ProCredit Bank

annual report 2025

albania

25 annual report

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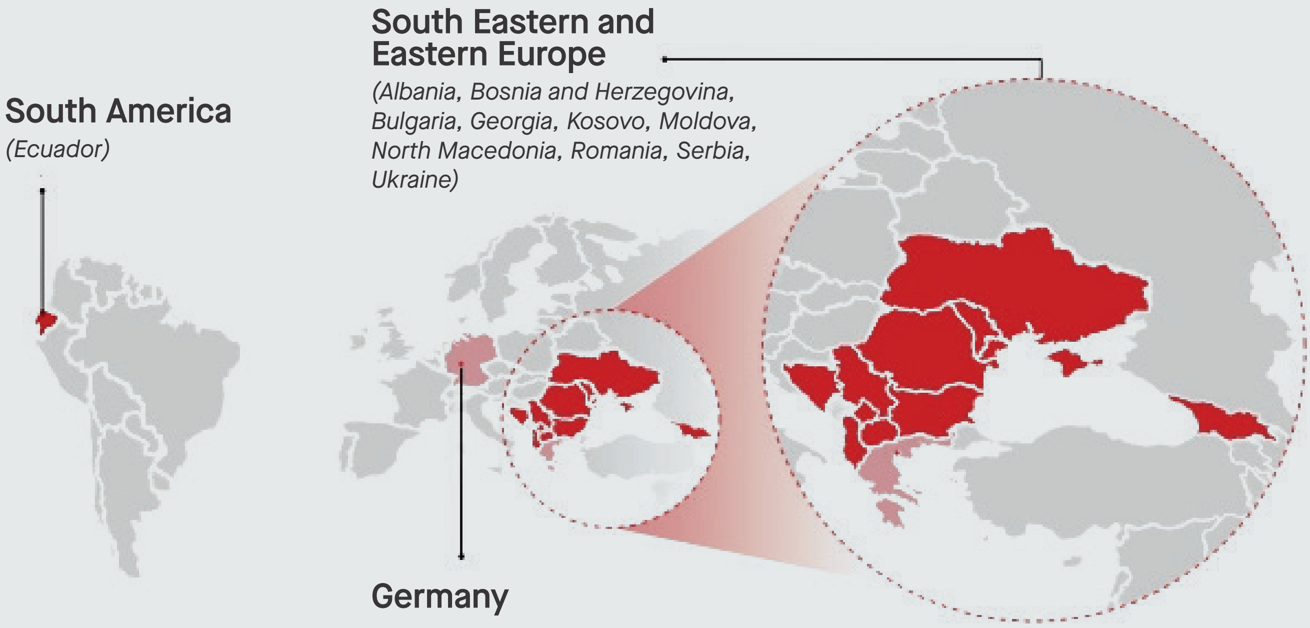
Our Group


South America
(Ecuador)
South Eastern and Eastern Europe
(Albania, Bosnia and Herzegovina, Bulgaria, Georgia, Kosovo, Moldova, North Macedonia, Romania, Serbia, Ukraine)
Germany

About Us

An international group of development-oriented commercial banks

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

Management Board of the Bank consists 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 reelection. The term of the Management Board members is 3 years, with the right to reelection. The term of the Audit Committee members is 4 years with the right of reelection and the term of Risk Management Committee members is 4 years with the right of reelection.

The following is the composition of the bank's governing bodies, until 31.12.2025:

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

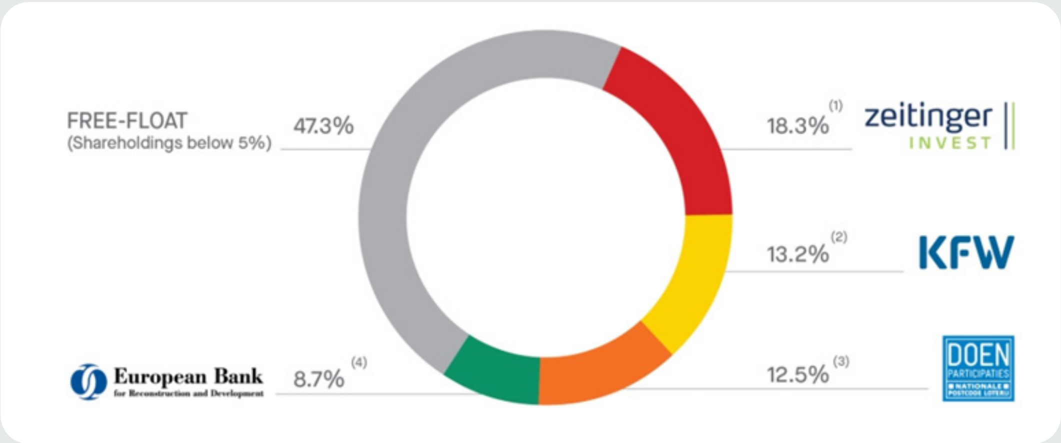
Members of the Audit Committee:
Jovanka Joleska Popovska - Chairperson
Vesna Paunovska - Member
Nicole Kraft - Member

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 bank 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/shareholder-structure/

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) The shareholder structure presented above is based on the public voting rights notification by EBRD 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.

Letter from the Management Board

"Our vision is to build a resilient and forward-looking bank that combines responsible growth with digital innovation—supporting businesses in their ambitions and empowering retail clients through simpler, smarter, and more accessible banking".

Driving Sustainable Growth Through Innovation and Impact

The year 2025 marked another important step in strengthening our development-oriented banking model, demonstrating that sustainable growth and responsible banking go hand in hand. In line with the strategic direction of the ProCredit group, we remained focused on our core role as a long-term partner for micro, small and medium-sized enterprises (SMEs), contributing to economic growth and supporting the sustainable transformation of the Albanian economy.

During the year, ProCredit Bank Albania achieved solid progress in expanding its loan portfolio and deposit base, while further strengthening its position in key strategic client segments. In line with the group's business model, a significant share of this growth was driven by smaller-volume client segments, reflecting our commitment to supporting dynamic businesses and private clients who are central to real economic development.

A key pillar of our progress in 2025 was the acceleration of our digital transformation. Continued investments in technology and client experience laid the foundation for a more efficient, accessible, and future-oriented banking model. These investments are essential to strengthening our long-term growth and operational efficiency. Digital innovation remained a central component of this transformation. In 2025, ProCredit Bank Albania further strengthened its position as a pioneer in digital banking by becoming the first bank in Albania to introduce Apple Pay to the local market. This milestone reflects our commitment to bringing innovative, secure, and convenient payment solutions to our clients, while reinforcing our broader ambition to lead the digital evolution of banking in the country.

At the same time, we further reinforced our commitment to green finance and climate action. The ProCredit group continued to expand its green loan portfolio and integrate climate objectives into its core business, promoting investments in energy efficiency, renewable energy, and environmentally friendly technologies. These efforts were complemented by enhanced advisory services, supporting clients in understanding their emissions and advancing their transition toward more sustainable operations, thereby strengthening our role beyond traditional financing.

In parallel, we contributed to advancing inclusive finance and strengthening client capabilities through dedicated programs and financial education initiatives. This approach remains at the heart of our business model and reflects our mission to deliver measurable impact for both the economy and society.

Despite these achievements, 2025 was also characterized by a challenging operating environment. Rising costs, increased investment in strategic initiatives, and temporary pressure on profitability required a disciplined approach to risk, capital, and cost management. In this context, we maintained strong financial discipline and asset quality, remaining focused on sustainable, long-term value creation.

Looking ahead to 2026, our strategic priorities remain clear. We will continue to accelerate our transformation into a digital-focused bank, delivering increasingly advanced solutions and enhancing the overall client experience. At the same time, we will deepen our support for SMEs, leveraging opportunities arising from economic development and sectoral transformation.

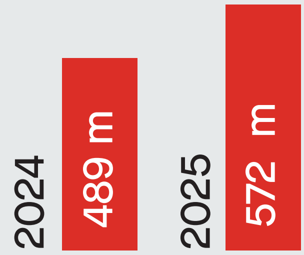
Expanding green finance will remain a key priority, with a continued focus on integrating climate objectives into decision-making and contributing to the transition towards a low-carbon economy, in line with the group's long-term ambitions. Alongside this, we will continue to invest in our people and organizational culture as a critical success factor for sustainable growth. In a dynamic and evolving environment, we remain committed to balanced growth and long-term value creation. By staying focused on our clients, responsibility, and innovation, we are confident in our ability to continue contributing meaningfully to the sustainable development of Albania.

Mirsad Haliti,
on behalf of the Management Board of
ProCredit Bank Albania.

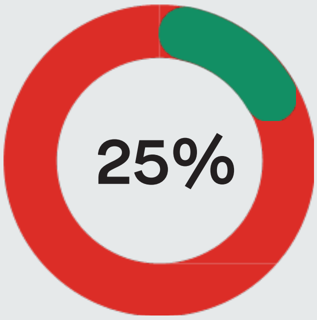
The Management Board of ProCredit Bank Albania

Bank Insights
2025

Assets
+83 million



Total Clients
(Client base grew strongly during)



Deposit to Loan Ratio
115%

Total Capital Ratio
17.41%

Strong asset quality
Non-Performing Loans

1%

Bank Insights
2025

In 2025, ProCredit Bank Albania continued to expand its business and client franchise despite a more demanding operating environment. The bank delivered growth in lending, deposits, assets and fee-based income, while further strengthening customer engagement and broadening the foundation for sustainable long-term development. Below is a summary of the key financial indicators underpinning this performance.

Customer Deposits

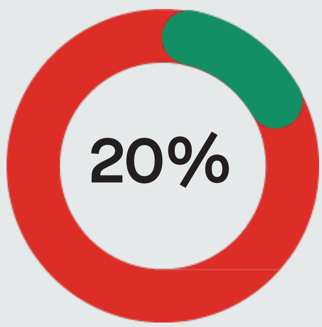
+18%

Loan Portfolio

+10%

Green Loan Portfolio

EUR 71 million
(+3 million increase during 2025)



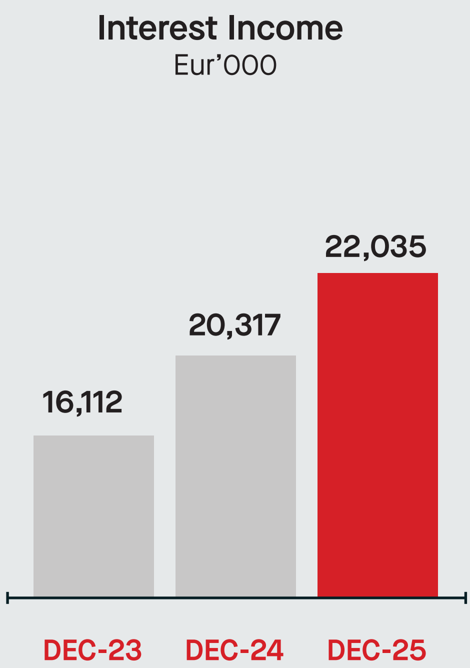

SI MAC
scm
scm

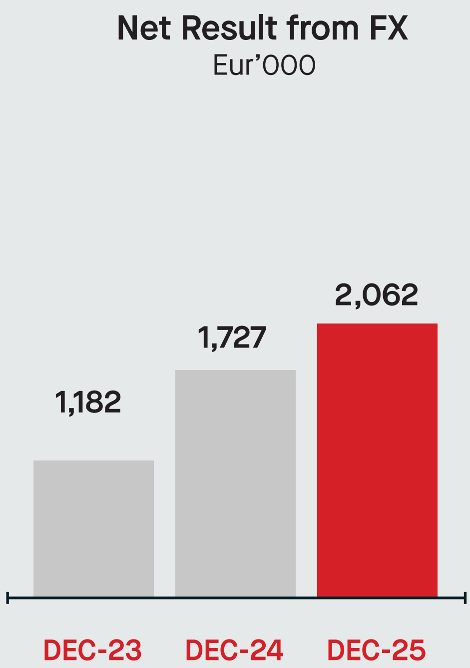
Financial performance 2025

In 2025, ProCredit Bank Albania operated in a more challenging environment, yet continued to expand its business franchise and deepen client engagement. Profit after tax amounted to EUR 0.24 million, while operating income remained broadly stable at EUR 17.1 million.

The bank preserved a solid revenue base, with net interest income holding at EUR 13.9 million, demonstrating resilience despite margin pressure during the year. In addition, net results from FX transactions showed a steady upward trend, reaching EUR 2.1 million in 2025, further supporting income diversification. The most notable positive developments came from business growth and the increasing diversification of revenues.

The gross loan portfolio grew by 10.3% to EUR 374.8 million, while customer deposits increased by 18.3% to EUR 429.5 million, supporting total asset growth of 17.0% to EUR 572.5 million. At the same time, the total client base expanded by 25.3%, indicating continued market penetration and stronger customer acquisition.



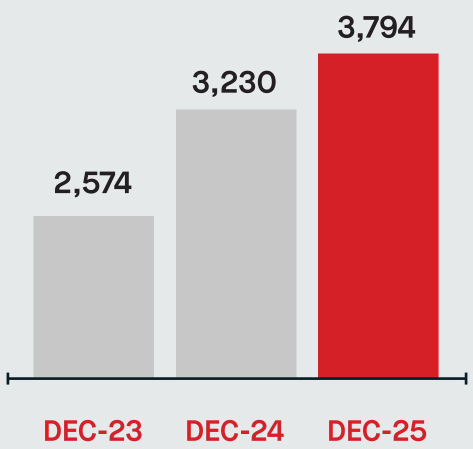


Fee and Commission Income delivered a particularly strong performance in 2025. Fee and commission income rose by 20.2%, while net fee and commission income increased by 17.5%. This improvement was driven by stronger transactional activity and wider usage of the bank's services.

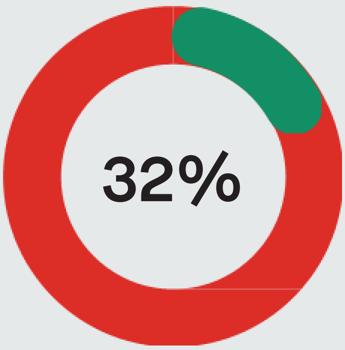
Digital and everyday banking activity strengthened significantly, with internet banking clients up 32.1%, active debit cards rising 35.2%, and active credit cards increasing 53.5%. This reflects enhanced customer engagement and supports the bank's strategy of building stable, transaction-driven relationships.

Overall, 2025 was a year in which bank strengthened its customer base, expanded lending and deposits, and materially improved non-interest income generation, providing an important foundation for future earnings growth.

Net fee and commission income
Eur'000



Internet Banking Clients

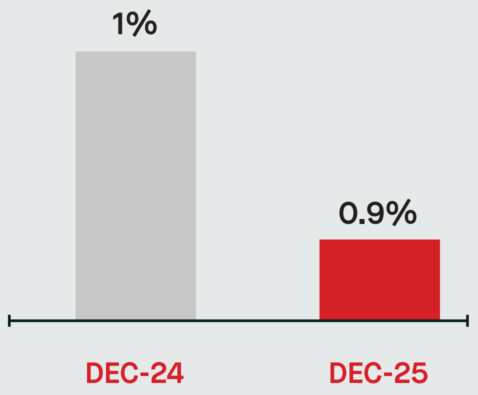



Depozitim
Cash in

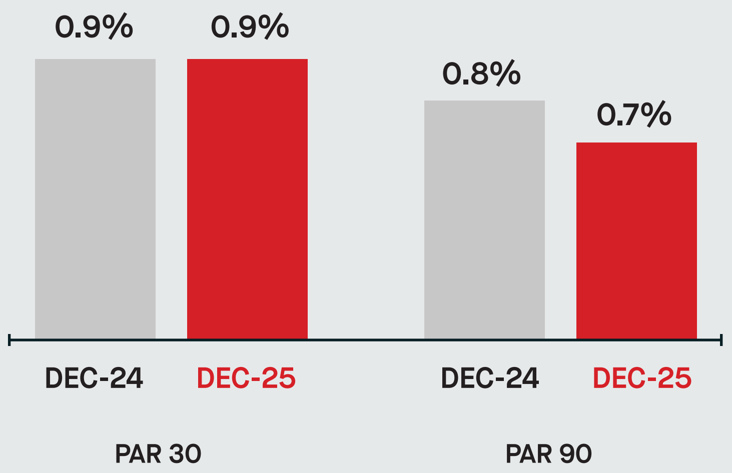

Depozitim | Tërheqje
Cash in | Cash out

Asset Quality Indicators
2025

Share of Default Loans



Portfolio under arrears



Your Business, Our Commitment
Enhanced Business Approach

At ProCredit Bank Albania, micro, small and medium enterprises remain at the heart of our mission and our business model. We are committed to standing alongside the businesses that drive Albania's economic development, create jobs, and build long-term resilience — and to forming relationships grounded in transparency, responsibility, and financial solutions shaped around each client's needs.

Our strategic direction unites sustainable growth with a sharper focus on profitability, deeper client engagement, and operational efficiency. Through our Hausbank approach, we set out to be our clients' principal banking partner, pairing comprehensive financial services and modern transactional solutions with dedicated advisory support that evolves as their businesses grow.

We place particular emphasis on expanding our presence in the micro segment, which we see as a meaningful opportunity for inclusive growth and the development of future clients. By combining simplified processes, sector-focused solutions, partnership-based acquisition, and data-driven decisions, we are working to make banking more accessible and more relevant to smaller businesses with strong long-term potential.

Digital and transactional banking remain central to the value we offer. Secure electronic services, efficient payment solutions, and practical improvements to everyday processes help our business clients manage their operations with greater ease — while they continue to benefit from the expertise and personal attention of their Business Client Advisers.

Our Approach towards Retail Clients

In 2025, ProCredit Bank continued to strengthen its position as a modern, client-oriented bank by further enhancing its integrated approach to retail banking—combining digital innovation with personalized advisory services, with a strong focus on delivering a high-quality customer experience across all channels.

While digitalization remains a core pillar of our strategy, we firmly believe that sustainable client relationships are built through a balance of efficient digital solutions and high-quality human interaction. During 2025, we further refined this hybrid model and advanced towards a mobile-first banking approach with increasingly digital customer journeys, ensuring that clients benefit from seamless processes, intuitive journeys, faster onboarding, and consistent service quality, while having access to professional financial advisors when making important financial decisions.

A key highlight of the year was the strong growth in our retail client base, driven by targeted acquisition initiatives, improved onboarding processes, and a strengthened focus on salary clients and transactional activity. This expansion was supported by a solid increase in customer deposits across current accounts, savings, and term deposits, reflecting our strategic focus on building stable, low-cost funding through long-term relationships with mid- to high-income clients.

At the same time, the bank recorded continued growth in its retail loan portfolio, particularly in housing and consumer loans, supported by more efficient processes and faster decision-making. Further growth was achieved through the expansion of partnerships for consumer lending, enabling facilitated financing solutions and improving access to credit for clients at the point of sale, while enhancing overall convenience and customer experience.

In line with our commitment to combining digital banking with physical accessibility, we continued to invest in our service network. During 2025, we opened two new service points in Elbasan and Vlorë, further expanding our presence and bringing our advisory services closer to clients.

Each service point reflects our client-centric approach, offering a welcoming environment, simplified service processes, and access to qualified financial advisors who support clients in their financial decisions.

Beyond product development, 2025 was marked by continued investments in staff capabilities and internal processes. We enhanced performance management, introduced more structured client monitoring, and strengthened coordination between retail and business units to maximize synergies—particularly in salary acquisition and SME-related retail flows.

At the same time, we further optimized internal systems and workflows to improve efficiency, shorten turnaround times, and deliver a more streamlined, consistent, and high-quality client experience across all touchpoints.

Overall, the developments in 2025 reflect ProCredit Bank Albania's commitment to becoming the primary bank for its clients—offering not only competitive products and services, but also a reliable, transparent, and customer-focused banking experience. By combining digital efficiency with personalized advisory, strengthening partnerships, and expanding physical presence, the bank continues to build a sustainable and diversified retail business.

Our Approach towards Digital Banking Services

ProCredit Bank continues to strengthen its digital infrastructure to improve client engagement and internal operational efficiency. In 2025, we maintained a strong strategic focus on enhancing the client experience by expanding our digital offerings and investing in key technological developments.

As part of our digital transformation journey, the bank achieved several important milestones during 2025. These included the launch of a new e-Banking platform, the introduction of Apple Pay as the first bank in the market, and progress towards SEPA integration. In parallel, significant efforts were dedicated to the development of digital onboarding and a new mobile banking application, both of which were successfully launched at the beginning of 2026.

Our primary objective remains to enhance client engagement, streamline internal processes, and provide secure, efficient, and intuitive banking solutions. We see digitalization not only as a technological advancement, but as a way to offer clients greater convenience, accessibility, and control over their financial activities.

At the same time, we continue to combine digital solutions with personalized human interaction. Client Advisers remain a core part of our service model, working closely with clients to understand their needs and provide tailored financial guidance.

ProCredit Bank will continue to prioritize digitalization in the years ahead. Through ongoing investment in innovative technologies and continuous 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 people are central to the execution of our long-term strategy and sustainable growth. We focus on building a resilient, skilled, and value-driven workforce through a balanced approach to recruitment, development, and retention. In 2025, we continued to strengthen our organization by attracting new talents aligned with our culture and strategic priorities, while actively promoting internal mobility and career progression. Our approach integrates professional competence, ethical standards, and long-term potential to ensure a stable and dynamic workforce. This combination enables us to respond effectively to evolving business needs and to deliver responsible banking in Albania.

Training and development

In line with our Human Resources strategy, we position continuous learning as a core driver of both individual and organizational performance. Our structured development framework covers all career stages, combining onboarding of new hires, role-specific training, and leadership development to build future capabilities. Employees benefit from a blended learning approach, including in-house training, on-the-job learning, mentoring, and international programs such as the ProCredit Academy. With over 19'600 hours of training delivered in 2025, we reinforced technical expertise, professional conduct, and responsible decision-making. These efforts ensure that our workforce remains adaptable, competent, and aligned with regulatory and market developments.

Diversity, equity and inclusion

Diversity, equity, and inclusion are embedded in our HR strategy and organizational culture, supporting better decision-making and sustainable performance. We are committed to providing equal opportunities and fostering an inclusive workplace where all employees feel valued and respected. In 2025, women represented 72% of our workforce and held 70% of leadership roles, reflecting strong and consistent progress in gender equality. As a signatory of the Women's Empowerment Principles, we promote inclusive policies and actively support women's career advancement. Through these actions, we strengthen our organizational culture and contribute to broader societal progress.

Employee Engagement and Wellbeing

Employee engagement and wellbeing are key elements of our HR strategy, directly supporting performance, resilience, and retention. In 2025, we implemented initiatives promoting employee wellbeing, including health programs, and flexible work arrangements. We also strengthened team cohesion through structured team-building activities, workshops, and internal events that promote collaboration and trust. Open communication and regular feedback mechanisms remain central to our approach, enabling proactive response to employee needs. These efforts contribute to a positive working environment, stronger engagement, and overall organizational effectiveness.

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 27,194,082. 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.

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 Sustainability

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 2025, 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 the new outlet we opened during 2025, which is located at Vlora. 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.

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 Sustainability

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 2025 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 2025 stands at 20%, out of which 35.2% are investments in Renewable Energy, 40.9% are allocated in Energy Efficiency (EE) investment group and 23.9% 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.

As of **2025**, we have financed more than EUR 50 million in photovoltaics. Through renewable energy financing, we are committed to contribute to decarbonization, energy transition and energy security in Albania.

Our Approach towards Sustainability

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 vehicle.

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 was 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 – 7th International Summit and Exhibition Balkan's Power

Participation in the 7th International Balkan Power Summit marked an important opportunity for ProCredit Bank Albania to engage with industry leaders and key stakeholders from across the region. Through active involvement, including participation in panel discussions, the Bank shared its expertise and exchanged insights on emerging energy and sustainability trends. This presence further reinforced ProCredit Bank Albania's strong commitment to advancing green finance and promoting climate-conscious banking practices.

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. So far, these developments have had only a limited impact on the Bank. Nevertheless, we will continue to monitor these factors closely in 2026 and assess their potential impact on an ongoing basis so that we can take appropriate action at an early stage if necessary.

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 2025, our overall risk profile is considered appropriate, as supported by comprehensive analyses outlined in the Risk Reports.

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.

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 and payment services. We avoid or strictly limit exposure to risks outside our core focus and maintain a conservative risk profile that prioritizes customer credit risk, liquidity risk, operational risk, interest rate risk, and 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 transparent and understandable financial services. Both the high degree of diversification of our operations and our simple, transparent services and processes result in a significant reduction in the bank's risk profile.

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 are accustomed to exercising their critical thinking and voicing their opinions openly are an important factor for managing and reducing risk.

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.

Risk Management
at ProCredit Bank Albania

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 2025 and Outlook
In 2025, ProCredit Bank demonstrated a strong and disciplined approach to credit risk management, successfully navigating a complex and evolving macroeconomic environment. Through rigorous client selection, and a continued focus on portfolio resilience, the Bank maintained a stable and well-performing portfolio while delivering solid growth.

A cornerstone of this success was ProCredit Bank's commitment to transparent and proactive client engagement, which enabled the early identification of potential financial difficulties and the timely implementation of tailored support measures.

Looking ahead to 2026, ProCredit Bank remains firmly focused on adapting to an increasingly uncertain external environment, ensuring full compliance with evolving regulatory requirements, and further strengthening its integrated risk management framework — reinforcing the foundations for sustainable, 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.

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 achieving its strategic objectives and pursuing the business plan.

Risk tolerance/appetite of ProCredit Bank Albania

The Supervisory Board and Management have defined the bank's risk appetite based on the internal capital adequacy assessment process (ICAAP) and the internal liquidity assessment process (ILAAP) as follows:

- The guiding principle is that the bank may never incur risks that are greater than it is able to bear; in this way, appropriate levels of capital and liquidity must be ensured at all times.
- The Supervisory Board of the Bank sets limits and reporting triggers for the normative perspective which are above the regulatory requirements.
- The Supervisory Board of the Bank determines the maximum risk-taking potential (resources available to cover risk, RAtCR) that can be used to cover risks in the economic perspective. The limits for the individual risks are distributed in line with the business and risk strategy.
- To ensure appropriate levels of liquidity, the Supervisory Board has defined limits in the context of ILAAP.

To maintain adequate levels of capital and liquidity, 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, 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), including minimum requirements, as well as additional requirements derived from ICAAP and applicable macro-prudential buffers.

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.

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, 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 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 2025

Contents

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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, 2025, 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, 2025, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters, along with the related risks of material misstatement, were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

KAM 1: Model-Based Provisioning for Non-Defaulted Loans

Key Audit Matter	How the Matter Was Addressed in the Audit
Loans and advances to customers represent the bank's most significant asset, constituting a considerable portion of total assets. Under IFRS 9, the bank applies the three-stage expected credit loss (ECL) model. The assessment of ECL for non-defaulted exposures (Stage 1 and Stage 2) involves significant management judgment, particularly regarding: • Probability of Default (PD) and Loss Given Default (LGD) parameters, calibrated on historical data and macroeconomic scenarios; • Significant Increase in Credit Risk (SICR) criteria, which determine the transfer of exposures from Stage 1 to Stage 2; • Forward-Looking Information (FLI), including macroeconomic scenarios and their weightings; and • Model overlays and expert judgment adjustments where standard assumptions are not fully applicable. The IFRS 9 ECL model is centrally validated by ProCredit Holding AG and applied uniformly across all group entities, including ProCredit Bank Albania. Due to the size of the loan portfolio, the complexity of the model, and the degree of estimation uncertainty, we identified this as a Key Audit Matter.	Our audit procedures included: • Reviewed and challenged the Group's IFRS 9 model validation report, assessing the methodology, assumptions, and their applicability to the bank's portfolio; • Recalculated ECL for the entire Stage 1 and Stage 2 loan population, confirming key inputs against system data; • Tested SICR criteria and verified the accuracy of stage transfers during the year; • Compared ECL coverage ratios against industry benchmarks to assess the reasonableness of provisioning levels; and • Reviewed individual credit files through the Group MITO team, with no issues identified requiring escalation.
Auditor's conclusion: Based on our procedures, including full recalculation of ECL and challenge of the Group's IFRS 9 model, we consider the model-based provisioning for non-defaulted loans to be reasonable and in compliance with IFRS 9. No material misstatements were identified.	

Credit Risk Provisioning for stage 3 exposures

Key Audit Matter	How the Matter Was Addressed in the Audit
The defaulted loan portfolio (Stage 3) comprises exposures for which the bank has identified objective evidence of impairment. Stage 3 provisioning requires individual assessment and significant judgment, particularly regarding: • Early identification and accurate staging of defaulted exposures in accordance with IFRS 9 criteria; • Collateral valuation and recovery assumptions, relying on external valuers and the bank's own knowledge; and • Calculation of lifetime expected credit losses (lifetime ECL) for individually material exposures. During the year, the bank recorded a significant improvement in credit quality, reflecting the resolution of previously impaired exposures and a reduction in write-offs compared to the prior year. Due to the estimation uncertainty and the expert judgment required, we identified this as a Key Audit Matter.	Our audit procedures included: • Recalculated ECL for all Stage 3 exposures, reviewing LGD assumptions, collateral valuations, and recovery expectations on a case-by-case basis; • Reassessed SICR criteria and staging for the entire loan portfolio population and identified no changes; • Reviewed individual credit files with a focus on deterioration indicators, staging rationale, and supporting documentation; • Recalculated days past due (DPD) and tested the effectiveness of key controls over credit risk monitoring and provisioning; and • Assessed the potential impact of findings from the BaFin special audit (§44 KWG) and identified no issues with a material impact on the financial statements.
Auditor's conclusion: Based on the full recalculation of ECL for Stage 3 exposures, review of individual credit files, and testing of key controls, we consider the Stage 3 provisioning to be reasonable and in compliance with IFRS 9. No material misstatements were identified.	

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 2025 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.

Report on Compliance with Legal and Regulatory Requirements

In accordance with the requirements of the legislation in force in the Republic of Albania for public interest entities, we declare that:

- Appointment of the auditor: We were appointed as statutory auditor by the Shareholders' Assembly on 20/06/2025 and have served as auditors of the Company for an uninterrupted period of 3 years, including the relevant renewals.
- Additional report to the Audit Committee: Our audit opinion on the financial statements is consistent with the additional report prepared for the Audit Committee, in accordance with the requirements of Regulation No. 44, dated 30.09.2025, of the Public Oversight Board.
- Non-audit services: During the engagement period we have not provided any prohibited non-audit services, and any other services provided, if any, have been carried out in compliance with the requirements of the applicable legislation and regulations.
- Independence: We have remained independent throughout the entire engagement period, in accordance with the ethical, legal and regulatory requirements in force in the Republic of Albania

Grant Thornton sh.p.k
Tirana, Albania
25 May 2026

Grant Thornton shpk

Erjona Isufi

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2025
(All amounts expressed in Lek'000, unless otherwise stated)

	Note	In Lek'000 31 December 2025	In Lek'000 31 December 2024	In EUR'000 31 December 2025	In EUR'000 31 December 2024
Interest income	9	2,165,507	2,051,945	22,135	20,377
Interest expense	9	(809,075)	(665,060)	(8,270)	(6,604)
Net interest income		**1,356,432**	**1,386,885**	**13,865**	**13,772**
Loss reversal/(allowance)	10	150,947	18,339	1,543	182
Net interest income after loss reversal/ (allowance)		**1,507,379**	**1,405,224**	**15,408**	**13,954**
Fee and commission income	11	670,937	575,594	6,858	5,716
Fee and commission expense	11	(299,740)	(250,323)	(3,064)	(2,486)
Net fee and commission income		**371,197**	**325,271**	**3,794**	**3,230**
Result from foreign exchange transactions		(964)	(538)	(10)	(5)
Net other operating result	12	(50,737)	(4,301)	(519)	(43)
Operating Income		**1,826,875**	**1,725,656**	**18,674**	**17,136**
Personnel expense	14	(584,498)	(467,315)	(5,975)	(4,641)
Administrative expenses	13	(1,204,566)	(1,079,683)	(12,313)	(10,722)
Profit/(Loss) before tax		**37,811**	**178,658**	**386**	**1,774**
Income tax (expense)	15	(14,525)	(32,475)	(148)	(322)
Profit/(Loss) for the year		**23,286**	**146,183**	**238**	**1,452**
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		**23,286**	**146,183**	**238**	**1,452**

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 50 to 109.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2025
(All amounts expressed in Lek'000, unless otherwise stated)

		In Lek'000		In EUR'000	
		31 December		31 December	
	Note	2025	2024	2025	2024
Assets					
Cash and balances with Central Bank	16	11,062,597	8,093,555	114,318	82,461
Loans and advances to financial institutions	17	4,938,027	3,653,624	51,028	37,225
Loans and advances to customers	18	35,829,812	32,753,351	370,257	333,707
Investment securities at amortized cost (AC)	19	2,497,674	2,694,819	25,810	27,456
Deferred income tax assets	15	2,436	4,903	25	50
Corporate income tax receivable	15	42,742	9,106	442	93
Other assets	20	252,072	254,465	2,605	2,593
Property, plant and equipment	21	762,652	537,274	7,881	5,474
Intangible assets	22	11,066	4,084	114	42
Total assets		**55,399,078**	**48,005,181**	**572,482**	**489,100**
Liabilities					
Liabilities to banks	23	3,492,777	3,159,499	36,094	32,191
Liabilities to customers	24	41,625,305	35,697,830	430,147	363,707
Other borrowed funds	25	3,561,523	2,951,151	36,804	30,068
Deferred tax liabilities	15	-	-	-	-
Corporate income tax liability	15	11,177	453	116	5
Other liabilities	27	555,460	547,815	5,740	5,581
Other provisions	27	63,728	55,499	659	565
Subordinated Debt	26	1,171,647	1,188,652	12,108	12,111
Total liabilities		**50,481,617**	**43,600,899**	**521,666**	**444,227**
Shareholders' equity					
Share capital	**28**	6,201,362	5,711,469	64,084	58,191
Accumulated deficit	28	(2,017,063)	(2,033,040)	(20,846)	(20,751)
Legal reserves	28	733,162	725,853	7,576	7,395
Currency translation reserve		-	-	3	38
Total shareholders' equity		**4,917,461**	**4,404,282**	**50,816**	**44,873**
Total liabilities and shareholders' equity		**55,399,078**	**48,005,181**	**572,482**	**489,100**

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 21 May 2026 and signed on their behalf by:

Mirsad Haliti
Chief Executive Officer

ProCredit Bank sh.a. Drejtoria e Përgjithshme

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 50 to 109.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

(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 2024	**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 Up 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**
Profit for the year	-	-	23,286	23,286
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**23,286**	**23,286**
Increase in Paid Capital	489,893	-	-	489,893
Transfer to legal reserve	-	7,309	(7,309)	-
Balance at 31 December 2025	**6,201,362**	**733,162**	**(2,017,063)**	**4,917,461**

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 50 to 109.

	Note	In Lek'000 2025	In Lek'000 2024	In EUR'000 2025	In EUR'000 2024
Cash flows from operating activities					
Profit/Loss before income tax		37,811	178,658	386	1,774
Adjustments to reconcile profit before income tax to net cash flows from operating activities					
Depreciation of property, plant and equipment and investment property	21,22	160,605	109,886	1,642	1,091
Amortization of intangible assets	23	2,230	1,154	23	11
Impairment charge for credit losses	18	(109,477)	(18,339)	(1,119)	182
Interest income	9	(2,165,507)	(2,051,945)	(22,135)	(20,377)
Interest expense	9	809,075	665,060	8,270	6,604
Gain/Loss on disposal of assets		3,075	37	31	-
Charge of other provisions		14,880	4,663	152	46
		(1,247,308)	**(1,110,826)**	**(12,750)**	**(11,033)**
Changes in operating assets and liabilities:					
Loans and advances to financial institutions and compulsory reserve		(186,158)	(185,028)	(1,924)	(1,885)
Loans and advances to customers	18	(2,970,864)	(5,945,736)	(30,700)	(60,578)
Other assets	20	2,637	(60,298)	27	(614)
Liabilities to banks	24	(64,859)	(198,411)	(670)	(2,022)
Liabilities to customers	25	5,916,929	3,273,671	61,144	33,354
Other liabilities	28	(58,710)	(310,948)	(607)	(3,168)
		1,391,667	**(4,537,576)**	**14,520**	**(45,946)**
Interest received		2,162,717	2,067,894	22,349	21,069
Interest paid		(779,321)	(739,056)	(8,053)	(7,530)
Corporate income received		(34,969)	(75,171)	(361)	(766)
Net cash generated from/(used in) operating activities		**2,740,094**	**(2,544,853)**	**28,455**	**(33,173)**
Cash flows from investing activities					
Acquisition investment securities measured at AC		(2,497,524)	(2,693,373)	(25,809)	(27,441)
Proceeds from matured Investment securities measured at AC		2,694,819	2,871,917	27,848	29,260
Proceeds from sale of property, plant and equipment		149,858	3,117	1,549	32
Acquisition/ disposal of intangible assets		(9,920)	(337)	(103)	(3)
Acquisition of premises and equipment		(472,390)	(193,805)	(4,882)	(1,975)
Net cash (used in)/generated from investing activities		**(135,157)**	**(12,481)**	**(1,397)**	**(127)**
Cash flows from financing activities					
Proceeds from subordinated debt		-	-	-	-
Capital Increase		489,893	-	5,062	-
Proceeds from other borrowed funds		4,380,973	4,390,942	45,272	44,737
Repayment of other borrowed funds		(3,408,678)	(3,756,281)	(35,225)	(38,271)
Net cash generated from financing activities		**1,462,188**	**634,661**	**15,109**	**6,466**
Translation differences		-	-	1,063	5,860
Increase in cash and cash equivalents		**4,067,125**	**(2,661,729)**	**42,167**	**(26,835)**
Cash and cash equivalents at the beginning of the year		**8,270,119**	**10,931,848**	**84,261**	**105,235**
Cash and cash equivalents at end of the year	**16**	**12,337,244**	**8,270,119**	**127,491**	**84,260**

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 50 to 109.

1. Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2025 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 2025, 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 2025 the Bank was operating from Head Office in Tirana, 4 branches, located in Durres, Korce, Elbasan and Vlore, and 7 agencies located in Tirana, Fier and Shkoder.

Registered address and place of business. The official address of the Bank is Rruga "Dritan Hoxha", near sports hall "Asllan Rusi" Tirana, Albania.

Board of Directors

Board of Directors members as of 31 December 2025 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 2025 has been translated at the official rate of BOA as at 31 December 2025 of Lek 96.77 to EUR 1 (2024: 98.15). 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 97.83 (2024: EUR 1: Lek 100.70).
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 judgment 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 2025 was 17.41%, while the required minimum CAR for banks in Albania is 12%. During the year ended 31 December 2025, the Bank generated a profit of LEK 23,286 thousand. There are no other factors that may indicate that the Bank may not be in line with the going concern principle. Support from the Group is also available on an as-needed basis.

The Bank has no intention to liquidate or cease its operations during 2025. Management expects the Bank to be profitable in the future, and its ability to continue as a going concern is not considered to 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 judgments 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 judgments 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 changes. 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 re measured 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 2025
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 (2024: LEK 10,000) 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 seven 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 when 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 the relevant tax returns.

Taxes other than income taxes are recorded within administrative and other operating expenses. Deferred income tax is provided using the balance sheet liability method for tax loss carryforwards 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 reverse or the tax loss carryforwards are utilized. Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

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 management determines are more likely than not to result in additional taxes being levied if the positions are challenged by the tax authorities. The assessment is based on the interpretation of tax laws enacted or substantively enacted by the end of the reporting period, as well as any known court or other rulings on such matters. Liabilities for penalties, interest, and taxes other than income taxes 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 or 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 recognized 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 the levy occurs, as identified by the legislation that triggers the obligation to pay. If a levy is paid before the obligating event, it is recognized as a prepayment.

Trade and other payables

Trade payables are recognized 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, are 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 judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are considered reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments 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 amounts of assets and liabilities within the next financial year, include:

ECL measurement. Measurement of ECLs is a significant estimate that involves determining methodology, models, and data inputs. Details of the ECL measurement methodology are disclosed in Note 5. The following components have a major impact on the 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 macro-economic scenario models. The Group regularly reviews and validates the models and inputs to reduce differences between expected credit loss estimates and actual credit loss experience.

The Bank uses supportable forward-looking information for ECL measurement, primarily derived from its own macro-economic forecasting model. Several macro-economic variables are assessed for their relevance to the PD model. Time series for these variables are obtained from the IMF World Economic Outlook Database for Albania. In particular, the following variables are considered in specifying the PD models: GDP growth, inflation rate changes, unemployment rate, lending rate, gas prices, and purchasing power parity. These variables reflect 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 that include both a loan and an undrawn commitment component, where the Bank's contractual ability to demand repayment and cancel the undrawn component does not, in practice, limit its exposure to credit losses. For such facilities, the Bank measures ECLs over the period during which it is exposed to credit risk and credit losses are not mitigated by credit risk management actions. Application of this exception requires judgment. Management applied its judgment in identifying the private and business facilities to which this exception applies.

The Bank applied this exception to facilities with the following characteristics: (a) no fixed term or repayment structure, (b) the contractual ability to cancel the facility is not enforced in practice as part of day to day credit management and cancellation occurs only when the Bank becomes aware of increased credit risk at the individual facility level, and (c) exposures are managed on a collective basis. The Bank also applied judgment in determining the period over which ECLs are measured, including the starting point and expected end point of exposure. The Bank considered historical information and experience regarding: (a) the period over which it is exposed to credit risk on similar facilities, including the timing of the last significant modification (which determines the starting point for assessing SICR), (b) the time between SICR and related defaults on similar instruments, and (c) credit risk management actions (e.g., reduction or removal of undrawn limits), prepayment rates, and other factors influencing expected maturity. Portfolios of revolving facilities are segmented into sub-groups, and the most relevant factors are applied based on historical data, experience, and forward-looking information.

Significant increase in credit risk ("SICR"). To determine whether there has been a significant increase in credit risk, the Bank compares the risk of default over the expected life of a financial instrument at the reporting date with the risk of default at initial recognition. The assessment considers the relative increase in credit risk rather than a specific absolute level of risk at the reporting date. The Bank considers all reasonable and supportable forward-looking information available without undue cost or effort, including behavioral characteristics of customer portfolios. Behavioral indicators of increased credit risk prior to delinquency are incorporated into the assessment at either an individual instrument level or a portfolio level. Refer to Note 5

Business model assessment. The business model determines the classification of financial assets. Management applied judgment in determining the level of aggregation and the composition of portfolios when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing, and value, the reasons for sales, and expectations about future sales activity. Sales aimed at minimizing potential losses due to credit deterioration are considered consistent with a "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 assets 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 judgment. 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. 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.

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 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 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 judgment 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 judgment 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 2025

Some accounting pronouncements which have become effective from 1 January 2025 and have therefore been adopted do not have a significant impact on the Company/Group/Bank's financial results or position:

- Lack of Exchangeability (Amendments to IAS 21)

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Company/Group/Bank and no Interpretations have been issued that are applicable and need to be taken into consideration by the Company/Group/Bank include at the reporting date. In April 2024, the IASB issued IFRS 18, which replaces IAS 1 'Presentation of Financial Statements'.

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 (continued)

Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including

- two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- the classification of all income and expenses within the statement of profit or loss in one of five categories
- a new requirement to disclose performance measures defined by management, and
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed 'Basis of Preparation of Financial Statements'. The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7. IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

Other Standards and amendments that are not yet effective and have not been adopted early by the Company/Group/Bank include:

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7). The amendments apply for annual reporting periods beginning on or after 1 January 2026.

Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). Effective for annual reporting periods beginning on or after 1 January 2026

Annual Improvements to IFRS Accounting Standards—Volume 11. Minor amendments to clarify wording, fix inconsistencies and update guidance. Annual periods beginning on or after 1 January 2026.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures'. Effective for annual reporting periods beginning on or after 1 January 2027.

Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'. The amendments to IFRS 19 will apply for annual reporting periods beginning on or after 1 January 2027.

These Standards and amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made. However, whilst they do not affect these Financial Statements, they will impact some entities. An entity should assess the anticipated impact of these new Standards and amendments on their financial statements based on their own facts and circumstances and make appropriate disclosures.

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 2025	31 December 2024
Cash and balances with Central Bank	11,062,597	8,093,555
Loans and advances to banks and other financial institutions	4,938,027	3,653,624
Loans and advances to customers:		
Business Trade	13,338,287	12,370,131
Business Production	6,463,324	6,711,832
Business Agriculture	451,627	512,556
Business Transport	732,954	481,840
Business Other	9,299,268	8,673,312
Private Housing	4,464,783	3,326,126
Private Investment	458,912	301,045
Private Other	620,657	376,509
	35,829,812	**32,753,351**

	31 December 2025	31 December 2024
Investment securities measured at AC	2,497,674	2,694,819
Other financial assets	197,935	187,630
Total	**2,695,609**	**2,882,449**
Credit risk exposures relating to off-balance sheet items are as follows:		
Loan commitments and other credit related liabilities	2,833,699	2,788,203
Letters of Credit	1,935	-
Payment guarantees and Letters of Credit	1,367,401	1,321,228
Performance Guarantees	78,746	-
Total	**4,281,781**	**4,109,431**

Off balance sheet	31 December 2025	31 December 2024
Credit commitments	2,833,699	2,788,203
Payment guarantees	1,367,401	1,321,228
Letters of Credit	1,935	-
Performance guarantees	78,746	-
Provisions recognized as liabilities	(9,298)	(14,433)
Total	**4,272,483**	**4,094,998**

5. Financial risk management (continued)

Customer credit risk

The main objective of credit risk management is to ensure a high level of credit quality and to avoid excessive concentrations of risk within the credit portfolio. In addition, we ensure that potential default risks are adequately covered by means of forward-looking loss allowances in our lending business.

The bank focus on a clearly defined target group: micro-, small and medium enterprises (MSMEs) as well as private clients. For our lending operations with clients, we apply the following principles, among others:

- Analysis of the debt capacity and repayment capacity of borrowers, taking account for expected future cash flows as well as assessing ESG aspects
- Documenting the risk assessments and the processes conducted during lending operations, such that the analyses performed can also be understood by expert third parties
- Avoiding over indebtedness among credit clients
- Building a long-term relationship, maintaining regular contact, and documenting the development of the exposure in regular monitoring reports
- Monitoring the repayment of credit exposures
- Customer-oriented loan management in the event of arrears
- Collateral realisation in the event of insolvency

The bank's framework for managing customer credit risk is presented in the relevant policies and standards. The policies specify, among other things, the responsibilities for managing credit risk, the principles for the organisation of the lending business, the principles involved in loan disbursement and monitoring, and the framework for the valuation of collateral for credit exposures. The standards contain detailed explanations of the group's lending operations with business and private clients, as well as project financing for renewable energy, and of the range of credit offered. They also set forth the rules governing restructuring, loss allowances and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment) and the post-disbursement phase (e.g. regular monitoring of the financial situation, review of early warning indicators, and both intensified and problem loan management).

We primarily divide our credit exposures according to the above-mentioned target groups: MSMEs and private clients. Depending on the client category to which the respective credit exposure is assigned, different credit risk assessment processes are applied. These processes differ from one another in terms of the following attributes: involvement of back-office functions, type of information that provides the basis for the credit analysis, criteria for credit decisions, and collateral requirements. A strict separation of front and back-office functions up to the management level is applied for risk-relevant operations. Our credit decisions are therefore based predominantly on an analysis of the client's financial situation and on an assessment of creditworthiness. We maintain regular contact with our SME clients, including regular on-site visits to ensure that we consider their specific risk profile and needs. For private customers, the assessment is mainly based on the amount and source of income as well as their overall debt and prior repayment behavior.

Approval Process for Credit Exposures

All credit decisions are approved by the Bank's credit committees, in line with defined approval limits reflecting members' expertise and experience. Medium-sized credit exposures are approved exclusively by the credit committees at the Bank's head office. Credit decisions are primarily based on the client's risk profile, financing needs, and collateral structure. The Bank applies clearly defined collateral requirements, which may be reduced depending on factors such as loan amount, maturity, client relationship history, and account turnover.Credit exposures are generally secured by collateral, predominantly mortgages. Unsecured lending is permitted only in limited cases, subject to the risk profile and maturity of the exposure. Collateral valuations are performed by independent external experts and are periodically reviewed, with plausibility checks conducted by specialized Bank staff to ensure early identification of potential impairment risks.

Early Risk Detection and Monitoring

The early identification of increasing credit risk is an integral part of the Bank's credit processes and aims to ensure the timely identification of potential financial difficulties of customers. Risk assessment is performed at both individual client level and at portfolio and sub-portfolio level, taking into account up-to-date customer financial information and relevant market developments.

The Bank applies a structured set of quantitative and qualitative early warning indicators, which are recorded and monitored at portfolio level. If a potential increase in credit risk is identified, the respective clients are placed on a watch list and subject to enhanced monitoring and targeted risk mitigation measures.

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

5. Financial risk management (continued)

Early Risk Detection and Monitoring (continued)

The regular collection, validation and assessment of early warning indicators is a key element of credit portfolio management and supports the timely initiation of appropriate actions. Relevant reports are provided to branch management and the Bank's head office on a regular basis.

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 credit portfolio, 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 under intensified management.. 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, specialized 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, specialized 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 realization, 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.

	31-Dec-25	31-Dec-24
Real estate	21,700,943	19,354,749
Other	7,388,297	7,492,778
Total	**29,089,240**	**26,847,527**

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:

5. Financial risk management (continued)

Loss allowances (continued)

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.

- **Stage 1** comprises exposures for which credit risk as of the reporting date has not significantly increased since initial recognition, and for which there is thus 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. 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, the expected credit losses arising from possible default events within a period of up to 12 months following the reporting date are recognised in expenses. 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 all defaulted exposures (except POCI) with 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 specific period is determined on the basis of historical default events, taking into account current and expected macroeconomic developments. 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 and their credit and repayment behaviour. The parameters are calibrated on a country-specific and segment-specific basis. This ensures a differentiated and consistent classification of the risk levels of exposures in accordance with the client segments defined by the group. Statistical models are used to analyse historical data and forecast the expected probability of default. These models take into account different scenarios for the development of the macroeconomic environment (point-in-time estimate). In addition, probabilities of default are estimated over the remaining contractual term of the loan.
- **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.

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. The selection process is validated annually.

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

5. Financial risk management (continued)

Calculation of expected credit loss (ECL) (continued)

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. A detailed description can be found in the section on overlays.

Baseline scenario	Country	Albania
GDP growth in %	2025	3.4
	2026	3.6
	2027	3.5
Inflation rate in %	2025	2.7
	2026	3.0
	2027	3.0
Unemployment rate in %	2025	8.7
	2026	8.7
Change in purchasing power parity in % Change in gas price in %	2025	-
	2027	-
	2025	91.6
Change in purchasing power parity in % Change in oil price in %	2026	-
	2025	-16.2
Change in gas price in %	2026	-6.2
	2027	-
Weight		50%

Downside scenario	Country	Albania
GDP growth in %	2025	2.2
	2026	2.4
	2027	2.4
Inflation rate in %	2025	3.9
	2026	4.2
	2027	4.2
Unemployment rate in %	2025	8.9
	2026	8.9
Change in purchasing power parity in % Change in gas price in %	2025	-
	2027	-
	2025	127.1
Change in purchasing power parity in % Change in oil price in %	2026	-
	2025	1.9
Change in gas price in %	2026	11.9
	2027	-
Weight		40%

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

5. Financial risk management (continued)
Calculation of expected credit loss (ECL) (continued)

Upside scenario	Country	Albania
GDP growth in %	2025	4.3
	2026	4.6
	2027	4.5
Inflation rate in %	2025	0.9
	2026	1.3
	2027	1.2
Unemployment rate in %	2025	7.9
	2026	7.9
Change in purchasing power parity in % Change in gas price in %	2025	-
	2027	-
	2025	65.8
Change in purchasing power parity in % Change in oil price in %	2026	-
	2025	-35.4
Change in gas price in %	2026	-25.4
	2027	-
Weight		10%

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 (watch list).

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.

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.

5. Financial risk management (continued)

Risk Classification System (continued)

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.

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. (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178). 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. 5.

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 reclassified 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.

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 realisation 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 derecognised and a new exposure is recognised at the fair value at the time of modification. In the case of a non-substantial change, the gain or loss is recognised 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.

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

5. Financial risk management (continued)

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.

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 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 with 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):

	2025	2024
USD	82.46	94.26
EUR	96.77	98.15
GBP	110.76	118.16
CHF	103.97	104.27
CNY	11.79	12.91

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 2025	**LEK**	**EUR**	**USD**	**Other**	**Total**
Assets					
Cash and balances with Central Bank	4,547,857	6,121,570	393,170	-	11,062,597
Loans and advances to banks	960,035	2,980,443	988,399	9,150	4,938,027
Securities measured at amortized cost (AC)	2,497,674	-	-	-	2,497,674
Loans and advances to customers	16,881,272	18,806,514	142,026	-	35,829,812
Other financial assets	87,713	78,953	31,269	-	197,935
Total Financial Assets	**24,974,551**	**27,987,480**	**1,554,864**	**9,150**	**54,526,045**
Open forward position (asset)	**121,211**	**-**	**-**	**-**	**121,211**
Liabilities					
Liabilities to banks	98,909	3,393,868	-	-	3,492,777
Liabilities to customers	20,469,462	19,493,598	1,654,000	8,245	41,625,305
Other borrowed funds	-	3,561,523	-	-	3,561,523
Other financial liabilities	375,873	120,935	11,544	17	508,369
Subordinated debt	-	1,171,647	-	-	1,171,647
Total Financial Liabilities	**20,944,244**	**27,741,571**	**1,665,544**	**8,262**	**50,359,621**
Open forward position (liability)	**-**	**120,963**	**-**	**-**	**120,963**
Net on-balance sheet currency position	**4,151,518**	**124,947**	**(110,680)**	**888**	**4,166,672**
Off-balance sheet commitments and guarantees					
Credit commitments	1,180,022	1,611,251	42,426	-	2,833,699
Off balance sheet - letters of credit	-	1,935	-	-	1,935
Off balance sheet - performance guarantee	19,600	59,146	-	-	78,746
Off balance sheet - Payment guarantees	661,454	639,979	65,968		1,367,401
Total credit related commitments	**1,861,076**	**2,312,311**	**108,394**	**-**	**4,281,781**

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

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

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**

The Bank's sensitivity analysis takes into consideration the 10-year historical exchange rates movements of 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 analysis 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 2025 data and 31 December 2024 (under a standard scenario) is presented below:

			Effect on profit or loss	
Currency	**Historical shocks 2025**	**Historical shocks 2024**	**31 December 2025**	**31 December 2024**
EUR	**2.16%**	**2.05%**	**(3,081)**	**(3,361)**
USD	**-2.91%**	**2.99%**	**(291)**	**(122)**
Total			**(3,372)**	**(3,482)**

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 repricing mismatches. It is measured by the interest earnings impact, 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 2025 and 2024, 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 2025		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		-	-	-	-	-	-	-	2,795,982
Balances with Central Banks		1,751,974	-	-	-	-	-	1,751,974	-
Current accounts with banks		-	-	-	-	-	-	-	-
T-bills and marketable securities	Fixed	2,211,944	81,177	8,011	202,077	-	-	2,503,209	(2,277)
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		960,316	-	-	-	-	-	960,316	-
Loans and advances to customers	Fixed	378,834	2,249,762	2,462,183	918,541	423,680	53,624	6,486,624	-
	Var.	892,939	5,099,366	5,170,338	339,821	468,225	372,776	12,343,465	-
Off balance sheet items		24,860	543,127	608,764	-	-	-	1,176,751	-
Other financial assets		-	-	-	-	-	-	-	-
Total assets		**6,220,867**	**7,973,432**	**8,249,296**	**1,460,439**	**891,905**	**426,400**	**25,222,339**	**2,793,705**
Liabilities									
Current accounts from banks		-	99,022	-	-	-	-	99,022	132
Current accounts from customers		6,220,964	1,973,479	1,091,276	1,719,104	2,514,596	-	13,519,419	61,171
Deposits from customers		423,065	1,140,275	2,372,893	2,067,105	911,067	35,505	6,949,910	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Off balance sheet items		-	-	-	-	-	-	-	-
Other financial liabilities		-	-	-	-	-	-	-	-
Total liabilities		**6,644,029**	**3,212,776**	**3,464,169**	**3,786,209**	**3,425,663**	**35,505**	**20,568,351**	**61,303**
IR sensitivity gap- open position		**(423,162)**	**,760,656**	**4,785,127**	**(2,325,770)**	**(2,533,758)**	**390,895**	**4,653,988**	**-**

EUR Interest Sensitivity Gap At 31 December 2025		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		-	-	-	-	-	-	-	1,374,956
Balances with Central Banks		4,746,614	-	-	-	-	-	4,746,614	-
Current accounts with banks		1,079,700	-	-	-	-	-	1,079,700	559,853
T-bills and marketable securities	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		1,350,334	-	-	-	-	-	1,350,334	-
Loans and advances to customers	Fixed	440,897	2,142,423	2,343,257	727,896	521,727	5,367	6,181,567	-
	Var.	1,726,431	5,680,334	5,963,882	483,405	607,460	357,794	14,819,306	-
Off balance sheet items		92,180	726,584	790,428	-	-	-	1,609,192	-
Other financial assets		-	-	-	-	-	-	-	-
Total assets		9,436,156	8,549,341	9,097,567	1,211,301	1,129,187	363,161	29,786,713	1,934,809
Liabilities									
Current accounts from banks		393,782	1,649,512	1,055,408	465,530	485,823	-	4,050,055	6
Current accounts from customers		4,559,935	1,422,531	954,119	1,646,574	2,882,519	-	11,465,678	93,404
Deposits from customers		497,591	2,473,243	2,402,435	1,756,759	803,971	102,157	8,036,156	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-
	Var.	170,134	2,958,521	1,286,466	110,476	238,238	299,230	5,063,065	-
Off balance sheet items		-	-	-	-	-	-	-	-
Other financial liabilities		120,963	-	-	-	-	-	120,963	-
Total liabilities		5,742,405	8,503,807	5,698,428	3,979,339	4,410,551	401,387	28,735,917	93,410
IR sensitivity gap- open position		3,693,751	45,534	3,399,139	(2,768,038)	(3,281,364)	(38,226)	1,050,796	-

(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 2025		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		-	-	-	-	-	-	-	139,980
Balances with Central Banks		253,190	-	-	-	-	-	253,190	-
Current accounts with banks		848,278	-	-	-	-	-	848,278	140,119
T-bills and marketable securities	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Term deposits with banks		-	-	-	-	-	-	-	-
Loans and advances to customers	Fixed	5	29,750	5,225	703	-	-	35,683	-
	Var.	3,510	24,209	82,374	819	601	1	111,514	-
Off balance sheet items		-	42,131	13	-	-	-	42,144	-
Other financial assets		121,211	-	-	-	-	-	121,211	-
Total assets		**1,226,194**	**96,090**	**87,612**	**1,522**	**601**	**1**	**1,412,020**	**280,099**
Liabilities									
Current accounts from banks		-	-	-	-	-	-	-	-
Current accounts from customers		711,582	181,274	34,788	30,235	-	-	957,879	9,787
Deposits from customers		33,416	124,684	282,073	181,602	74,344	-	696,119	-
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-
	Var.	-	-	-	-	-	-	-	-
Off balance sheet items		-	-	-	-	-	-	-	-
Other financial liabilities		-	-	-	-	-	-	-	-
Total liabilities		744,998	305,958	316,861	211,837	74,344	-	1,653,998	9,787
IR sensitivity gap- open position		**481196**	**(209,868)**	**(229,249)**	**(210,315)**	**(73,743)**	**1**	**(241,978)**	**-**

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**	**417,254**	**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**	**-**

(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 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**	**-**

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)**	**-**

(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 of 31 December 2025 and 2024, 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	2025		2024	
	+200 bp	-200 bp	+200 bp	-200 bp
Change Lek market rates	87,117	(92,278)	100,004	(109,074)
Change EUR market rates	227,711	(244,129)	249,069	(271,301)
Change USD market rates	15,867	(16,568)	11,199	(11,629)
Total effect (netted)	330,695	(352,975)	360,272	(392,004)
As % of capital	5.5%	-5.8%	6.5%	-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 has undergone changes in the measurement and assumptions used for determining the liquidity risk and thus impacting the cumulative liquidity gap as well. In the new methodology applied the bank expects to have a cumulative maturity gap positive, for at least a period of 90 days (survival period at 90 days, being a limit for all the scenarios, as defined in the Liquidity Management Policy). As for December 2025, the survival period of the Bank for all currencies in total is calculated above 365 days in Business-as-Usual scenario and above 301 days in worst case scenario.

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

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

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

31 December 2025	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	11,062,597	-	-	-	-	11,062,597
Investment securities measured at AC	2,095,098	199,347	2,040	201,189	-	2,497,674
Due from other banks	4,938,027	-	-	-	-	4,938,027
Loans and advances to customers	514,552	2,117,248	6,254,334	14,036,800	12,906,878	35,829,812
Other financial assets	197,935	-	-	-	-	197,935
Total	**18,808,209**	**2,316,595**	**6,256,374**	**14,237,989**	**12,906,878**	**54,526,045**
Liabilities						
Liabilities to banks	-	1,138,678	1,465,226	888,873	-	3,492,777
Customer accounts – Private	10,744,354	1,619,804	4,727,446	5,406,226	-	22,497,830
Customer accounts – Business	15,846,625	967,058	1,306,007	1,007,785	-	19,127,475
Other borrowed funds	-	182,742	999,687	2,379,094	-	3,561,523
Subordinated debt	-	-	10,407	-	1,161,240	1,171,647
Gross loan commitments	2,833,699	-	-	-	-	2,833,699
Guarantees	1,446,147	-	-	-	-	1,446,147
Letter of Credit	1,935	-	-	-	-	1,935
Other financial liabilities	**508,369**	**-**	**-**	**-**	**-**	**508,369**
Total potential future payments for financial obligations	**31,381,129**	**3,908,282**	**8,508,773**	**9,681,978**	**1,161,240**	**54,641,402**
Liquidity gap arising from financial instruments	**(12,572,920)**	**(1,591,687)**	**(2,252,399)**	**4,556,011**	**11,745,638**	**(115,357)**

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)**

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.

The methodology applied includes a thorough analysis of the balance sheet items individually leading to different models used to determine their distribution into different time periods, while also incorporating international regulatory requirements for both assets and liabilities distribution in each scenario. In the analysis 10 years' data are included with a carefully designed cleaning data process in order to avoid extremities and non-relevant cases that will cause disruption in analysis. Additionally, the results incorporate different confidence intervals representing a different degree of stress severity and statistical likelihood. Despite the contractual maturity, especially for the loans and deposit's portfolios, an additional assessment is made based on the detailed behavioural analysis for each type of client, product and currency, in order to carefully determine possible outcomes of both inflow and outflow developments. Moreover, separate statistical models are used for the analysis of different products, based on their characteristics and client behaviour.

In addition, the Bank maintains a portfolio of highly marketable financial assets that can easily be liquidated or used under a repo mechanism, as 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 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 Bank Stress Concept) 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

Ensuring the long-term stability of the bank is an objective, which has maximum priority in the framework of corporate management. The Policy on ICAAP (Internal Capital Adequacy Assessment Process) ensures that the banks only assumes the amount of risk that can be covered by available capital. The following steps are therefore taken:

- determination of maximum permissible risk levels (limits),
- establishment of processes for the ongoing monitoring of the set limits and
- management and planning of the risk profile and the available capital.

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 2025. 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	**2025**	**2024**
Share capital	6,201,362	5,711,469
Statutory reserve	733,162	725,853
Statutory accumulated (losses)/profits	(2,191,270)	(2,060,801)
Statutory intangible assets	(11,066)	(4,084)
Total qualifying Tier 1 capital	**4,732,188**	**4,372,437**
Tier 2 capital		
Subordinated liability	1,161,240	1,177,800
Other deductions	-	-
Total qualifying Tier 2 capital	**1,161,240**	**1,177,800**
Total regulatory capital	**5,893,428**	**5,550,237**
Total risk-weighted assets	**33,859,851**	**30,447,270**
Risk-weighted assets:		
On-balance sheet	29,362,828	26,201,647
Off-balance sheet	1,438,955	1,347,841
Risk assets for operational risk	3,058,068	2,756,807
Risk assets for market risk	-	140,975
Total risk-weighted assets	**33,859,851**	**30,447,270**
Tier I capital adequacy ratio	**13.98%**	**14.36%**
Total capital adequacy ratio	**17.41%**	**18.23%**

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.

6. Management of capital (continued)

ICAAP – Economic perspective (continued)

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. 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 marke.
    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 Standardized Approach. Under this approach, the business activities of the Bank are subdivided into standardized 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 judgment 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 more simple 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 judgment 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 2025	**Category**	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets						
Cash and balances with Central Banks	AC	11,062,597	11,062,597	11,062,597	-	-
Loans and advances to banks	AC	4,938,027	4,938,027	-	4,938,027	-
Loans and advances to customers	AC	35,829,812	35,946,431	-	-	35,946,431
Investment securities	AC	2,497,674	2,498,322	-	2,498,322	-
Other assets (shares)	FVOCI	154	154	-	154	-
Other financial assets	AC	197,935	197,935	-	197,935	-
Total		**54,526,199**	**54,643,466**	**11,062,597**	**7,634,438**	**35,946,431**
Financial Liabilities						
Liabilities to banks	AC	3,492,777	3,492,777	-	3,492,777	-
Liabilities to Customers	AC	41,625,305	42,175,669	-	25,998,516	16,177,153
Borrowings	AC	3,561,523	3,454,414	-	-	3,454,414
Subordinated debts	AC	1,171,647	1,171,647	-	1,171,647	-
Other financial liabilities	AC	508,369	508,369	-	508,369	-
Total		**50,359,621**	**50,802,876**	**-**	**31,171,309**	**19,631,567**

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

7. Fair values of financial instruments (continued)

				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**

**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 2025	FVOCI	AC	Total
Cash and current accounts with banks	-	11,062,597	11,062,597
Loans and advances to banks	-	4,938,027	4,938,027
Other financial assets	-	197,935	197,935
Loans to Business	**-**	**30,661,456**	**30,661,456**
Loans to customers	-	23,017,916	23,017,916
Overdrafts	-	7,643,540	7,643,540
Loans to Private	**-**	**5,608,486**	**5,608,486**
Loans to customers	-	5,482,078	5,482,078
Overdrafts	-	100,184	100,184
Credit Cards	-	26,224	26,224
Total loans and advances to customers	**-**	**36,269,942**	**36,269,942**
Investment securities	**-**	**2,497,888**	**2,497,888**
Albanian Government Treasury Bills	-	2,203,581	2,203,581
Albanian Government Bonds	-	294,307	294,307
Total Financial Assets	**-**	**54,966,389**	**54,966,389**

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**

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

9. Net interest income

	2025	2024
Interest income from		
Loans and advances to customers	1,958,939	1,766,105
Investment securities measured at AC	73,961	106,369
Loans and advances to financial institutions	122,807	173,503
Other interest income	9,800	5,969
Total interest income	**2,165,507**	**2,051,945**
Interest expense on		
Liabilities to customers	417,341	319,927
Interest expenses on subordinated debts	106,423	66,604
Interest expenses on financial institutions	269,866	272,935
Other	15,445	5,594
Total interest expense	**809,075**	**665,060**
Net interest income	**1,356,432**	**1,386,886**

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

	2025	2024
Change in loss allowances	105,736	(46,242)
Recovery of written-off loans	45,211	64,581
Total	**150,947**	**18,339**

11. Net fee and commission income

Fees and commissions income were comprised as follows:

Fee and commission income from:	**2025**	**2024**
Fee income from FX transactions	300,370	246,656
Payment services	117,863	115,065
Debit/credit cards	93,879	61,415
Account maintenance	134,182	127,567
Letters of credit and guarantees	22,783	23,821
Others	1,860	1,070
Total *	**670,937**	**575,594**
Fee and commission expenses on:		
Fee expenses from FX transactions	108,815	79,741
Payment services	60,654	61,431
Debit/credit cards	115,132	96,446
Account maintenance	13,540	12,586
Letters of credit and guarantees	-	-
Others	1,599	119
Total *	**299,740**	**250,323**
Net fee and commission income *	**371,197**	**325,271**

** Previous year figures have been adapted to the current disclosure structure.*

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

11. Net fee and commission income (continued)

Fee and commission income from foreign exchange transactions amounting to Lek 300,370 thousand (2024: LEK 246,656 thousand) is now shown in fee and commission income instead of in the result from foreign exchange transactions. Fee and commission expenses from foreign exchange transactions amounting to LEK 108,815 thousand (2024: LEK 79,741 thousand) are reported accordingly in fee and commission expenses.

12. Net other operating result

Other operating income from:	2025	2024
Reversal of provision not related to lending	1,099	25,028
Sale of repossessed properties	20,481	29,118
Sale of property, plant and equipment	393	46
Reimbursement of expenses	228	-
Others	17,961	21,764
Total	**40,162**	**75,956**
Other operating expenses for:		
Deposit insurance	56,085	50,025
Disposal of property, plant and equipment	3,468	83
Impairment of repossessed properties	-	-
Impairment on claims to customers	1,688	2,886
Expenses for banking supervision	23,388	21,070
Litigation settlements	-	-
Net gains from foreign exchange valuation*	(10,158)	(7,029)
Others	16,428	13,222
Total *	**90,899**	**80,257**
Net other operating result *	**(50,737)**	**(4,301)**

** Previous year figures have been adapted to the current disclosure structure.*

The net gains from foreign exchange positions amounting to LEK 10,158 thousand (2024: LEK 7,029 thousand) are now included in net other operating result instead of in income from foreign exchange transactions.

13. Administrative Expenses

	2025	2024
IT, Maintenance and repairs	454,815	378,173
Non-profit tax expenses	161,830	172,930
Consultancy, legal fees and other services	144,279	127,801
Depreciation of property, plant and equipment	160,605	109,886
Security services	84,930	89,200
Telephone and electricity	72,125	59,302
Training	26,088	23,146
Marketing, advertising and representation	25,629	55,830
Transport	25,461	22,894
Lease expenses	18,220	10,196
Insurance	10,189	9,992
Office supplies	8,930	8,819
Amortization of intangible assets	2,230	1,154
Other expenses	9,235	10,360
Total	**1,204,566**	**1,079,683**

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

14. Personnel expenses

Personnel expenses were comprised as follows:

	2025	2024
Salary expenses	507,438	406,445
Social insurance	52,057	41,632
Public defined contribution plan	22,310	17,843
Other	2,693	1,395
Total	**584,498**	**467,315**

At 31 December 2025, the Bank had 279 employees (31 December 2024: 239 employees).

15. Income tax

(a) Amounts recognized in profit or loss

Income tax in Albania is assessed at the rate of 15% (2024:15%) 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 2025 and 2024 is presented as it follows:

	2025	2024
Current tax	12,058	38,402
Deferred tax (benefit)/expenses	2,467	(5,927)
Income tax expense	**14,525**	**32,475**

(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:

	2025	2024
Profit / (Loss) before tax	37,811	178,658
Theoretical charge /(credit) tax calculated at 15% (2024:15%)	5,672	26,799
Non-taxable income	(482)	(10,205)
Non-deductible expenses	9,335	15,881
Income tax expense	**14,525**	**32,475**

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:

	2025	2024
Cash on hand	4,310,919	2,469,830
Current account with Central Bank of Albania	3,088,245	2,146,650
	7,399,164	**4,616,480**
Compulsory reserve with Central Bank of Albania	3,663,553	3,477,395
Allowance for impairment losses	(120)	(320)
Total	**11,062,597**	**8,093,555**

(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 2025 and 2024 are presented below::

	2025	2024
Cash and balances with Central bank	7,399,164	4,616,480
Loans and advances to financial institutions with maturities of three months or less	4,938,080	3,653,639
Total	**12,337,244**	**8,270,119**

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 2025	**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		3,088,245	-	3,088,245
- Compulsory reserve		3,663,553	-	3,663,553
- Government securities		-	-	-
Total cash and balances with central banks		**6,751,798**	**-**	**6,751,798**

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**

(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:

	2025	2024
Deposits with resident banks with original maturities of three months or less	**1,347, 186**	**147,236**
Deposits with non-resident banks with original maturities of three months or less	**3,590,893**	**3,506,403**
Loss allowance for loans to banks	**(52)**	**(14)**
Total	**4,938,027**	**3,653,624**

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:

	2025	2024
Loans to customers	28,408,488	25,647,407
Overdrafts	7,731,779	7,580,566
Credit Cards	26,203	14,061
Accrued interest	103,472	100,683
	36,269,942	33,342,717
Credit loss allowance	(440,130)	(589,366)
	35,829,812	**32,753,351**

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

	2025	2024
At 1 January	589,366	734,110
Credit loss allowance for the year	(93,667)	67,657
Loans written off	(50,521)	(173,937)
Translation impact	(5,048)	(38,464)
Total	**440,130**	**589,366**

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

	2025	2024
Loans in Lek	0.50% to 15.00%	1.55% to 12.00%
Loans in Euro	1.00% to 13.00%	1.50% to 12.00%
Loans in USD	5.00% to 6.84%	5.00% to 6.07%

(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 2025		31 December 2024	
	Loans and advances	ECL	Loans and advances	ECL
Stage 1 and 2				
Arrears 0-7 days	35,656,153	(199,611)	32,799,620	(324,050)
Arrears 8-30 days	224,206	(3,502)	184,738	(2,824)
Arrears 31-90 days	58,954	(4,949)	34,747	(956)
Stage 3	330,629	(232,068)	323,612	(261,536)
	36,269,942	**(440,130)**	**33,342,717**	**(589,366)**

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

31 December 2025	Business	Private	Total
Total gross amount	30,661,456	5,608,486	36,269,942
Credit loss allowance (individual and collective)	(375,996)	(64,134)	(440,130)
Net carrying amount	**30,285,460**	**5,544,352**	**35,829,812**

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**

Loans to customers by credit risk stages are presented below:

31 December 2025	Business	Private
Stage 1	29,662,728	5,513,870
Stage 2 (SICR)	696,870	65,845
Stage 3 (Default)	301,858	28,771
Gross	**30,661,456**	**5,608,486**
Less: credit loss allowance	(375,996)	(64,134)
Net carrying amount	**30,285,460**	**5,544,352**

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**

(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 2025 and 31 December 2024 are disclosed in the table below:

	31 December 2025			31 December 2024		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Business						
Loans	23,017,916	(342,865)	22,675,051	21,686,823	(397,921)	21,288,902
Overdrafts	7,643,540	(33,131)	7,610,409	7,528,514	(67,745)	7,460,769
Private						
Loans	5,482,078	(59,864)	5,422,214	4,044,473	(118,924)	3,925,549
Overdrafts	100,184	(4,028)	96,156	68,838	(3,950)	64,888
Credit Cards	26,224	(242)	25,982	14,069	(826)	13,243
Total loans and advances to customers at AC	**36,269,942**	**(440,130)**	**35,829,812**	**33,342,717**	**(589,366)**	**32,753,351**

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	**32,217,257**	**801,788**	**322,999**	**673**	**33,342,717**
New financial assets originated	19,899,750	-	-	-	19,899,750
Modification of contractual cash flows of financial assets	(580)	-	4	-	(576)
Derecognitions	(8,966,296)	(330,077)	(14,618)	-	(9,310,991)
Write-offs	-	-	(50,521)	-	(50,521)
Changes in interest accrual	(3,514)	(684)	10,125	(2)	5,925
Changes in the principal and disbursement fee amount	(6,808,691)	(483,971)	(40,856)	(280)	(7,333,798)
Transfers to Stage 1	(1,854,609)	1,854,125	484	-	-
Transfers to Stage 2	971,562	(1,076,952)	105,390	-	-
Transfers to Stage 3	-	1,023	(1,023)	-	-
Foreign exchange and other movements	(278,281)	(2,537)	(1,664)	(82)	(282,564)
Gross outstanding amount as of 31 December 2025	**35,176,598**	**762,715**	**330,320**	**309**	**36,269,942**

(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	**(265,033)**	**(62,796)**	**(260,864)**	**(673)**	**(589,366)**
New financial assets originated	(164,499)	-	-	-	(164,499)
Release due to derecognition	25,021	8,548	9,394	-	42,963
Transfers to Stage 1	17,339	(17,329)	(10)	-	-
Transfers to Stage 2	(8,759)	15,476	(6,717)	-	-
Transfers to Stage 3	-	(34)	34	-	-
Increase in PD/LGD/EaD	(66,502)	(49,827)	(61,484)	-	(177,813)
Decrease in PD/LGD/EaD	295,950	60,464	36,237	365	393,016
Usage of allowance	-	-	50,521	-	50,521
Foreign exchange and other movements	3,215	704	1,130	(1)	5,048
Loss allowances as of 31 December 2025	**(163,268)**	**(44,794)**	**(231,759)**	**(309)**	**(440,130)**

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**

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)**

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

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 2025:

31 December 2025	Stage 1 (12 months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
Business					
Performing	25,506,128	171,773	-	-	25,677,901
Performing Loan Portfolio (LP) with Early Warnings Indicators (EWI)	4,147,077	166,351	-	-	4,313,428
Underperforming	9,523	358,746	-	-	368,269
Default	-	-	301,549	309	301,858
Gross carrying amount	**29,662,728**	**696,870**	**301,549**	**309**	**30,661,456**
Expected Credit Loss	**(119,867)**	**(38,712)**	**(217,108)**	**(309)**	**(375,996)**
Carrying amount	**29,542,861**	**658,158**	**84,441**	**-**	**30,285,460**
Private					
Performing	5,156,614	1,479	-	-	5,158,093
Performing LP with EWI	337,088	46,634	-	-	383,722
Underperforming	20,168	17,732	-	-	37,900
Default	-	-	28,771	-	28,771
Gross carrying amount	**5,513,870**	**65,845**	**28,771**	**-**	**5,608,486**
Expected Credit Loss	(43,401)	(6,082)	(14,651)	-	(64,134)
Carrying amount	**5,470,469**	**59,763**	**14,120**	**-**	**5,544,352**

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**

(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 2025 is as follows:

		2025	
	Private	Business	Total
Stage 1 and Stage 2			
0 days past due	5,399,431	29,977,972	35,377,403
1 to 30 days past due	157,457	333,223	490,680
31 to 90 days past due	22,307	48,403	70,710
over 90 days past due	520	-	520
Total Stage 1 and Stage 2	**5,579,715**	**30,359,598**	**35,939,313**
Stage 3 collectively impaired loans			
0 days past due	8,762	44,671	53,433
1 to 30 days past due	7,097	11,180	18,277
31 to 90 days past due	3,465	22,957	26,422
over 90 days past due	9,447	64,348	73,795
Total Stage 3 Collectively impaired loans	**28,771**	**143,156**	**171,927**
Stage 3 Individually impaired loans			
0 days past due	-	309	309
1 to 30 days past due	-	-	-
31 to 90 days past due	-	-	-
over 90 days past due	-	158,393	158,393
Total Stage 3 Individually impaired loans	**-**	**158,702**	**158,702**
Total loans	**5,608,486**	**30,661,456**	**36,269,942**
Expected credit losses	(64,134)	(375,996)	(440,130)
Net loans	**5,544,352**	**30,285,460**	**35,829,812**

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

18. Loans and advances to customers (continued)

	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	-	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**

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)

	2025		2024	
	Outstanding balance	Allowance for impairment	Outstanding balance	Allowance for impairment
Business Trade	19,387	(1,573)	36,326	(5,348)-
Business Agriculture	-	-		
Business Production	-	-	4,031	(467)
Business Other	-	-		
Private Housing	-	-	-	-
Private Investment	118	(42)	494	(74)
Total	**19,505**	**(1,615)**	**40,851**	**(5,889)**

31 December 2025	Business	Private	Total
Loans with renegotiated terms			
Carrying amount	19,387	118	19,505
Credit loss allowance	(1,573)	(42)	(1,615)
Net carrying amount	**17,814**	**76**	**17,890**
Loans with renegotiated terms			**2025**
Stage 1			-
Stage 2			19,387
Stage 3			118
Total gross amount			**19,505**
Individual impairment			-
Collective impairment			19,505
Total gross amount			**19,505**

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**

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 provision.

(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. A high degree of diversification is ensured in order to limit concentration risk in the loan portfolio. This diversification results in particular from lending to micro, small and medium-sized businesses in various economic sectors and to private clients. In addition, the geographical distribution of the loan portfolio across the country. 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:

	2025	%	2024	%
Business Trade	13,422,093	37%	12,470,677	37%
Business Production	6,689,324	18%	6,977,140	21%
Business Other	9,354,337	26%	8,754,006	26%
Business Agriculture	458,274	1%	523,100	2%
Business Transport	737,428	2%	490,414	1%
Private Housing	4,505,799	12%	3,416,568	11%
Private Investment	465,959	1%	312,936	1%
Private Other	636,728	2%	397,876	1%
Total	**36,269,942**	**100%**	**33,342,717**	**100%**

	2025		
	Stage 1	Stage 2	Stage 3
Business Trade	13,067,633	314,572	39,888
Business Agriculture	408,265	28,938	21,071
Business Production	6,347,686	113,518	228,120
Business Transport	690,454	44,736	2,239
Business Other	9,148,690	195,106	10,540
Private Housing	4,445,281	48,363	12,157
Private Investment	459,424	3,847	2,687
Private Other	609,165	13,635	13,927
Total	**35,176,598**	**762,715**	**330,629**

	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**

(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.

	2025		2024	
	Gross outstanding amount	Fair value of collateral	Gross outstanding amount	Fair value of collateral
Business Trade	39,888	20,663	42,111	21,673
Business Agriculture	21,071	13,705	8,250	5,580
Business Production	228,120	57,656	226,643	34,797
Business Transport	2,239	2,189	6,276	4,496
Business Other	10,540	8,398	13,989	11,558
Private Housing	12,157	10,311	17,227	12,987
Private Other	16,614	-	9,116	1,545
Total	**330,629**	**112,922**	**323,612**	**92,636**

The fair value of collaterals disclosed above are based on the determination by local certified evaluators and represents market value realisable 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 2025, the ten largest borrowers represent 8.37% (2024: 9.58%) 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

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. 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 repaid 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 repaid 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.

While calculating PDs the portfolio is segmented in different buckets as Very Small Exposures (<EUR 100K), or non SME rated clients <EUR 100K, SME Exposures (>EUR 100K). The same distribution of exposure size is done for business portfolio and private clients portfolio.

18. Loans and advances to customers (continued)

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. 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 2025 (2024: 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 30).

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 2025.

	Over-collateralised assets		Under-collateralised Assets	
31 December 2025	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Business	16,374,711	16,519,479	13,910,749	8,558,128
Private	2,937,962	2,965,815	2,606,390	1,045,818
	19,312,673	**19,485,294**	**16,517,139**	**9,603,946**

	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**

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.

Geographical sectors

The following table breaks down the Bank's main credit exposure at their gross amount, as categorised by geographical region as of 31 December 2025 and 2024. The Bank has allocated exposures to regions based on the country of domicile of its counterparties.

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

18. Loans and advances to customers (continued)

	2025			2024		
	OECD countries	Albania	Total	OECD countries	Albania	Total
Balances with Central Banks		6,751,678	6,751,678		5,623,725	5,623,725
Loans and advances to banks	3,590,893	1,347,186	4,938,079	3,506,403		3,506,403
Loans and advances to customers		35,829,812	35,829,812		32,753,351	32,753,351
Debt securities held at Amortized Cost (AC)		2,497,674	2,497,674		2,694,819	2,694,819
Other financial assets		197,935	197,935		187,630	187,630
Total	**3,590,893**	**46,624,285**	**50,215,178**	**3,506,403**	**41,259,525**	**44,765,928**

Loans and advances to customers based on specific industry sectors at 31 December 2025 and 2024 are presented below:

	31 December			
Industry sector	**2025**	**%**	**2024**	**%**
Trade	13,370,364	37	12,414,745	38
Industry and other production	8,143,219	23	8,254,681	25
Construction	3,720,863	10	3,773,159	12
Transport	732,954	2	483,881	1
Services	4,314,165	12	3,917,311	12
Other	5,548,247	16	3,909,574	12
Total	**35,829,812**	**100**	**32,753,351**	**100**

19. Investment securities measured at amortized cost

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

	2025	2024
	Amortized Cost	Amortized Cost
Treasury bills at AC	2,203,581	2,195,278
Bonds	294,307	499,905
Loss allowance for Investment Securities AC	(215)	(364)
Total	**2,497,673**	**2,694,819**

The movement in investments securities is summarized as follows:

	2025	2024
At 1 January	2,694,819	2,871,917
Additions	2,497,889	2,695,183
Loss allowance for Investment Securities AC	149	1,446
Matured	(2,695,183)	(2,873,727)
Total	**2,497,674**	**2,694,819**

(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:

		2025			2024	
Issuer	**Maturity**	**Yield**	**Carrying value**	**Maturity**	**Yield**	**Carrying value**
Albanian government	12 months	2.57%-2.90%	2,102,808	12 months	3.29%-3.70%	2,194,914
			2,102,808			**2,194,914**

The table below contains an analysis of the credit risk exposure of debt securities measured at AC at 31 December 2025. Such assets by default are classified in Stage 1 for which an ECL allowance is recognized based on Basel min PD of 0.22% and LGD of 30%.

Movement in impairment for the years ended December 31, 2025 and 2024, charged to profit and loss is as following:

	31-Dec-25	31-Dec-24
Opening balances	364	1,810
New financial assets originated	1,547	364
Release due to derecognition	(15)	(1,810)
Increase/Decrease in PD/LGD/EaD	(1,681)	-
Closing balance	**215**	**364**

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-25**	**31-Dec-24**
Securities at Amortized Cost		
BB	2,497,888	-
BB-	-	2,695,183
Total	**2,497,888**	**2,695,183**

20. Other assets

	31-Dec-25	31-Dec-24
Current assets		
Other debtors	197,935	187,630
Other financial assets	197,935	187,630
Prepaid expenses	59,129	71,551
Inventory	894	2,393
Shares	154	156
Loss allowance	(6,040)	(7,265)
Total	**252,072**	**254,465**

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

20. Other assets (continued)

Movement in loss allowance for the years ended December 31, 2025 and 2024, charged to profit and loss is as following:

	31-Dec-25	31-Dec-24
Opening balances	7,263	8,749
Increase/Decrease in PD/LGD/EaD	(1,223)	(1,486)
Closing balance	**6,040**	**7,263**

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 finalised 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.

21. Property, plant and equipment

31-December-25	Land and buildings	Business and office equipment	Land and buildings (ROU)	Total PPE
Total acquisition cost as of 1 January 2025	113,757	603,094	359,597	1,076,448
Additions	154,620	317,770	66,528	538,918
Disposals	-	(257,050)	(13,995)	(271,045)
Impairment				-
Total acquisition cost as of 31 December 2025	**268,377**	**663,814**	**412,130**	**1,344,321**
Accumulated depreciation as of 1 January 2025	25,043	414,627	99,504	539,174
Charge for the year	30,487	56,152	73,966	160,605
Disposals	-	(104,115)	(13,995)	(118,110)
Accumulated depreciation as of 31 December 2025	**55,530**	**366,664**	**159,475**	**581,669**
Net carrying amount	**212,847**	**297,150**	**252,655**	**762,652**

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**	**414,628**	**99,504**	**539,174**
Net carrying amount	**88,714**	**188,467**	**260,093**	**537,274**

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

22. Intangible assets

At 1 January 2025	**29,564**
Additions	9,920
Disposals	(17,917)
At 31 December 2025	**21,567**
Accumulated depreciation at 1 January 2025	(25,481)
Charge for the year	(2,230)
Accumulated depreciation at time of disposal	17,209
Accumulated depreciation at 31 December 2025	(10,501)
Net book value at 31 December 2025	**11,066**

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**

23. Liabilities to banks

	2025	**2024**
Borrowings from resident banks	293,080	286,605
Borrowings from non-resident banks	3,199,697	2,872,894
Total	**3,492,777**	**3,159,499**

Borrowings from non-resident banks as at December 31, 2024 have maturities up to 3 years (2024: up to 2 years) and interest rates of 3.895%, 4.148%, 4.688%,3.330%, 3.309%, 3.022%, 3.096% for balances denominated in EUR (2023: 4.538%, 3.505%, 5.861%,4.108%, 3.736%, 3.895%, 3.403% p.a for EUR)., Borrowings from resident banks as at December 31, 2025 have maturities up to 91 days and 2.400% for balances dominated in EUR and 0.500% for balances dominated in Lek.

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

24. Liabilities to customers

	2025	2024
Current accounts		
Foreign currency	8,478,874	9,032,930
Local currency	7,574,443	6,157,576
Savings accounts		
Foreign currency	3,918,517	3,959,326
Local currency	5,918,687	3,323,040
Term deposits		
Foreign currency	8,731,324	7,082,712
Local currency	6,944,970	6,081,741
Other customer account		
Foreign currency	27,128	27,889
Local currency	31,362	32,616
Total	**41,625,305**	**35,697,830**

Savings accounts in Lek (FlexSave) bear interest at 0.8% p.a (2024: 0.8%), savings accounts in Euro (FlexSave) bear interest at 0.2% p.a (2024: 0.2%) and savings accounts in USD (FlexSave) bear interest at 0.5% p.a (2024: 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 2025 were as follows:

(in %)	12 months	24-36 months
Lek	**1.00-1.8**	**1.60 - 2.50**
EUR	**0.30-1.50**	**0.40 - 2.00**
USD	**0.50-1.50**	**0.60 -2.00**

31 December 2024

(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**

25. Other borrowed funds

	2025	2024
Financial Institutions	3,561,523	2,951,151
ProCredit Holding Ag	-	-
Total	**3,561,523**	**2,951,151**

26. Subordinated debt

	2025	2024
ProCredit Holding Ag	1,161,240	1,177,800
Accrued interest	10,407	10,852
Total	**1,171,647**	**1,188,652**

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

26. Subordinated debt (continued)

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-months 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

	2025	2024
Payments in transit	164,362	146,126
Sundry creditors	69,273	88,708
Accrued expenses	21,455	21,626
Lease liabilities	253,279	256,255
Other financial liabilities	**508,369**	**512,715**
Tax and social charges	42,171	30,920
Other provisions	4,920	4,180
Deferred fee income	63,728	55,499
Total	**619,188**	**603,314**

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 2025 and 2024 is presented below:

	Off-balance sheet items	Legal cases	Other	Total
Balance as at 1 January 2024	14,432	14,136	26,931	55,499
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**
Provisions made during the year	9,298	-	14,106	23,404
Provisions reversed during the year	(14,432)	(743)	-	(15,175)
Balance as at 31 December 2025	**9,298**	**13,393**	**41,037**	**63,728**

28. Share capital and legal reserves

At 31 December 2025, the authorized and issued share capital of the Bank was comprised of 672,509 (2024: 604,851) shares with a value of Lek 6,201,362 (2024 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	672,509	6,201,362	100
	672,509	**6,201,362**	**100**

Share Capital	At 1 January 2025	New shares issued	At 31 December 2025
Number of outstanding shares	672,509	-	672,509
Share capital in Lek	**6,201,362**	**-**	**6,201,362**

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

	2025	2024
Guarantees, letters of credit and credit commitments		
Credit commitments (see details below)	2,833,699	2,788,203
Payment guarantees	1,367,401	1,321,228
Letters of credit	1,935	-
Performance guarantees	78,746	-
Less: Provisions recognized as liabilities	(9,298)	(14,433)
Total	**4,272,483**	**4,094,998**
Credit commitments		
Unused credit card facilities	102,936	71,920
Unused overdraft limits	1,296,063	1,213,903
Unused portion of credit lines	1,434,700	1,502,379
Total	**2,833,699**	**2,788,202**

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 2025.

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 2024 is remote, except the cases the provision was recorded as shown in note 28. Commitments by credit quality based on credit risk grades at 31 December 2025 is as follows.

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

29. Commitments and contingencies (continued)

Legal proceedings(continued)

	Stage 1	Stage 2	Stage 3	Total
Performance guarantees	-	-	-	78,746
Payment guarantees	1,359,401	8,000	-	1,367,401
Letters of credit	1,935	-	-	1,935
Total Guarantees and Letter of Credits	**1,361,336**	**8,000**	**-**	**1,448,082**
Loans commitments not yet disbursed	**2,784,264**	**49,037**	**398**	**2,833,699**
Total credit related commitments	**4,145,600**	**57,037**	**398**	**4,281,781**
Provision for guarantees and Letter of Credits	(3,194)	(444)	-	(3,638)
Provision for loan commitments	(4,698)	(882)	(80)	(5,660)
Total commitments	**4,137,708**	**55,711**	**318**	**4,272,483**

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**

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 2025, were Lek 72,680 thousand (2024: Lek 72,379 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 2025 and 2024 are presented below:

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

30. Related party transactions (continued)

		2025		2024
	Parent Company	Entities under common control	Parent Company	Entities under common control
Statement of Financial Position				
Assets	**-**	**2,064,796**	**-**	**2,444,803**
Loans and advances to banks	-	2,062,723	-	2,443,365
Other assets	-	2,073	-	1,438
Liabilities	**1,172,261**	**3,148,495**	**1,189,875**	**2,875,339**
Liabilities to banks	-	3,145,025	-	2,872,894
Liabilities to customers	-	-	-	-
Other Liabilities	614	3,470	1,223	2,445
Subordinated debt	1,171,647	-	1,188,652	-
Statement of Profit or Loss and OCI				
Income	**-**	**48,289**	**1,870**	**81,587**
Interest income	-	46,500	-	76,218
Other operating income	-	1,789	1,870	5,369
Expenses	**213,926**	**618,659**	**174,693**	**523,116**
Interest expenses	106,424	131,718	93,650	82,832
Fee and commission expenses	6,070	54,509	8,363	53,064
Administrative expenses	101,432	432,432	72,680	387,220

Remuneration of Key Management and those charged with governance

Key Management Personnel receive compensation primarily in the form of salaries. In 2025, the total gross salaries paid to the Key Management Personnel amounted to Lek 70,724 thousand (2024: Lek 63,587 thousand).
The total gross compensation for the members of the Board of Directors was Lek 3,145 thousand in 2025 (2024: Lek 3,316 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.

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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: Zyra Qëndrore, Rruga Dritan Hoxha, pranë pallatit të sportit “Asllan Rusi”, Tiranë, Zip Code:1026, Tiranë
Contact Center: +355(0) 42 389 389
Informacion@procredit-group.com
www.procreditbank.com.al

Branches

Tirana Branch
Zyra Qëndrore, Rruga Dritan Hoxha, pranë pallatit të sportit “Asllan Rusi”, Tiranë.

Agencies and 24/7 Zones, till 31.12.2025

- “Zyrat Qendrore” Agency, 24/7 Zone

Zyra Qëndrore, Rruga Dritan Hoxha, pranë pallatit të sportit “Asllan Rusi”, 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” Branch, 24/7 Zone

Lagjja Nr.4, Autostrada Egnatia, Durrës.

- “Korçë” Branch, 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” Branch, 24/7 Zone

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

- “Vlorë” Branch, 24/7 Zone

Bulevardi “Ismail Qemali”, pranë ish-shkollës “Aulona”.

ProCredit Bank