessed properties are collaterals obtained through legal processes and include land, buildings and business premises, which are not used by the Bank for its core operations. A repossessed property is accounted for under IFRS 5 – Held for sale assets, and expected to be sold within one year period, except if there is a delay caused by events or circumstances beyond the bank's controls and there is sufficient evidence that the bank remains committed to its plan to sell the asset. Any loss arising from the above remeasurement is recorded in profit or loss. Gains or losses from the sale of these assets are recognized in the profit or loss.

The movement of repossessed assets item during the reporting period is presented as follows:

	31-Dec-24	31-Dec-23
Balance at the beginning of the period	-	17,120
Additions during period	-	-
Disposals during the period	-	(2,301)
Write downs	-	(14,819)
Balance at the end of the period	-	-

21. Property, plant and equipment

31-December-24	Land and buildings	Business and office equipment	Land and buildings (ROU)	Total PPE
Total acquisition cost as of 1 January 2024	91,427	499,030	200,206	**810,815**
Additions	84,345	109,460	259,074	**452,879**
Disposals	(62,015)	(5,396)	(99,683)	**(187,246)**
Impairment				-
Total acquisition cost as of 31 December 2024	**113,757**	**603,094**	**359,597**	**1,076,448**
Accumulated depreciation as of 1 January 2024	78,189	383,436	131,604	**613,381**
Charge for the year	8,869	33,434	67,583	**109,886**
Disposals	(62,015)	(2,242)	(99,683)	**(184,093)**
Accumulated depreciation as of 31 December 2024	**25,043**	**414,627**	**99,504**	**539,174**
Net carrying amount	**88,714**	**188,467**	**260,093**	**537,274**

21. Property, plant and equipment (continued)

31-December-23	Land and buildings	Business and office equipment	Land and buildings (ROU)	Total PPE
Total acquisition cost as of 1 January 2023	111,063	467,937	199,232	**778,232**
Additions	516	41,574	974	**43,064**
Disposals	(20,152)	(10,481)	-	**(30,633)**
Impairment				-
Total acquisition cost as of 31 December 2023	**91,427**	**499,030**	**200,206**	**790,663**
Accumulated depreciation as of 1 January 2023	90,854	360,913	80,440	**532,207**
Charge for the year	7,487	32,497	51,164	**91,148**
Disposals	(20,152)	(9,974)		**(30,126)**
Accumulated depreciation as of 31 December 2023	**78,189**	**383,436**	**131,604**	**593,228**
Net carrying amount	**13,238**	**115,594**	**68,602**	**197,434**

22. Intangible assets

At 1 January 2024	**140,476**
Additions	336
Disposals	(111,248)
At 31 December 2024	**29,564**
Accumulated depreciation at 1 January 2024	(135,575)
Charge for the year	(1,154)
Accumulated depreciation at time of disposal	111,248
Accumulated depreciation at 31 December 2024	(25,481)
Net book value at 31 December 2024	**4,084**

At 1 January 2023	**156,688**
Additions	343
Disposals	(16,555)
Transfer	
At 31 December 2023	**140,476**
Accumulated depreciation at 1 January 2023	(150,375)
Charge for the year	(1,658)
Accumulated depreciation at time of disposal	16,458
Accumulated depreciation at 31 December 2023	(135,575)
Net book value at 31 December 2023	**4,901**

(All amounts expressed in Lek'000, unless otherwise stated)

23. Liabilities to banks

	2024	2023
Borrowings from resident banks	286,605	-
Borrowings from non-resident banks	2,872,894	2,784,221
Total	**3,159,499**	**2,784,221**

Borrowings from non-resident banks as at December 31, 2024 have maturities up to 2 years (2023: up to 5 years) and interest rates of 4.538%, 3.505%, 5.861%,4.108%, 3.736%, 3.895%, 3.403% for balances denominated in EUR (2023: 5.418%, 5.861, 5.133%, 5.183%, 4.975%, 5.234%, 5.191% p.a for EUR)., Borrowings from resident banks as at December 31, 2024 have maturities up to 91 days and 3.350% and 3.300% for balances dominated in Lek.

24. Liabilities to customers

	2024	2023
Current accounts		
Foreign currency	9,032,930	7,536,009
Local currency	6,157,576	4,956,844
Savings accounts		
Foreign currency	3,959,326	6,275,631
Local currency	3,323,040	2,732,078
Term deposits		
Foreign currency	7,082,712	5,068,785
Local currency	6,081,741	5,759,876
Other customer account		
Foreign currency	27,889	55,570
Local currency	32,616	30,745
Total	**35,697,830**	**32,415,538**

Savings accounts in Lek (FlexSave) bear interest at 0.8% p.a (2023: 0.8%), savings accounts in Euro (FlexSave) bear interest at 0.2% p.a (2023: 0.2%) and savings accounts in USD (FlexSave) bear interest at 0.5% p.a (2023: 0.5%).

Other customer accounts include accounts pledged by customers as cash collateral. They bear interest rates at similar levels as the term deposits.

The interest rates applied for term deposits as of 31 December 2024 were as follows:

(in %)	12 months	24-36 months
Lek	1.00 - 2.00	2.30 - 2.60
EUR	0.30 - 1.30	0.40 - 1.70
USD	0.50	0.60

31 December 2023

(in %)	12 months	24-36 months
Lek	1.00 - 2.00	1.60 - 2.50
EUR	0.30 - 1.00	0.40 - 1.50
USD	0.50 - 1.50	0.60 - 1.70

(All amounts expressed in Lek'000, unless otherwise stated)

25. Other borrowed funds

	2024	2023
Financial Institutions	2,951,151	2,891,086
ProCredit Holding Ag	-	521,176
Total	**2,951,151**	**3,412,262**

26. Subordinated debt

	2024	2023
ProCredit Holding Ag	1,177,800	727,160
Accrued interest	10,852	22,026
Total	**1,188,652**	**749,186**

On August 30, 2019, ProCredit Bank SH.A received a subordinated debt from the shareholder ProCredit Holding AG. The main data of the subordinated debt are as follows:

- Its amount is 7 Million Euros (in the amount of 854,840,000 Lek converted with the exchange rate of the Bank of Albania 122.12 on August 30, 2019).
- The maturity period of the subordinated debt is 10 years.
- The annual interest rate is M Euribor+4.85%.

In November 25, 2024, ProCredit Bank SH.A received an additional subordinated debt from the shareholder ProCredit Holding AG. The main data of the total subordinated debt are as follows:

- Its amount is 12 Million Euros (in the amount of 1,178,880,000 Lek converted with the exchange rate of the Bank of Albania 98.24 on November 25, 2024).
- The maturity period of the subordinated debt is 10 years.
- The annual interest rate is 12M Euribor+6.50%.

In the subordinated debt contract, it is stipulated that interest payments are made on a six-month basis and the principal is payable on the maturity date. Interest is calculated on an annual basis and the year is assumed to have 360 days. The parties have agreed that within the first 5 years from receiving the subordinated debt, no further payments will be made for the purpose of early repayment of the subordinated debt. This option is possible after the first 5 years have passed since receiving the subordinated debt. The subordinated debt is in accordance with the Regulation of the Bank of Albania No. 69 dated 18.12.2014 "On the bank's regulatory capital". Based on articles 30 and 31 of this regulation, subordinated debt is classified as a tier two capital instrument. For the classification of subordinated debt as a tier two capital instrument, preliminary approval was given by the Bank of Albania at the time of its issuance, in 2019.

27. Other liabilities

	2024	2023
Payments in transit	146,126	365,873
Sundry creditors	88,708	63,608
Accrued expenses	21,626	20,147
Lease liabilities	256,255	61,772
Other financial liabilities	**512,715**	**511,400**
Tax and social charges	30,920	32,005
Other provisions	4,180	52,929
Deferred fee income	55,499	54,804
Total	**603,314**	**651,138**

Other provisions relates to provisions for impairment losses for off-balance sheet items and provisions established for legal cases. They represent best estimates of the amounts with which the legal cases will be settled in future periods. The movement in other provisions for the years 2024 and 2023 is presented below:

27. Other liabilities (continued)

	Off-balance sheet items	Legal cases	Other	Total
Balance as at 1 January 2023	**13,909**	**18,582**	**1,280**	**33,771**
Provisions made during the year	12,467	3,532	25,027	**41,026**
Provisions reversed during the year	(14,217)	(6,372)	(1,279)	**(21,868)**
Balance as at 31 December 2023	**12,159**	**15,742**	**25,028**	**52,929**
Provisions made during the year	14,939	284	26,931	**42,154**
Provisions reversed during the year	(12,666)	(1,890)	(25,028)	**(39,584)**
Balance as at 31 December 2024	**14,432**	**14,136**	**26,931**	**55,499**

28. Share capital and legal reserves

At 31 December 2024, the authorized and issued share capital of the Bank was comprised of 604,851 (2023: 604,851) shares with a value of Lek 5,711,469 (2023 Lek 5,711,469). The Parent and sole shareholder of the Bank is ProCredit Holding AG (the 'Parent'), a holding company based in Frankfurt am Main, Germany.

	Number of shares	In Lek'000	%
ProCredit Holding AG	604,851	5,711,469	100
	604,851	**5,711,469**	**100**

Share Capital	At 1 January 2024	New shares issued	At 31 December 2024
Number of outstanding shares	604,851	-	604,851
Share capital in Lek	**5,711,469**	-	**5,711,469**

Legal reserves

Legal reserves were created based on the decision of the Supervisory Council of the Bank of Albania No. 69, dated 18 December 2014, which states that reserves are created by appropriating 20% of the Bank's net profit for the year, as reported for regulatory purposes. Additionally, a legal reserve created as 5% of the statutory profit is required by Law No. 9901, dated 14 April 2008, "On entrepreneurs and commercial companies".

29. Commitments and contingencies

	2024	2023
Guarantees, letters of credit and credit commitments		
Credit commitments (see details below)	2,788,203	2,586,852
Payment guarantees	1,321,228	1,120,524
Letters of credit	-	2,144
Less: Provisions recognized as liabilities	(14,433)	(12,160)
Total	**4,094,998**	**3,697,360**
Credit commitments		
Unused credit card facilities	71,920	47,676
Unused overdraft limits	1,213,903	1,032,901
Unused portion of credit lines	1,502,379	1,506,275
Total	**2,788,202**	**2,586,852**

The Bank issues guarantees 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 outstanding at 31 December 2024.

(All amounts expressed in Lek'000, unless otherwise stated)

29. Commitments and contingencies (continued)

Legal proceedings

In the normal course of business the Bank is presented with legal claims; the Bank's management is of the opinion that the possibility of an outflow of economic benefits in relation to legal claims outstanding as at 31 December 2023 is remote, except the cases the provision was recorded as shown in note 27. Commitments by credit quality based on credit risk grades at 31 December 2024 is as follows.

Commitments by credit quality based on credit risk grades at 31 December 2024 is as follows.

	Stage 1	Stage 2	Stage 3	Total
Financial guarantee	1,267,228	54,000	-	**1,321,228**
Letters of credit	-	-	-	-
Total Guarantees and Letter of Credits	**1,267,228**	**54,000**	-	**1,321,228**
Loans commitments not yet disbursed	2,768,665	19,355	183	**2,788,203**
Total credit related commitments	**4,035,893**	**73,355**	**183**	**4,109,431**
Provision for guarantees and Letter of Credits	(4,635)	(356)	-	**(4,991)**
Provision for loan commitments	(8,887)	(517)	(38)	**(9,442)**
Total commitments	**4,022,371**	**72,482**	**145**	**4,094,998**

Commitments by credit quality based on credit risk grades at 31 December 2023 is as follows.

	Stage 1	Stage 2	Stage 3	Total
Financial guarantee	1,120,524	-	-	**1,120,524**
Letters of credit	2,144	-	-	**2,144**
Total Guarantees and Letter of Credits	**1,122,668**	-	-	**1,122,668**
Loans commitments not yet disbursed	2,568,103	18,749	-	**2,586,852**
Total credit related commitments	**3,690,771**	**18,749**	-	**3,709,520**
Provision for guarantees and Letter of Credits	(3,943)	-	-	**(3,943)**
Provision for loan commitments	(7,955)	(261)	-	**(8,216)**
Total commitments	**3,678,872**	**18,488**	-	**3,697,360**

The Bank calculates expected credit loss (ECL) and lifetime expected credit loss (LECL) provision for guarantees and letter of credits by applying to underlying exposures based on the staging classification. In cases, when an individual assessment is applied, the specific provision forecast is considered for the final impairment. Refer to disclosure of impairment of loans and advances to customers for the provisioning rates.

30. Related party transactions

The Bank's related parties include the parent company and ultimate controlling party ProCredit Holding AG, fellow subsidiaries, key management personnel, close family members of key management personnel and entities which are controlled or significantly influenced by key management personnel or their close family members.

The Bank has a management services agreement with ProCredit Holding AG, for providing the Bank with personnel in the high-level management of the Bank, including one Member of the Management Board. Management fees paid to ProCredit Holding AG in 2024, were Lek 72,379 thousand (2023: Lek 60,177 thousand).

Further, in the course of conducting its banking business, the Bank entered into business transactions with related parties and the balances and transactions with the ProCredit Holding AG, parent company and affiliated entities under common control at 31 December 2024 and 2023 are presented below:

(All amounts expressed in Lek'000, unless otherwise stated)

30. Related party transactions (continued)

		2024		2023
	Parent Company	Entities under common control	Parent Company	Entities under common control
Statement of Financial Position				
Assets	**-**	**2,444,803**	**-**	**2,852,830**
Loans and advances to banks	-	2,443,365	-	2,851,276
Other assets	-	1,438	-	1,554
Liabilities	**1,189,875**	**2,875,339**	**1,272,016**	**2,834,619**
Liabilities to banks	-	2,872,894	-	2,784,221
Liabilities to customers	-	-	521,176	-
Other Liabilities	1,223	2,445	1,654	50,398
Subordinated debt	1,188,652	-	749,186	-
Statement of Profit or Loss and OCI				
Income	**1,870**	**81,587**	**-**	**78,302**
Interest income	-	76,218	-	78,224
Other operating income	1,870	5,369	-	78
Expenses	**174,693**	**523,116**	**165,616**	**477,815**
Interest expenses	93,650	82,832	93,584	117,961
Fee and commission expenses	8,363	53,064	11,820	44,360
Administrative expenses	72,680	387,220	60,212	315,494

Remuneration of Key Management and those charged with governance
Key Management Personnel receive compensation primarily in the form of salaries. In 2024, the total gross salaries paid to the Key Management Personnel amounted to Lek 63,587 thousand (2023: Lek 60,283 thousand). The total gross compensation for the members of the Board of Directors was Lek 3,316 thousand in 2024 (2023: Lek 392 thousand).

31. Events after the reporting date
The management of the Bank is not aware of any events after the reporting date that would require either adjustments or additional disclosures in the set of financial statements.

2024 ANNUAL REPORT

Contact Addresses

Head Office ProCredit Bank sh.a.

Place of Registration: Tiranë
Nr. of Court Registr.20797/11.02.1999
KIB: 20911005
NUIS: J91524011J
Adress: Rr."Dritan Hoxha" Nd.92, H.15, Njësia Bashkiake Nr.11,
Zip Code:1026, Tiranë
Contact Center: +355(0) 42 389 389
Informacion@procredit-group.com
www.procreditbank.com.al

Branches

- Tirana Branch

Rr."Dritan Hoxha" Nd.92, H.15, Njësia Bashkiake Nr.11, Tiranë.

Agencies and 24/7 Zones, till 31.12.2024

- “Zyrat Qendrore” Agency, 24/7 Zone

Rr."Dritan Hoxha" Nd.92, H.15, Njësia BashkiakeNr.11, Tiranë.

- “Bulevardi” Agency, 24/7 Zone

Bulevardi Zogu I, Nr.17, Pasuria me Nr.6/44-N3, ZK8360, Tiranë.

- “Square 21" Agency, 24/7 Zone

Rruga e Kavajes, Kompleksi Arlis- Ndërtim. Kati 0, pranë Policisë Bashkiake, Tiranë.

- “Ish-blloku” Agency, 24/7 Zone

Rruga “Vaso Pasha”, Nr.Pasurie 2/348+1-N2, Vol.58, Fq.17, ZK 8270, Tiranë, 1000.

- “Rr. e Dibres” Agency, 24/7 Zone

Rruga e Dibrës, përballë kompleksit “Halili”, Tiranë, 1000.

Contact Addresses

- "Shkodër" Agency, 24/7 Zone

Lagjja Qemal Stafa, Bulevardi Zogu i Parë, Shkodër

- "Durrës" Agency, 24/7 Zone

Lagjja Nr.4, Autostrada Egnatia, Durrës

- "Korçë" Agency, 24/7 Zone

Rruga Midhi Kostani, Korçë

- "Fier" Agency, 24/7 Zone

Rruga Kastriot, Hyrja-1, Pasuria me Nr.4/66-N6, vol.17 fq.65, ZK 8534, Fier

- "Elbasan" Agency, 24/7 Zone

Lagja "Brigada e 17 Sulmuese", Kati 0, Godine Banimi dhe shërbimi 14 kate, ZK. 8522, Elbasan 3001

ProCredit Bank