ANNUAL REPORT 2021

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BESIM DHE PARTNERITET

Banka Ekonomike

ANNUAL REPORT 2021

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MESSAGE FROM THE BOARD OF DIRECTORS

Dear clients, employees, and shareholders of Banka Ekonomike,

As we conclude yet another year and look forward to a new year, I want to express my gratitude for your trust and for choosing Banka Ekonomike as your financial partner.

COVID-19 and its impacts have been unique and uncommon, demanding from all of us to think and act in new circumstances and ways. Regardless, during this period, Banka Ekonomike has remained focused on being close to you, your families and your community, to help you overcome today's challenges and navigate the recovery of the future. It has been a responsibility and a privilege that each of us handled responsibly and consciousness..

Since the last publication of the annual results, Banka Ekonomike has continued to grow thanks to the trust of its clients and the commitment of its staff. Year 2021 has marked the most successful year of Banka Ekonomike since its establishment, thus establishing it as an important actor in the banking market in Kosovo, with sustainable growth, which is managed with care and knowledge, fulfils its projections and is governed on a sound corporate basis in a competitive business environment and overseen by the Central Bank. Despite the situation with COVID-19, we have continued to provide vital banking services, keeping you and our colleagues safe and following all public health guidelines.

Above all, aware that the pandemic situation has carried considerable economic and financial uncertainty, we have engaged and supported our clients in order to facilitate and provide the necessary assistance to overcome difficulties at the service of the community and the economy.

During this year, Banka Ekonomike has intensified its support to certain groups of the society with the aim of including these categories in social and public life and promoting gender equality. In addition, Banka Ekonomike has supported cultural activities and sports clubs throughout Kosovo, while doing over 500 hours of voluntary work together with our colleagues to promote and protect the environment.

On the other hand, we have continued to invest in upgrading and modernising our digital and physical infrastructure to serve you and improve your banking experience in a rapidly transforming environment, reflecting our commitment to being a true partner of your financial needs. Similarly, Banka Ekonomike has in front of it an ambitious development plan of its brand to cover a wide range of financial needs for its clients towards the economic and social development of the community in the coming years, Banka Ekonomike has successfully travelled along with you during the 20 years since its establishment and is in a stable financial position and committed to serve you during all the important moments in your personal and professional life.

On behalf of the Board of Directors, I personally thank you for being a client of Banka Ekonomike, and express my gratitude to all employees and the management for their extraordinary leadership, as well as to the shareholders for their work, dedication, and given trust.

On behalf of the Board of Directors,

Valon Lluka
Chairman

MESSAGE FROM THE EXECUTIVE MANAGEMENT

Dear clients,

Dear colleagues,

Dear stakeholders and shareholders of Banka Ekonomike,

It is a special pleasure to address you on behalf of the Executive Management, to share with you the most successful year of Banka Ekonomike. Year 2021 marked the 20th anniversary of Banka Ekonomike, which is not only the anniversary of our corporation, but also the anniversary of a family that started its journey as the only bank with 100% local capital, as we continue to be today.

Undoubtedly, this year was also dominated by the negative effects of the COVID-19 pandemic. As a result, like all countries in the region that started their economic recovery, Kosovo's economy is also estimated to have recovered its economic activity after the first half of 2021. This positive trend is mainly attributed to the easing of restrictive measures as a result of improved health crisis in this period.

Despite the challenges with the COVID-19 pandemic, we are proud to have left the past year behind with successes that are to be commended. Teamwork, dedication, and professionalism of our employees proved to be more powerful than any external challenge, making our institution get to where we are today.

During 2021, we affirmed our position as a bank with the largest growth in the market in loans and deposits where we recorded a double increase compared to the industry; 32.26% in loans (total market increase of 15.33%) and an increase of 24.02% in deposits (total market increase of 12.41%), which is an indicator of continued support for the economic development of the country, always maintaining a healthy liquidity position, complying with applicable laws and regulations, strengthening internal control and working continuously to improve processes.

Banka Ekonomike, as never before, managed to generate 7.9 million Euro in pre-tax profit during 2021, the highest figure in 20 years since the establishment of the Bank. The loan portfolio continued to grow carefully with an increase of 82.9 million Euro (↑32.30 percent), while we continue to have quality portfolio with a level of non-performing loans at only 2.73% percent. An indicator of the 20-year credibility that customers have built with Banka Ekonomike is an increase in the deposit portfolio, which reached the highest level ever at 412 million Euro.

Moreover, in order to keep up with the latest developments in providing quality and modern services, Banka Ekonomike prioritises providing services with attention to continuous advancement and customisation. All this through modernising the branch network infrastructure, in order to be as close as possible to the customers and at the same time provide services through modern technologies, promoting even greater economic development of the country. On the other hand, in order to expand the presence among our clients, we have opened a new sub-branch in Prizren and we have relocated our sub-branches in the towns of Rahovec and Kamenica to more attractive locations. Consequently, with 29 branches and sub-branches throughout the country, we prove once again our intention to be as close as possible to the customers.

For 20 years, Banka Ekonomike has played a very important role in the economic development and increase of the well-being of citizens, an assessment that our customers make every day, which confirms once again the Bank's mission to provide modern and quality services to all our customers. Thus, the Bank was honoured with the prestigious international award for "Decade of Excellence in Banking Kosovo 2021" by the prestigious magazine "Global Banking and Finance," which is among the leading publishers in reviewing the banking sector performance.

Anniversaries like this, in addition to making us proud, at the same time motivate us to strongly commit to an even more successful future. Further strengthening the position of Banka Ekonomike in the banking sector is one of the main objectives. In this regard, we will continue to invest in human resources, both in employee training and ongoing technological modernisation as part of our commitment to consistently exceed our customers' expectations and increase the efficiency and quality of services.

Being the only bank with 100% local capital, during our 20-year journey, we have been very committed in terms of social responsibility as well, so during 2021, we have supported more than 30 projects in the country, which are in line with the objectives of the Bank for sustainable development, such as supporting 15 sports activities, such as hiking, basketball, football, volleyball, handball, and golf. Another special contribution was given for the environment, with special emphasis on contribution to a cleaner environment and a healthier climate by planting 540 trees in 27 municipalities throughout Kosovo. At the same time, we have contributed to supporting culture, health, education, marginalised categories, and initiatives, which directly affect the development and social well-being.

Finally, on behalf of the Executive Management, a special thanks goes to our clients and shareholders for the support and trust given, to the Board of Directors for their continued support, and without a doubt, to our employees for their enthusiasm and dedication at work.

On behalf of the Executive Management,

Shpend Luzha
CEO

Shpend Luzha

Chief Executive Officer

Hamide Pacolli Gashi

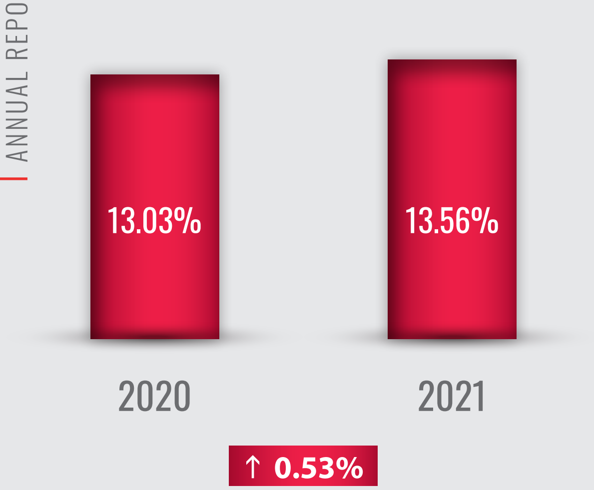
Deputy Chief Executive Officer

Arijan Haxhibeqiri

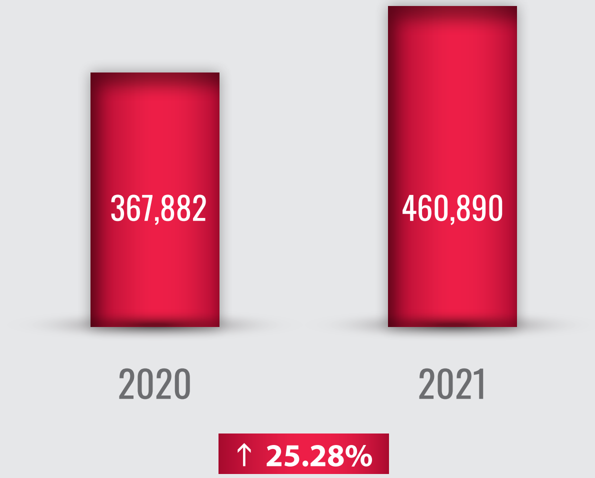
Deputy Chief Executive Officer


Banka Ekonomike

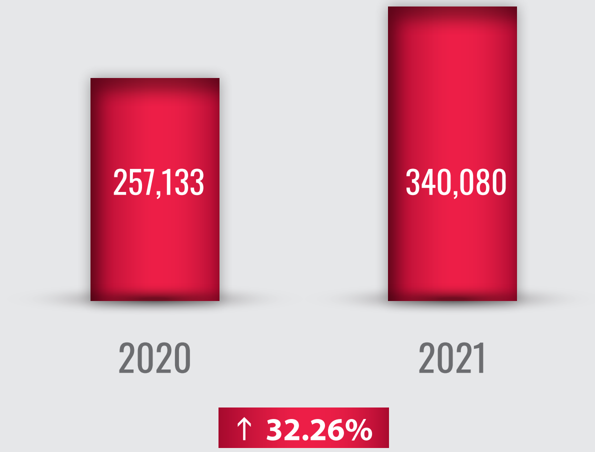
Capital Adequacy Ratio



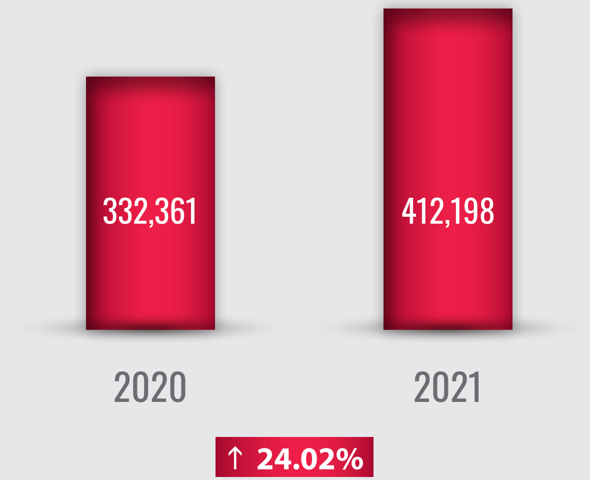
Assets (in Thousands EUR)



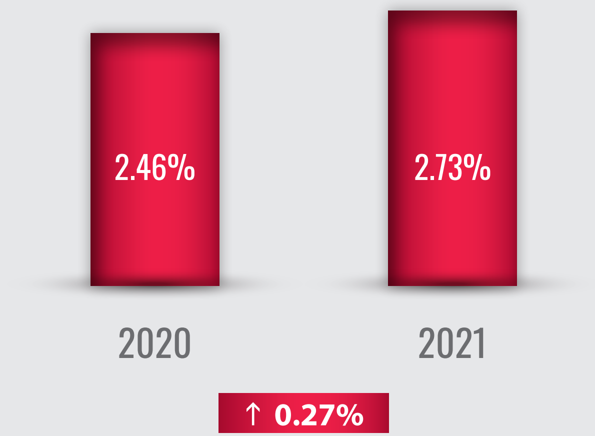
Loans (in Thousands EUR)



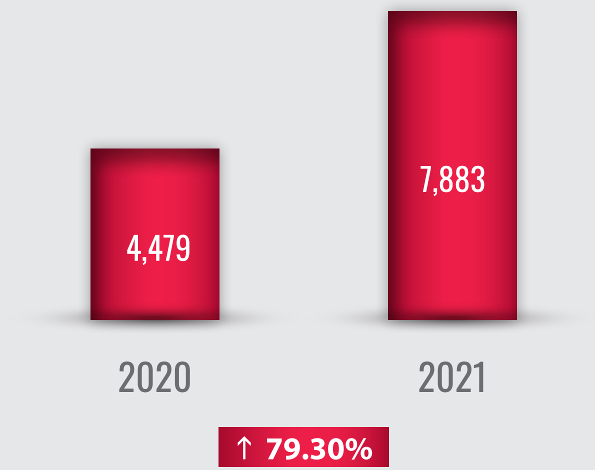
Deposits (in Thousands EUR)



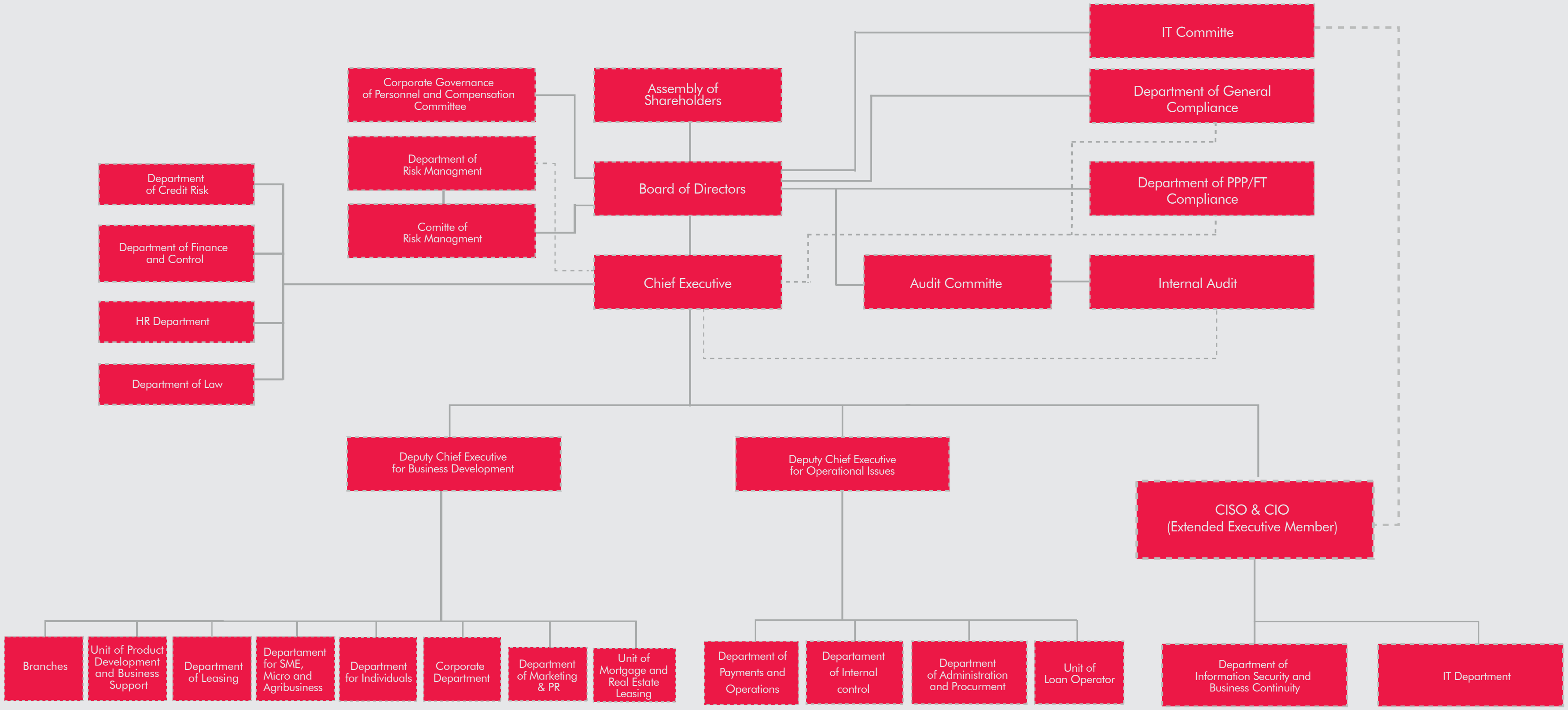
Non-performing Loans (NPL)



Profit before Tax (in Thousands EUR)



BANK ORGANISATIONAL STRUCTURE



VISION

- To be one of the best and largest providers of financial services in Kosovo.

MISSION

- To be the best financial partner of our clients; to achieve economic growth and sustainability.
- To be at the centre of demands and financial services of individual clients, businesses, corporations, and institutional clients.
- To support and line up in all activities that enable the growth and economic development of Kosovo.
- Our primary goal is to gain and maintain public trust, as well as to adhere to the highest ethical standards.

OUR VALUES

- In the long run, we invest in people, products, and technology.
- We are constantly striving to improve our performance to the point of precision and accuracy.

Authentic Illyrian coin, with the portrait of King Genc

MACROECONOMIC ENVIRONMENT

The recovery of economic activity has been driven mainly by domestic demand, as a result of improved pandemic situation, easing of restrictive measures, as well as supportive fiscal and monetary policy. Kosovo's economy grew by 10.5 percent in 2021. This high growth of economic activity was mainly attributed to improved health crisis – a dynamic that was reflected in the easing of restrictive measures and increased revenues from abroad (mainly the diaspora), and stimulating financial and fiscal policies. Economic growth lost momentum in Q4 2021, mainly due to the new "Omicron" variant of coronavirus and the return of measures in different countries, as well as rising energy prices and obvious problems in the supply chain. Only in Q4 2021, real GDP growth turned out to have been 6.4 percent, supported by the growth of domestic demand, while net exports had a negative contribution to the generated economic activity.

The increase in general demand as a result of economic recovery, coupled with external inflationary pressures as a result of rising energy and commodity prices imported from partner countries, translated into rising aggregate prices in Kosovo as well. The consumer price index increased by 3.4 percent in 2021, while the highest increase in consumer prices was recorded in Q4 2021 when an average inflation rate of 6.4 percent was recorded.

Only in Q4 2021, budget revenues increased by 12.9 percent, while budget expenditures increased by only 0.7 percent. Public debt has continued a double-digit growth of 13.1 percent and has reached the value of 1.68 billion euros, while as a GDP percentage, it has reached 23.3 percent in Q4 2021.

The increase in domestic demand resulted in an increase in imports, which worsened the balance of goods, despite the increase in exports. In Q4 2021, the trade deficit of goods increased by 34.4 percent and reached the level of 1.0 billion euros, while the balance of services reached the value of 139.2 million euros, from 95.2 million euros in Q4 2020.

Source: *Central Bank of the Republic of Kosovo – Quarterly Economic Assessment*

BANKING SECTOR

Throughout 2021, the banking sector was characterised by an optimal level of capitalisation, liquidity, and high quality of loan portfolio, despite the evident pandemic crisis (COVID-19).

Banking sector assets have been characterised by double-digit annual growth in the last three years, financed mainly through cash deposits. In December 2021, the total assets of the banking sector amounted to 5.96 billion euros, which represents an annual increase of 11.1

percent. The structure of assets continues to be similar to previous years, with loans having the largest share of assets (62.9 percent), followed by cash (14.1 percent), securities (11.5 percent), and assets held in other commercial banks (11.1 percent) which are mainly abroad. Moreover, the banking sector managed to realise record profit and was characterised by accelerated growth of lending activity and double-digit deposit growth.

Lending activities marked an accelerated growth compared to last year, continuing the double-digit pre-pandemic (COVID-19) growth trend. In December 2021, total loans amounted to 3.75 billion euros, an annual increase of 15.5 percent (7.1 percent in the previous period). Both the household sector, which recorded the highest growth, and the non-financial corporate sector, which was also the main contributor to the growth of total loans, contributed to this growth.

The value of deposits held by the banking sector at the end of 2021 reached 4.90 billion euros, which represents an annual increase of 12.4 percent. Deposits collected from households continue to be the main contributors to the growth of total deposits, followed by deposits collected from non-financial corporations. Household deposits, which represent about 68.7 percent of total deposits, marked an annual increase of 14.6 percent (12.9 percent in 2020), mainly as a result of the higher influx of diaspora income – remittances received through formal and informal channels, as well as the highest probability of savings in times of uncertainty versus expenses.

Source: *Central Bank of the Republic of Kosovo – Quarterly Economic Assessment*

Epirote coins of the time of King Pyrrhus- 306 BC

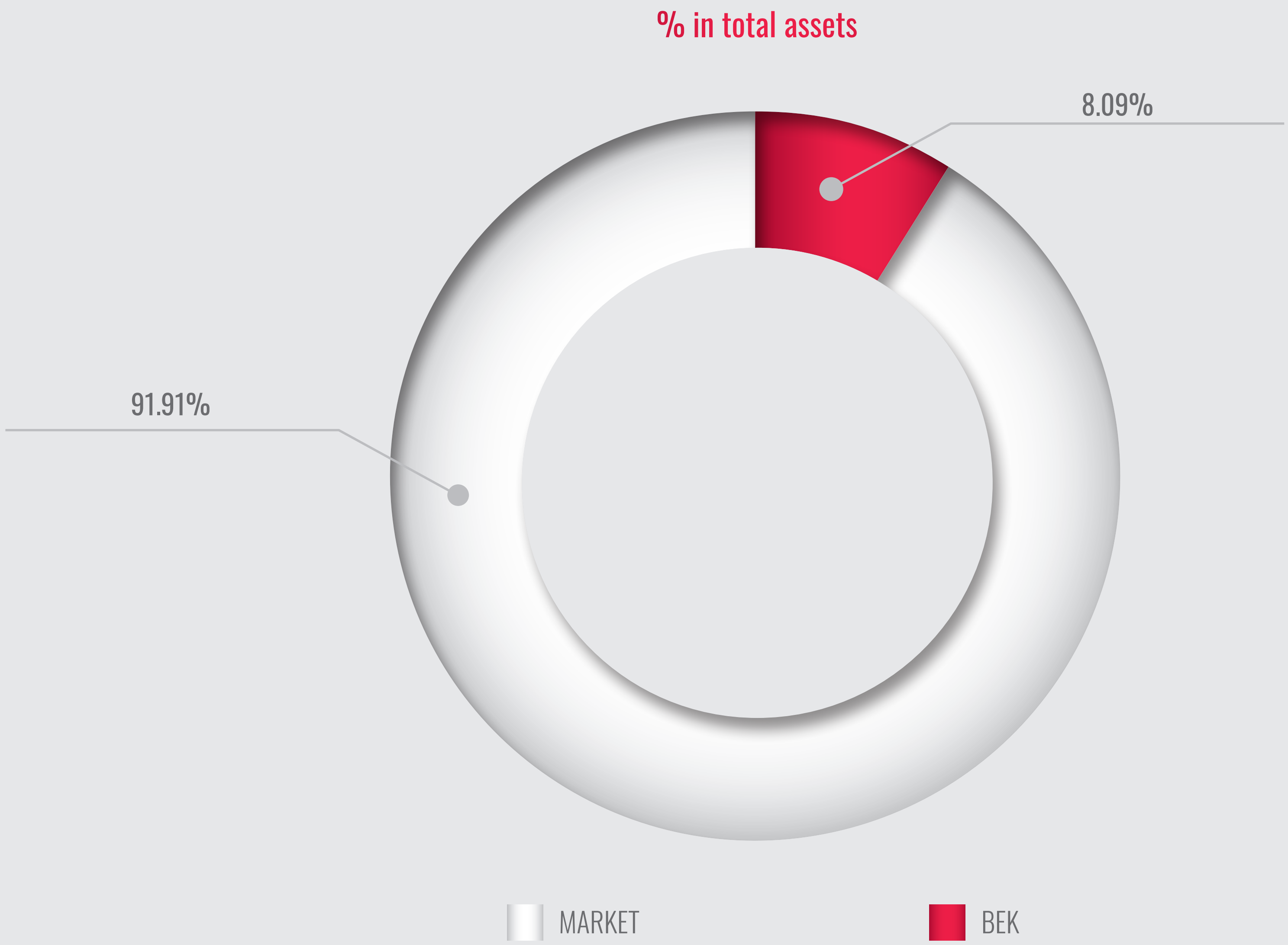
POSITIONING OF BANKA EKONOMIKE IN THE BANKING MARKET OF KOSOVO

In 2021, our Bank has managed to elevate its position in the market, marking growth above that of the banking market trend, which continues to grow. The growth of the banking market of 11.22 percent in all assets was also influenced by our Bank, which recorded an increase of 25.28 percent in all assets, i.e., 14 percent more than the market growth.

In real numbers, at the end of 2021, the total assets of Banka Ekonomike increased to 460 million euros, compared to 367.9 million euros at the end of 2020.

FIGURE 1. Banka Ekonomike participation in the overall growth of market assets, December 31, 2021

FIGURE 2. Banka Ekonomike participation in the overall growth of total market assets, December 31, 2021



CREDIT PARTICIPATION

The share of Banka Ekonomike in total loans in the market, as of December 31, 2021, stood at 9.11 percent of the total banking sector.

Throughout 2021, our Bank has marked an increase of 32.3 percent in loans, compared to the market, which has marked an increase of 15.33 percent.

FIGURE 3. Banka Ekonomike growth in total loans in relation to the market, December 31, 2021

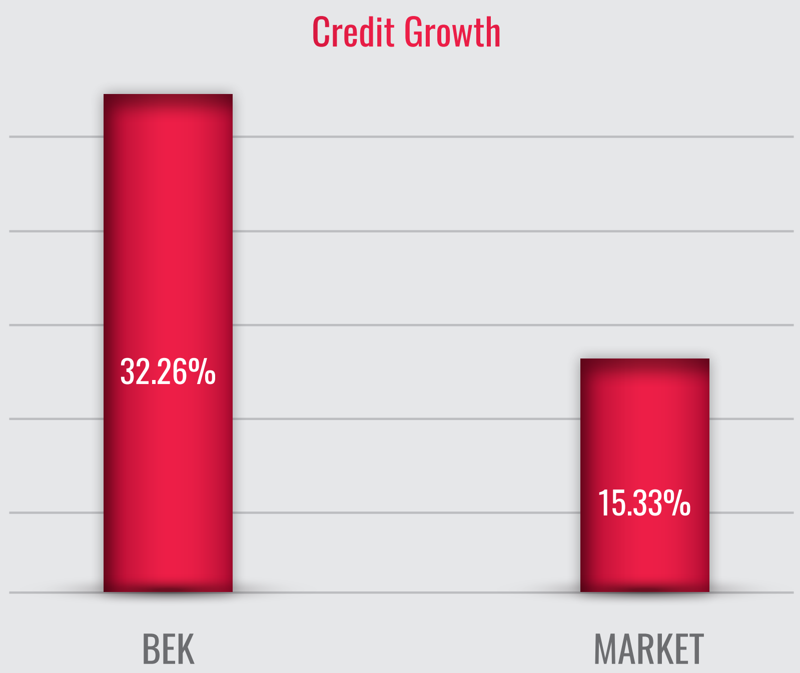
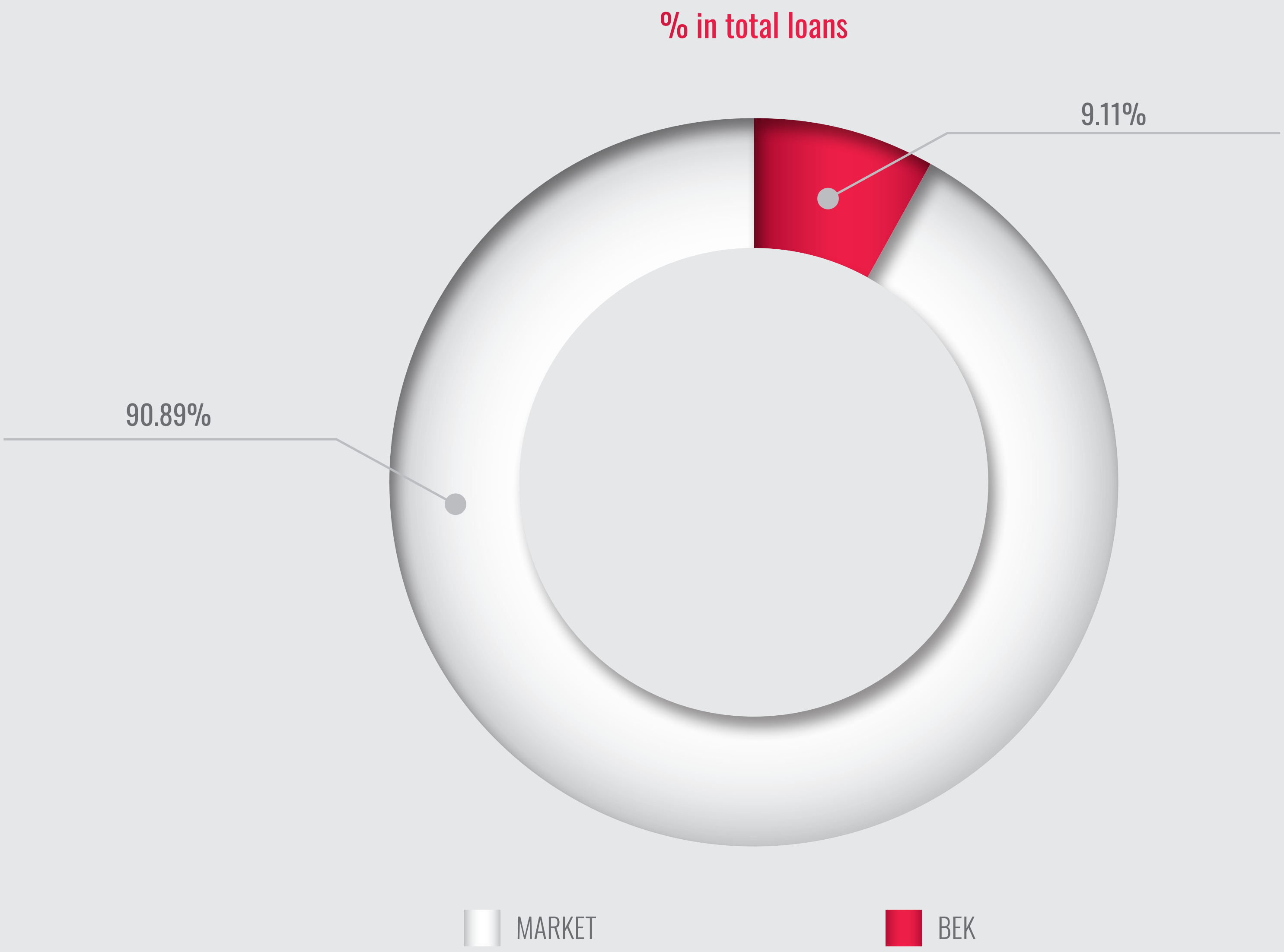


FIGURE 4. Banka Ekonomike share in the volume of loans in relation to the market, December 31, 2021



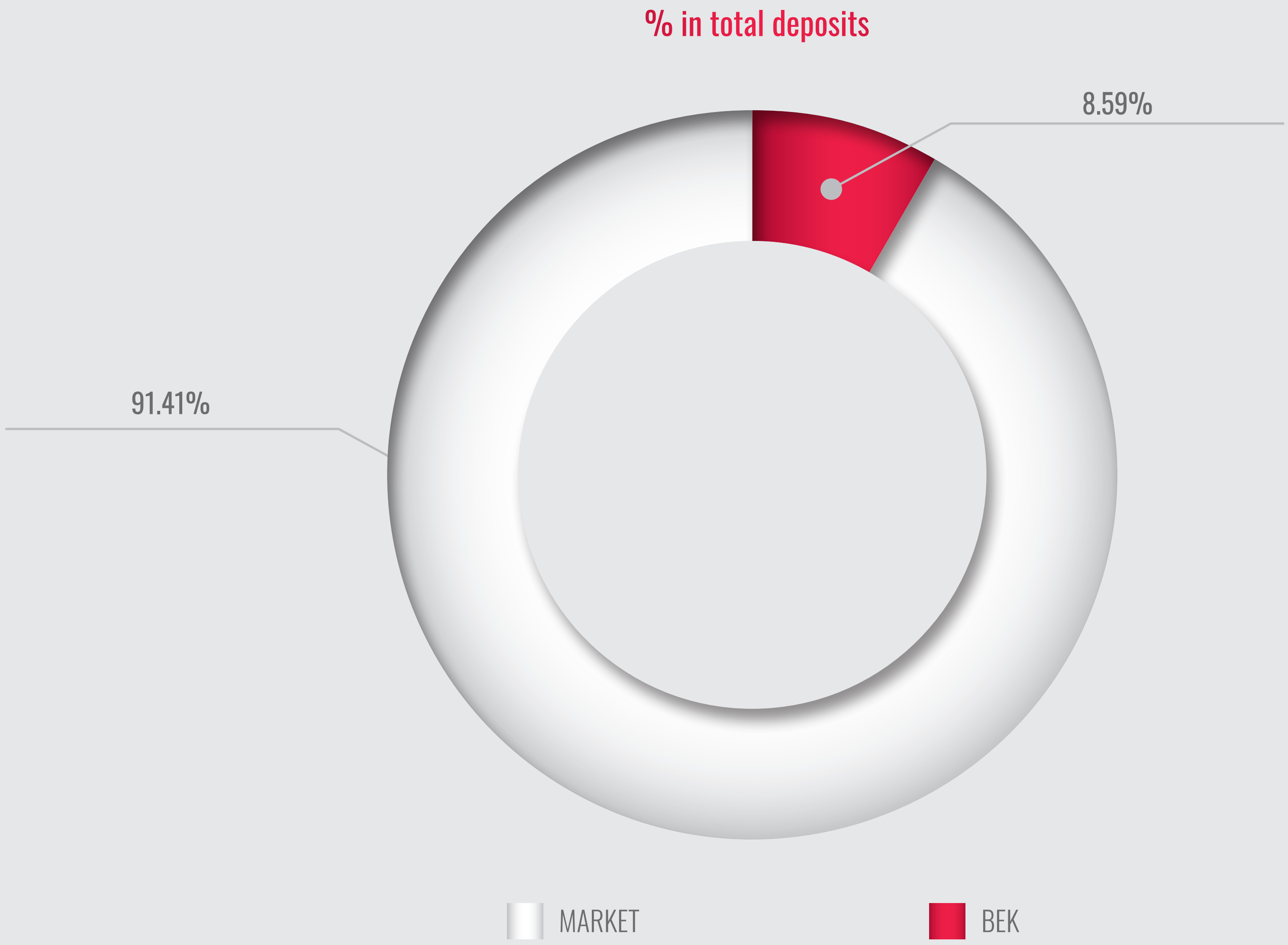
DEPOSIT SHARE

Banka Ekonomike share in total deposits in the market, as of December 31, 2021, was 8.59 percent of the total banking sector in Kosovo.

Throughout 2021, our Bank has marked an increase of 24.0 percent in deposits, compared to the market that has recorded an increase of 12.41 percent.

FIGURE 5. Participation of Banka Ekonomike in deposits in relation to the market, 31 December 2021

FIGURA 6. Participation of Banka Ekonomike in the volume of deposits in relation to the market, December 31, 2021



STATEMENT OF FINANCIAL POSITION

Euro '000

	As at 31 December 2021	As at 31 December 2020
Assets		
Cash on hand and at banks	29,081	24,860
Balances with the Central Bank of Kosovo	78,542	57,530
Loans to customers	329,296	247,123
Investments in securities	5,000	25,365
Property and equipment and right-of-use assets	13,796	8,768
Intangible assets	3,949	2,813
Other assets	1,120	1,423
Total assets	**460,784**	**367,882**
Liabilities		
Due to customers	411,106	330,281
Due to banks	1,086	2,080
Current tax liability	253	6

Other liabilities	2,542	2,183
Deferred tax liability	608	-
Total liabilities	**415,595**	**334,550**
Equity and reserves		
Share capital	29,422	29,422
Revaluation and other reserves	4,794	63
Retained earnings	10,973	3,847
Total equity and reserves	**45,189**	**33,332**
Total liabilities, equity and reserves	**460,784**	**367,882**

These financial statements have been approved by the Board of Directors of the Bank and signed on its behalf on 11 April 2022:

Mr. Shpend Luzha
Chief Executive Officer

Mr. Fitim Rexhepaj
Chief Finance Officer

INCOME STATEMENT TO BE ADDED AFTER WE RECEIVE IT FROM FINANCES

Euro '000

	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest income calculated using the effective interest method	21,512	17,965
Interest expense calculated using the effective interest method	(2,838)	(2,714)
Net interest income	**18,674**	**15,251**
Fee and commission income	3,660	2,748
Fee and commission expense	(1,300)	(825)
Net fee and commission income	**2,360**	**1,923**
Other operating income	1,907	1,117
Net foreign exchange gains/(losses)	(101)	49
Revenue	**22,840**	**18,340**
Personnel expenses	(3,890)	(3,466)
Depreciation of property and equipment and ROU	(1,994)	(1,975)
Amortization of intangible assets	(373)	(302)
Other expenses	(6,427)	(4,985)
Net impairment losses on loans	(2,273)	(3,133)
Total operating expenses	**(14,957)**	**(13,861)**

Profit before tax	**7,883**	**4,479**
Income tax	(805)	(470)
Net profit for the year	7,078	4,009
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Gain on the revaluation of land and buildings, net of tax Items that may subsequently be reclassified to Profit or Loss	4,725	-
Changes in the fair value of debt instruments at fair value through other comprehensive income	54	(309)
Total comprehensive income for the year	**11,857**	**3,700**

Authentic Illyrian currency
Age: over 2000 years

PERFORMANCE OF BANKA EKONOMIKE

Continuing the tradition of increasing and maintaining customer satisfaction, as well as constantly working to achieve financial performance targets, even in 2021, our Bank has made progress in most financial indicators, closing the year with a profit in the amount of 7.9 million euros before tax.

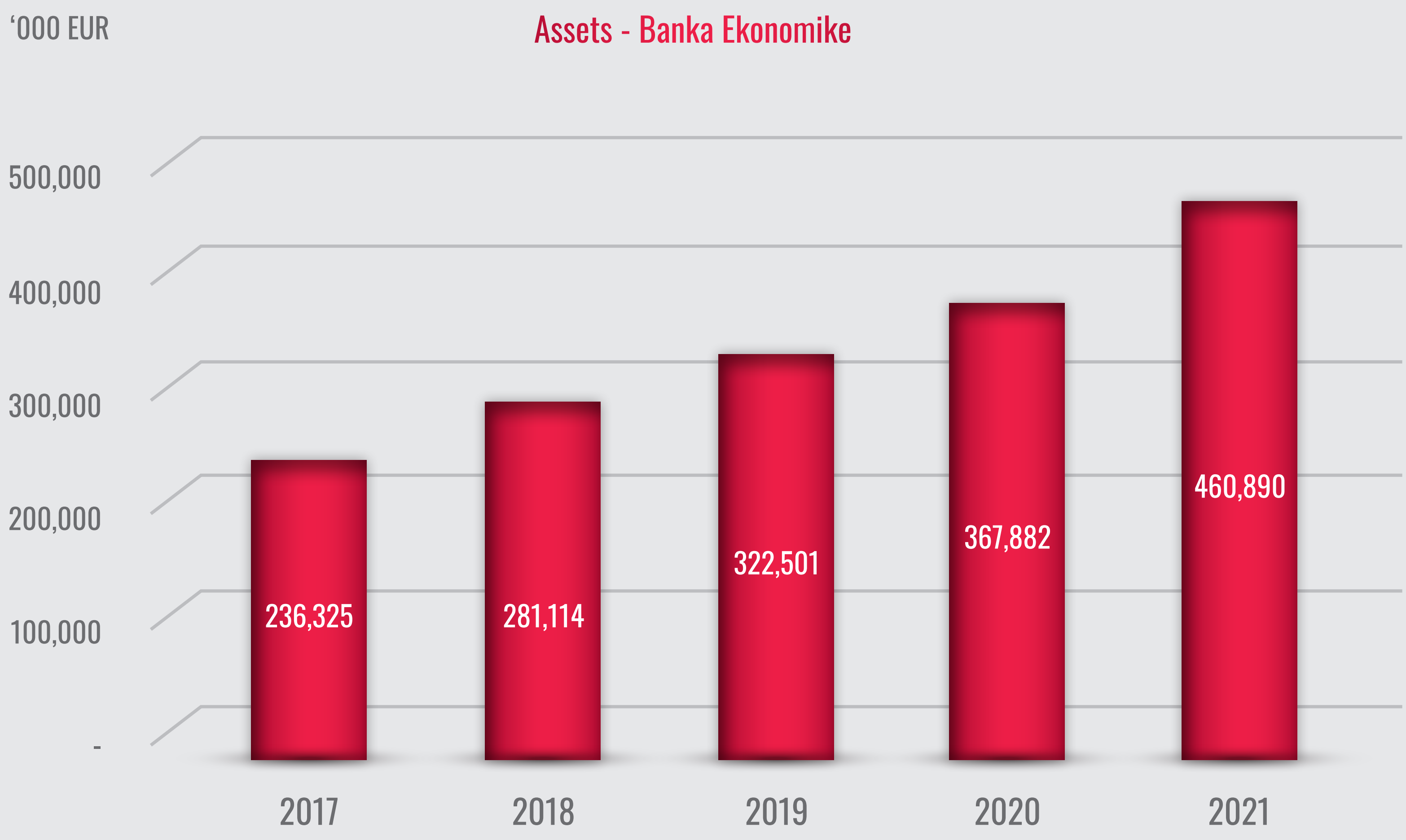
Net interest income has increased, and this increase is 19.7 percent higher compared to last year; at the same, time the Bank managed to recruit a significant number of new clients thanks to good services and modern technology, which is also noticed by an increase of 26.4 percent in commission revenues.

Our bank remains committed to realising its long-term strategic plans, in order to continue to carry out operations with ever increasing success.

BANK ASSETS

Commitment to values, performance targets, and continued efforts to expanding the Bank's network and infrastructure have resulted in an increase in Bank's assets for the fifth year in a row. This year, the growth of the loan portfolio has also played an important role in asset growth. Our bank has closed year 2021 with 461 million euros, unlike 2020 when it had 368 million euros in assets.

FIGURE 7: Assets of Banka Ekonomike, 2017-2021



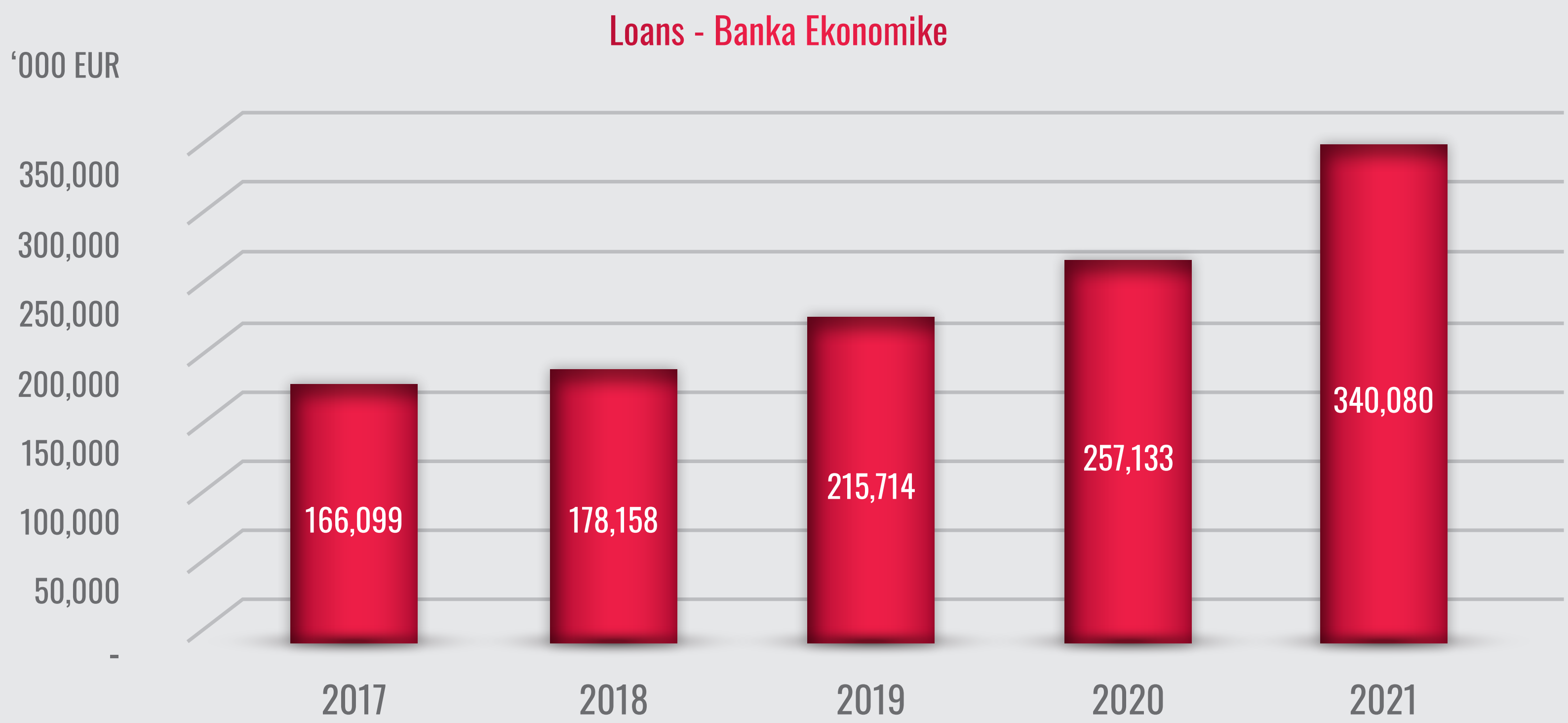
All figures are in '000 Euro

LOAN PERFORMANCE

Proper portfolio management and balanced risk management have influenced the growth trend to also continue into this year. As a result, our Bank has had a substantial increase in its loan portfolio, including the private and business sectors. During 2021, the loan portfolio has increased from 257 million euros to 340 million euros.

Banka Ekonomike has continuously promoted its best lending products through marketing campaigns.

FIGURE 8: Loan portfolio, 2017-2021

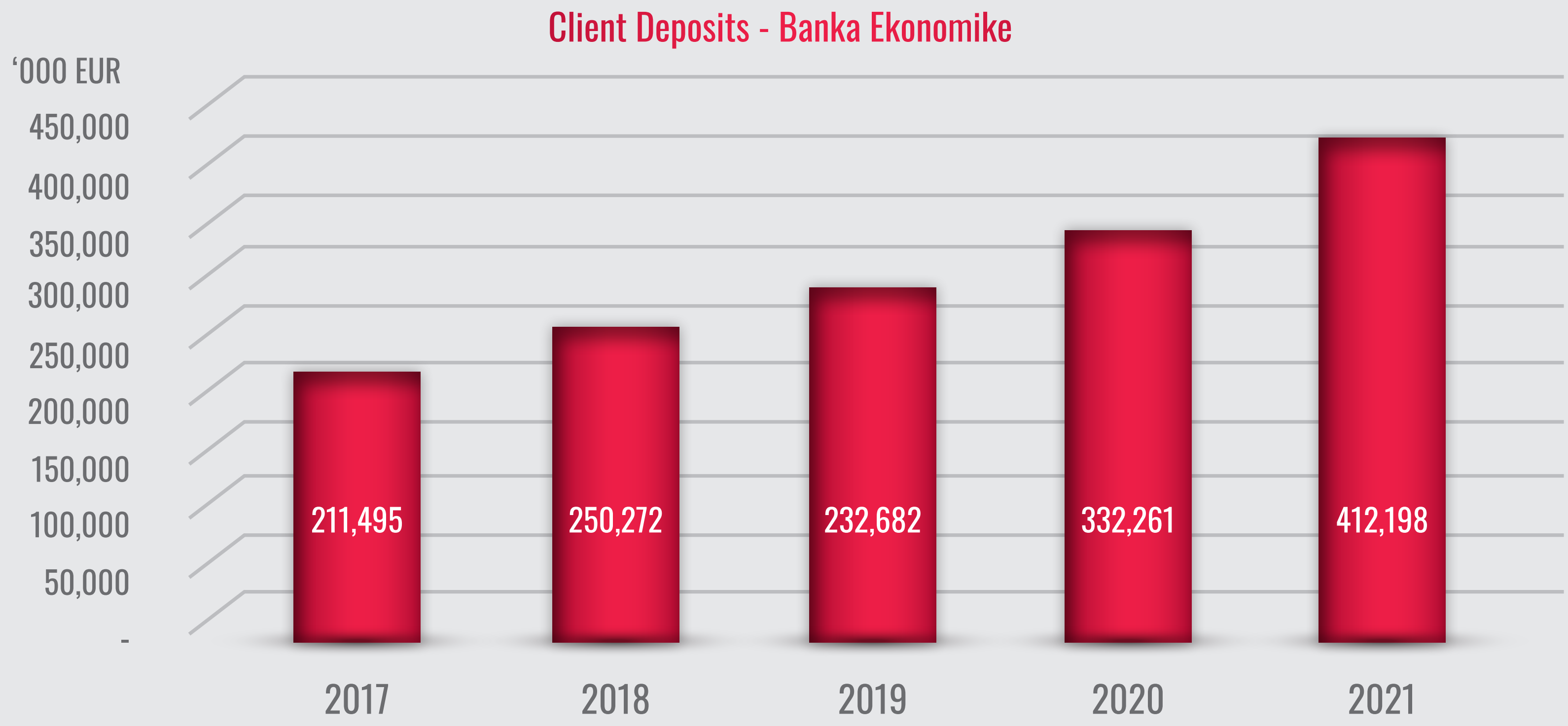


All figures are in '000 Euros

DEPOSIT PERFORMANCE

The continuous growth of deposits is another indicator of the continued increase of clients' trust in the services of Banka Ekonomike. Year 2021 marked an increase in deposits to 412 million euros from 330 million euros in the previous year.

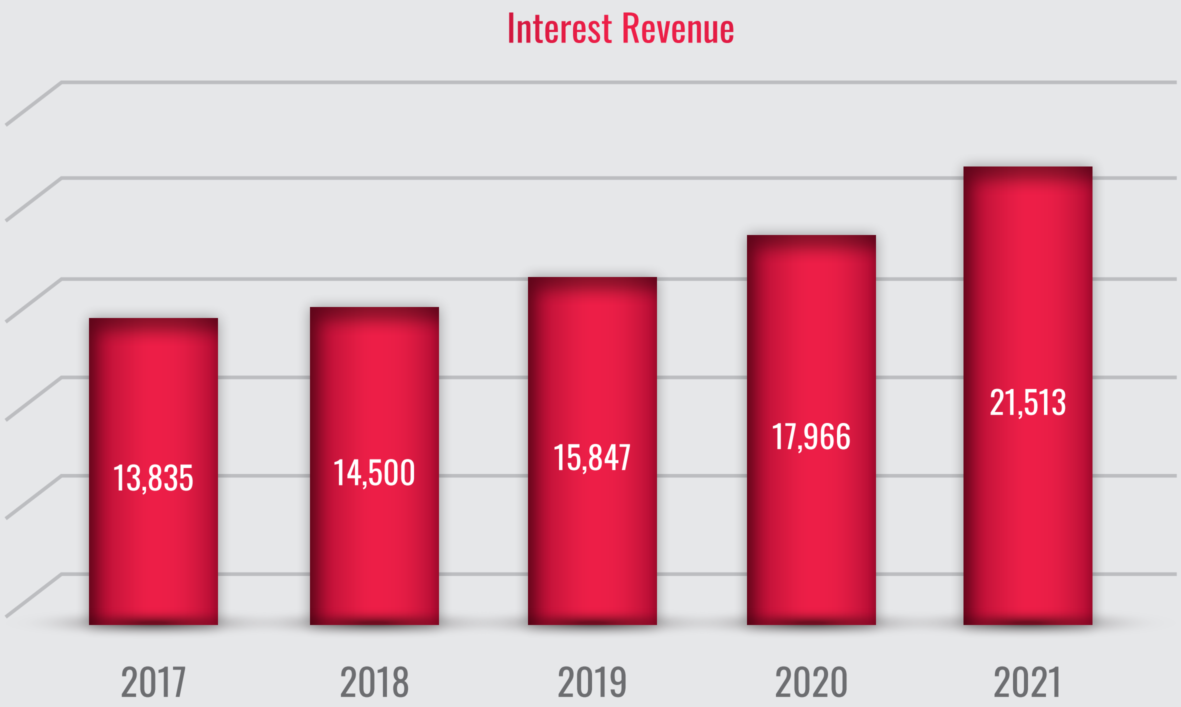
FIGURE 9: Client deposits, 2017-2021



All figures are in '000 Euro

Euro '000	2017	2018	2019	2020	2021
Interest revenue	13,835	14,500	15,851	17,966	21,513
Deposit costs	2,192	2,316	2,371	2,640	2,783
NET interest revenue	**11,643**	**12,184**	**13,480**	**15,326**	**18,730**
NET revenue from commissions and fees	**1,876**	**1,931**	**2,162**	**2,030**	**2,467**

FIGURE 10: Interest revenue, 2017-2021



All figures are in '000 Euro

OPERATIONAL EXPENSES

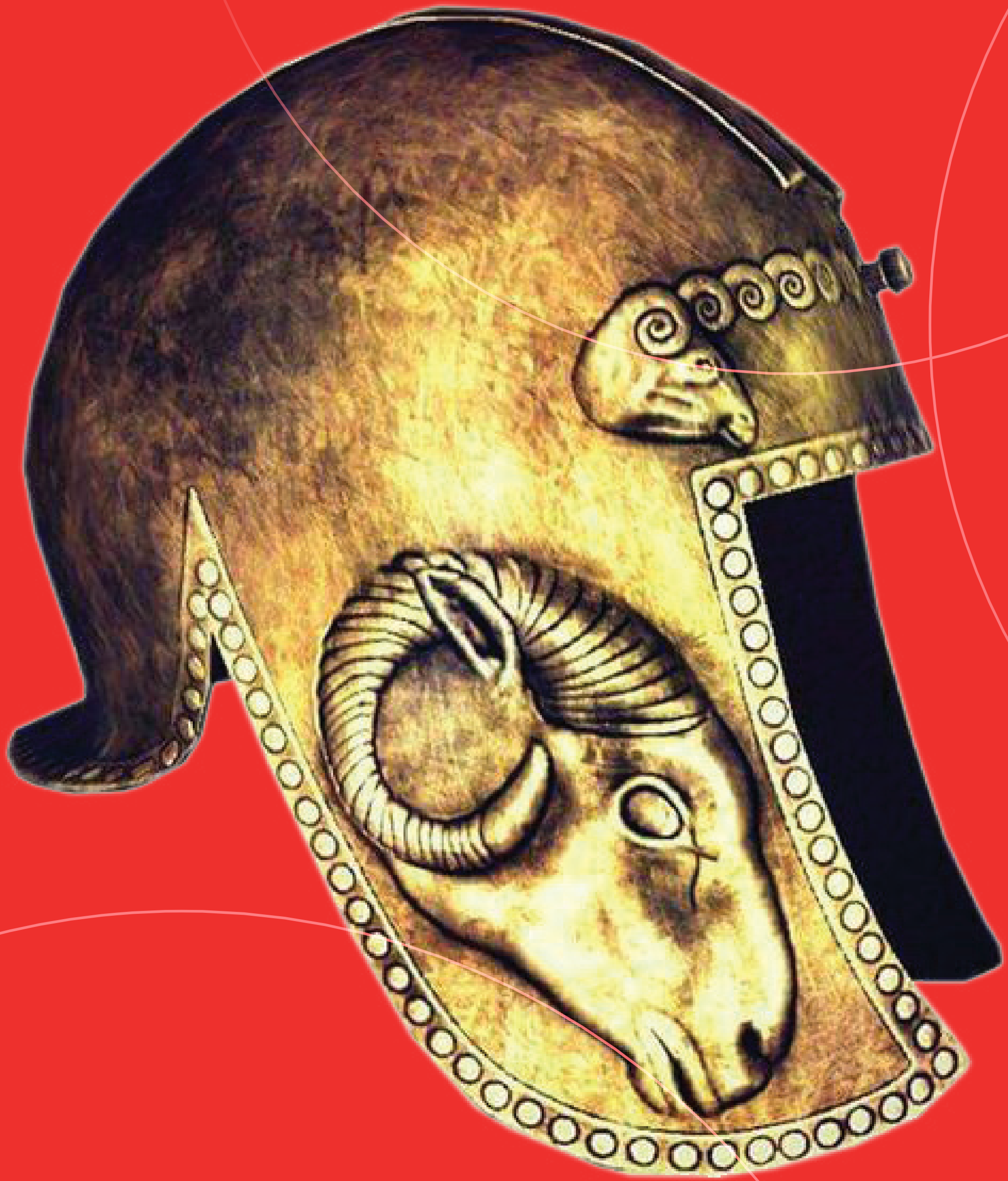
Operational expenses					
Euro '000	2017	2018	2019	2020	2021
Administrative expenses	4,730	4,406	3,767	4,463	5,083
Personnel expenses	3,109	3,198	3,274	3,466	3,888
Depreciation expenses	834	863	1,827	2,277	2,367
Total operational expenses	**8,673**	**8,467**	**8,868**	**10,206**	**11,338**

FIGURE 11. Operational expenses

All figures are in '000 Euro

During 2021, Banka Ekonomike has placed special attention on investments in branches and infrastructure, but at the same time on personnel development and training, which has resulted in an increase in Bank's overall operating expenses and an increase in asset depreciation expenses compared to the previous year. Among other things, our Bank has placed special attention on donations to society groups, which have been most affected by the pandemic, in order to make it somewhat easier for them to overcome the difficulties created by the effects of the pandemic.

However, the review of operating expenses has also been a priority this year, and it has included increasing efficiency and effectiveness, always complying with laws and regulations and meeting our clients' demands and needs.



Illyrian Helmets - 222 BC

BUSINESS DEVELOPMENT

The Bank has continued to place increased attention on the continuous and proper development and expansion of departments responsible for business advancement. In this regard, we have placed increased attention on meeting the requirements and needs of institutional clients, which were addressed within the Corporate Department. It is worth noting that from this group of clients, we have had a significant increase in deposits during the 12 months of 2021, as a result of close and continuous cooperation.

Throughout 2021, we have interacted even closer with corporate clients, already offering not only classic financial services, but a wide range of services and products, according to the demands and specifications they need and addressing all their demands within as short timeframes as possible, which also increased the volume and frequency of transfers. All these facts have had a positive impact on the sound growth of the portfolio of these clients within Banka Ekonomike, which consequently turned out to be the largest growth (+29.5 million euros or +31.54 percent) since the establishment of the department. Furthermore, given the importance of this customer segment, the Bank will continue to develop and adapt its products and services to support these businesses.

Even during 2021, Banka Ekonomike has proven its commitment to clients and sound growth of its deposit and loan portfolio. In the segment of individual clients, by providing quality services, we have managed to meet client demands for financing in accordance with their revenues, without damaging their budget and without compromising their family wellbeing. We have also managed to attract clients through the modernisation of processes; thus, the launching of the new e-banking platform is a response to client needs, demands, and feedback.

Highly professional approach, clear business plans, and commitment to achieve results have caused us to be stable, reliable, and always close to our clients over the years!

In order to be closer to the client and more flexible in offering conditions for mortgage loans, during 2021, within the framework of business development, Banka Ekonomike has created a special unit, which is responsible for increasing the loan portfolio for mortgage loans. Taking into account the client demand and market conditions related to real estate, our goal is to offer clients a wider range of products and meet their demands by offering the new product, "Real Estate Leasing."

In terms of small and medium-sized businesses, in an unstable environment created by the pandemic, our Bank demonstrated confidence in the capacity of businesses and maintained their lending. In addition, segmenting initiatives started in 2020 were continued, where during the period 2020-2021, the Agro Department was profiled, thus increasing the specialised resources in the Agro sector. In doing business, the use of the guarantee fund was intensified as an instrument to increase access to capital for businesses and thus overcome the restrictions for clients who had difficulty securing collateral. All these developments, combined with specific campaigns, contributed to the increase of credit exposure by 21.2 million euros, or +34 percent, always maintaining non-performing loan rates as they were before the pandemic.

The Leasing Department is seen as having the potential and opportunity to expand the range of banking products and meet the demands of the Bank's clients. In addition to meeting these demands, the leasing product has also brought new clients to the Bank, making 2021 the most successful year so far, where the number of active product contracts was 909 and the remaining portfolio at the end of this year was 18 million euros.

This year, 18 campaigns were developed and launched for products, services, brand strengthening as the only bank with 100 percent local capital. Among other things, in the wake of technological modernisation, the new digitalisation strategy was implemented, all to keep abreast with the times, generate a maximum presence in the digital world, and attract as many followers on social media as possible.

LOAN PORTFOLIO

As a result of the Bank's strategy, during 2021, our Bank managed to have high performance in all business segments. The growth of the loan portfolio was distributed to all business segments, where we have the largest portfolio growth from 257 million in 2020 to 340 million in 2021.

Segment	Credit exposure 2020 in '000	Percentage participation in 2020	Credit exposure 2021 in '000	Percentage participation in 2021
SME	62,560	24.33%	89,801	26.41%
Leasing	7,858	3.06%	17,982	5.29%
Corporate	93,609	36.41%	122,624	36.06%
Individual	93,098	36.21%	109,673	32.25%
Total	257,125	100.00%	340,080	100.00%

Authentic Illyrian currency
Age: over 2000 years

CORPORATE CLIENTS

During 2021 as well, the Bank has continued to be a reliable partner for clients of all segments, despite the challenges with the pandemic and the occasional measures set by the government.

Furthermore, given the fact that during the previous year we had centralised the handling of institutional clients (public enterprises, NGOs, financial institutions, insurance companies, etc.) within the Corporate Department, the impact of this centralisation translated into tangible results, which means that we had a significant increase in deposits during 2021 from this group of clients.

Business within the Corporate Department during 2021 has recorded a significant increase in the loan portfolio, increasing net loans by 29.5 million euros or 31.54% percent compared to the previous year. Consequently, during 2021, the quality of assets resulting in non-performing loans constitutes only 3.36% percent of the loan portfolio, which was achieved through close monitoring of the loan portfolio, especially by maintaining the quality of loans.

Authentic Illyrian currency
Age: over 2000 years

SMALL AND MEDIUM ENTERPRISE CLIENTS

In terms of business, year 2021 was both a difficult year, as well as a success story.

The sector of small and medium enterprises (SMEs) is the sector with the largest and most influential extent in the economy of each country; consequently, it remains one of the most important sectors for Banka Ekonomike as well in terms of business development and as such has remained the focus of the Bank. Our commitment to advance the relationship, rapport, and processes with this sector resulted in closing 2021 with a significant increase in terms of performance, achieving an increase in the loan portfolio in the amount of 21.2 million euros in total, or +34 percent, thus marking a significant increase in the credit segment for SMEs, Micro, and Agriculture.

Considering market needs and demands, as well as the potential of small and medium enterprises, Banka Ekonomike has consistently sought to respond to these demands in the most adequate way possible. Product profiling, in particular the product of agriculture loans, has contributed to providing the opportunity for this product to advance even further in the future. The product of agriculture loans as a special product has influenced the profiling of the staff, who will best respond to the specific demands that this product may have. Currently, our specialised staff for agriculture loans covers all regions, thus being as close as possible to the client.

Referring to the quality of the portfolio, i.e., the level of non-performing loans, the SME client segment remains a performing segment with an institutionally acceptable level of non-performing loans.

Continuously, our focus was on providing quality and adequate services to our clients, prioritising client demands and proving professionalism and responsibility in the services we provide. As in 2021, our focus remains the same in the future, aiming for a continuously successful business.

INDIVIDUAL CLIENTS

Individual clients continue to remain the most focused category in terms of meeting their needs through providing quality services and competitive products harmonised according to client demands.

Year 2021 has ended with very satisfactory progress in terms of achieving and realising the previously set objectives.

The segment of individuals is continuously growing and expanding and continues to rigorously maintain the Bank's philosophy for providing quality and flexible services to our clients, offering from time to time in the market various offers through individual loan campaigns and deposits, which the focus is on clients and their preferences in terms of fulfilling consumption needs, home/apartment renovations, as well as short-term and long-term investments, which contributed to the growth of the loan portfolio, deposits, and client base.

All efforts and commitment over the past year, despite the challenges brought by the pandemic globally and even locally in doing business, have translated into extraordinary successes, where we have an increase in loans in the segment of individuals in the amount of 12.2 million, or in percentage points of 13.1 percent, as well as total client deposits increased by about 57.1 million euro, or 17.2%. The growth of the individual client base in Banka Ekonomike has marked a substantial growth, only within 2021 have been open over 19,500.00 new accounts.

This commitment that translated into growth, in addition to meeting our strategic objectives, also demonstrates the security and trust of our clients in Banka Ekonomike, which essentially reflects tradition, partnership, and security.

In the context of increasing the level of client satisfaction, despite the restrictive measures imposed in terms of limiting the number of staff due to the pandemic, we continued to provide and strengthen quality customer service by our sales staff located in all branches in Kosovo, which was welcomed by clients and it was also considered as an added value.

LEASING

In order to expand the range of banking products and services for our clients, we have continued to further consolidate the leasing service. It is worth mentioning that in 2021, the Leasing Department has started financing the stock as a new product, a product which is offered to the Bank's partners, such as car showrooms, with which Banka Ekonomike continues to finance client needs through leasing.

As a new department, we have placed special attention on the expansion of our resources, including human and infrastructure, where by financing our clients, we have also influenced the growth of economic activity.

All efforts throughout the year proved to be appropriate and successful, yielding positive results in 2021. Through leasing, the Bank has managed to increase the base of new clients, and the loan portfolio within leasing, while the number of active contracts during 2021 has reached 909, and the total active portfolio reached 18 million.

Seeing it as a product with great potential and increasing demand for this product, in the future, the Bank will continue to strengthen and expand its capacities, in order to meet client demands for the range of products offered by the Leasing Department.

MORTGAGES AND REAL ESTATE LEASING

In order to expand the range of banking products and services for our clients, the Mortgage and Real Estate Leasing Unit was added to the business development departments. This unit was created as a need to keep up with the real estate market, due to the Bank's need for a portfolio increase and diversification, and to be closer to clients by supporting their needs with financing opportunities for residential buildings.

As a new unit of the Bank, we have placed special attention on market demands, where genuine cooperation with well-known investors in the construction industry (business partners) is one of the main goals of this unit. During the second period of last year, we managed to deepen the cooperation with investors in residential neighbourhoods, where thanks to our joint work we managed to increase the portfolio from 16.7 to 23.3 million euros and we managed to expand our cooperation with 8 residential neighbourhoods.

In 2021, within the framework of strategic planning, after a detailed market research and after reviewing client demands, this unit has also prepared the product of "Leasing for Real Estate," which will be launched during 2022.

Authentic Illyrian currency
Age: over 2000 years

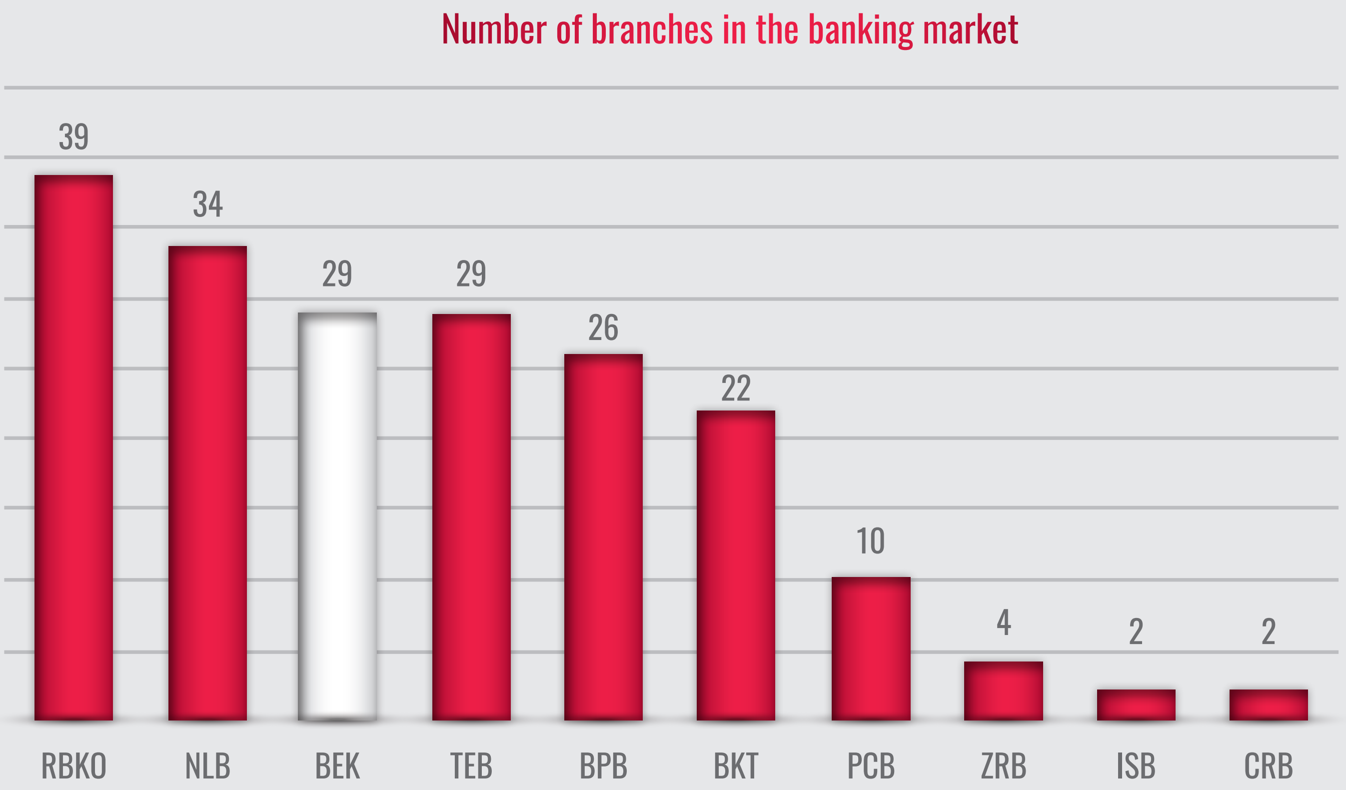
DISTRIBUTION CHANNELS

BRANCH NETWORK

Technology and digitalisation of business operations are a requirement of the times that everyone is trying to follow, but also closeness to the client should not be left out, because machinery will never be able to replace human contact. Therefore, with the aim of always being closer to clients, Banka Ekonomike has a total of 29 branches, which are divided into 7 main branches and 22 sub-branches. According to statistics from the general report of banks, Banka Ekonomike is ranked 3rd according to its presence in the banking market of Kosovo. This proves once again that the purpose of Banka Ekonomike is to be present in every corner of the country.

In order to keep abreast with the latest developments in providing the highest quality services in the banking market in the country, Banka Ekonomike has placed special attention on the Bank's branch network. During 2021, the branches were renovated in accordance with the new standard, in order to provide faster and easier services to clients. In terms of improving the branch network infrastructure and self-service areas, we have relocated to Kamenica, Rahovec, and opened a new sub-branch in Prizren, which provide a more modern environment in the banking industry for customer service.

FIGURE 12. Participation of Banka Ekonomike in the number of branches in the banking market



In terms of participation in the banking market regarding the number of ATMs, we participate with 11 percent of the market. Given the development of technology and dynamic life, one of the main priorities for Banka Ekonomike has been to focus on providing services at all times through ATMs.

In 2021, the deposit of funds in ATMs has been higher compared to the previous year. Year 2020 had an increase of 77.58 percent in the number of deposits compared to the previous year.

During 2021, in general, all types of card transactions (deposits, withdrawals, and purchases) at ATMs have increased both in number and value. In 2021, the number of withdrawals has increased by 24.78 percent compared to the previous year.

To complete providing of quality services to clients, our Bank has a dedicated team in every branch that ensures that each service is provided properly and each client request is carefully addressed.

ALTERNATIVE CUSTOMER SERVICE CHANNELS – CALL CENTRE

The Call Centre, as an alternative channel of customer service, plays a special and extremely important and efficient role in addressing client demands and needs while at the same time informing them in a timely manner and with high efficiency. In this centre, along with telephone services, other additional channels are used, such as e-mail, where, like phone calls, are used to address client demands and needs in specific cases in the most practical and efficient way possible.

The function of the Call Centre plays an important role in increasing service delivery and meeting client demands, and it is available 24/7.

Through the Call Centre, our Bank has received 52,503 requests from clients and has provided clarifications and advisory guidance about the Bank's products and offers.

Our bank will continue to strengthen and elevate the quality of this service.

The focus of 2021 was to provide professional services and increase client trust by developing long-term customer relationships.

RISK MANAGEMENT

Year 2021 has been followed by challenges caused as a result of COVID-19, with an impact on the Bank's operations as well, affecting in particular some industries more sensitive to restrictive measures. Thanks to the rapid response of all actors through fiscal policies, high lending by financial institutions, and record revenues from the diaspora, the damage to the economy was significantly less than expected at the beginning of COVID-19.

As vaccination campaigns had their positive effect and restrictions began to be gradually lifted, the economy revived strongly during the second half of 2021 and it practically returned to pre-COVID-19 levels marking real annual growth of 7.5% .

However, due to increasing aggregate demand, the local and global economy has faced logistical problems and tense supply chains, which have caused disruptions in energy supply and rising commodity prices exceeding all initial expectations. According to Kosovo Agency of Statistics (KAS), annual inflation in Kosovo for 2021 has reached 6%, a fact that has reduced the already limited purchasing power at the level of households. On the other hand, the lack of labour force, which is appearing in some sectors, is another important factor that is limiting economic development to its full potential.

The risk management process includes the management of credit, operational, market, liquidity, investment, or other risks, to which the Bank may be exposed at any time. In order to achieve the strategic goals, annual documents have been drafted – strategies and policies – for each specific risk, in order to maintain key risk indicators, to control and monitor them on a regular basis, always based on the available capital of the Bank. The Bank's performance and financial stability is steady based on key risk indicators:

Total capital in relation to risk assets	13.56%
Level of non-performing loans	2.75%
Maintaining ratio between credit exposures and deposits	82.5%
Loan loss provision in relation to non-performing loans	120%

Also, during this year, the adaptation to the regulatory and legal infrastructure has been further advanced, adjusting all requirements deriving either from regulatory requirements or from international standards. The calculation of losses (provisions) has been advanced in accordance with the new International Financial Reporting Standards (IFRS) by integrating macroeconomic factors in forecasting expected losses on loans.

CREDIT RISK MANAGEMENT

Banka Ekonomike, like other financial institutions, is exposed to credit risk, which is among the most material risks and has the highest impact on the overall performance of the Bank. The main focus of the Bank has been to increase the quality of lending, affecting the improvement of all quality indicators of the loan portfolio. To ensure continuity in business as a regular process, the Bank identifies and assesses credit risk and has established mechanisms for managing and monitoring credit risk. The Bank also considers the concentration of credit risk, taking into account the diversification of the loan portfolio across different industries and profiles, which may come as a result of macroeconomic changes or external factors. As a result of the credit policies approved by the Bank, the maximum credit limit for a client or related group of clients is always kept below the regulator limits, thus reducing the risk of credit concentration.

To this end, the Bank has continued to maintain the same trend in diversifying the loan portfolio of enterprises in the business segment and individual clients by allocating a portion of the loan portfolio to households, and has also supported the growth of the financial leasing segment by providing support with new leasing products (financing of goods), significant support in project financing was also given to business enterprises. The Bank has taken the opportunity to transfer credit risk to third parties, using the opportunity for financing through the Kosovo Credit Guarantee Fund this year as well, where through the guarantee windows of the Fund, the Bank has offered credit campaigns in the business segment with favourable conditions for this segment, which has mitigated the credit risk.

The Bank has also started implementing its internal credit rating by integrating this model into credit policies, which is also used for credit provisioning needs within the SICR. This model integrates quantitative and qualitative financial factors and finally calculates the internal credit rating and categorises the risk profile.

The level of non-performing loans is a very important indicator that expresses the ratio of non-performing loans to total credit exposures. Non-performing loan management at the end of the year increased slightly, from 2.46 percent (December 2020) to 2.75 percent (December 2021). This trend was sustainable as a moderate increase when considering the effects of the pandemic, which has had a higher impact in some sectors. It is worth noting that the Bank has monitored with particular care the restructured credit exposures according to the CBK instruction for COVID-19.

Credit risk management is done through continuous assessment of borrowers' creditworthiness while credit exposures >50,000 euros are monitored at least on an annual basis. The Credit Risk Department aims to manage the quality of the loan portfolio in accordance with CBK regulations, as well as policies and procedures approved by the Bank.

Authentic Illyrian currency
Age: over 2000 years

OPERATIONAL RISK

Operational risk is also defined as the risk of losses caused by inadequate or failed internal processes of people, systems, and external events. The Bank has a well-developed operational risk system in line with the Bank's nature in terms of identifying key risk indicators and controlling operational risk incidents on an ongoing basis, with the sole purpose of reducing the financial impact and frequency of an incident.

The Bank continues to be exposed to various operational risks as a result of technological advancements in the field of financial services which, among other things, have made this risk more sensitive, caused by internal processes and external events.

In order to establish a more effective control over operational risk, the Bank has implemented a self-assessment process within the most critical processes, for which the Bank assesses that they bear operational risk. The Bank also assesses the existing risk profile by categorising incidents in the database, including events leading to potential operational risk. In addition, the Bank has established high standards of operational risk monitoring versus reporting and provides ongoing operational risk training to all employees, in particular to those responsible for reporting operational risk incidents and to new employees. Through standardised approaches to operational risk management, we have achieved significant improvement in data quality as a key point in decision-making in relation to incidents reported to operational risk committees.

Therefore, despite the continuous increase of exposure to operational risk, the management of this risk was adequate, isolating its consequences as a result of activities divided according to Basel. The Bank has managed to take steps towards a more effective control over the operational risk management by fully implementing the self-assessment of the existing risk profile of the Bank.

LIQUIDITY AND MARKET RISK

Liquidity risk arises when there are insufficient funds to meet funding demands in a timely manner, and it can also occur when open positions cannot be closed on time at reasonable prices. On the other hand, it arises as part of the market risk when a Bank asset may lose in value due to a change in the interest rate.

The main source of financing the activity and business continues to be represented by deposits, which increased, mainly by legal entities in relation to deposits of natural persons. The maturity terms of deposits and loans highlight the structural discrepancies between them, which are most pronounced in terms of 'over 1 year'. Deposits with a maturity of 'up to 1 year' dominated the structure of time deposits. For that same purpose, the model of stressing deposits for long-term stability in the Bank was built. The ratios between deposits and credit exposures continue to have discrepancies and increased risk, especially in the interest rate on long-term credit exposures; therefore, the variable interest rate product has been applied, in order to manage the gap and competition in terms of interest rate movements.

Liquidity reserves continue to be at high levels, exceeding the required reserve held at the CBK by 34.91 percent compared to the legal requirement of 25 percent. The bank is liquid because it has the ability to meet current and future obligations on time. The limits set by the regulator were maintained throughout the entire period, and key liquidity indicators were monitored on a regular basis, which give positive signals for stability in the Bank. On the other hand, as part of Basel III, the Bank calculates the liquidity coverage ratio on a regular basis, ensuring that the Bank is keeping this ratio >100 percent.

Authentic Illyrian currency
Age: over 2000 years

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The Bank has implemented the document, which as a concept aims to identify, assess, and manage all risks according to the second pillar of Basel standards for capital adequacy. This standardised internal assessment process is important for planning the minimum capital requirements to which the Bank is or may be exposed, in order to proceed with regular business operations. Individual risks arising from the model or strategy over the life of the business plan, the concentration of the loan portfolio, the collateral, the operational risk, the liquidity, the interest rate, determine the need for capital planning for these risks.

RISK MANAGEMENT COMMITTEE (RMC)

On a regular basis, all risk management activities undertaken at Bank level are discussed and reported to the RMC at the Board of Directors level. The RMC is the highest body in terms of overseeing the Bank's risk activities. All policies for the management of any specific risk, limits, risk indicators are analysed, evaluated, and pre-validated by the RMC and finally recommended for approval by the Bank's Board of Directors.

OPERATIONS AND PAYMENTS

Although 2021 has continued to be a year of challenges posed by the COVID-19 pandemic, Banka Ekonomike has continued to focus on customer service and stability of operational functions by developing and implementing a number of development projects related to process improvement of the Bank and meeting local and international legal requirements.

With this, Banka Ekonomike continues to be competitive in the market, being oriented towards further improving the service infrastructure to its clients.

SWIFT GPI – a new standard applied for international transfers through SWIFT, which enables Banka Ekonomike to fully and quickly manage the incoming and outgoing transfers of its clients from the beginning to the receipt of payment.

Banka Ekonomike continues with the process of personalisation of client cards within Kosovo for the category of retirees. We have also invested in increasing the efficiency of card production from application to card delivery to the client.

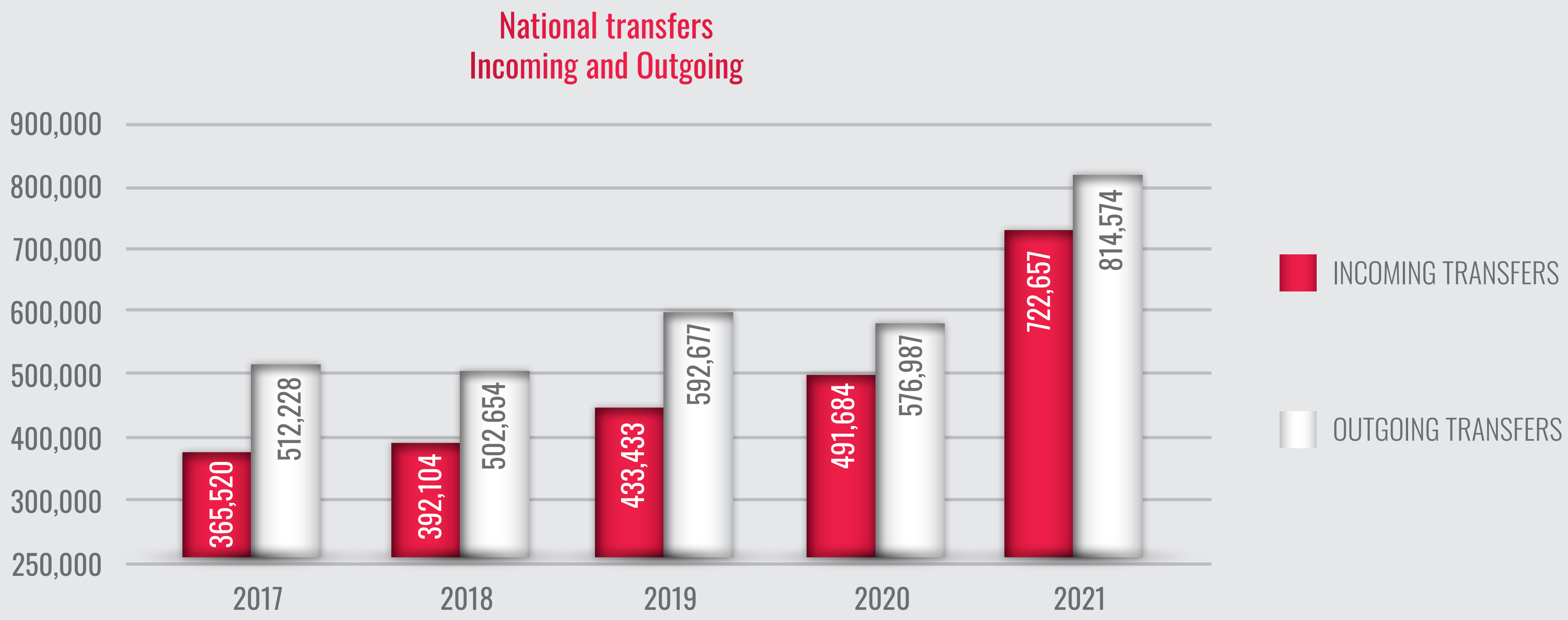
Banka Ekonomike has implemented various projects that contribute to increasing the security of international transfers.

In order to provide the highest quality and attractive services for the clients of Banka Ekonomike, in the second half of 2021, in cooperation with **PostFinance AG** from Switzerland, we have enabled sending remittances from each Swiss bank through the **Corridor Service** with **0% commission**, where based on this cooperation, Banka Ekonomike has also decided not to apply a commission for incoming payments received for its clients through the Corridor Service. Through this service, our clients have been able to accept payments in CHF currency faster and at a significantly reduced cost.

NATIONAL TRANSFERS

The total value of incoming and outgoing transfers has increased, from 1.07 billion in 2020 to 1.54 billion in 2021, which is an increase of about 44 percent, while during 2021, national outgoing transfers made at the counters have suffered an increase of 41 percent compared to the previous year. As part of our Bank's strategy for further advancement of process automation and use of alternative channels, the usability of the e-Banking platform has increased by 38 percent in number and 78 percent in value.

FIGURE 13. National incoming and outgoing transfers

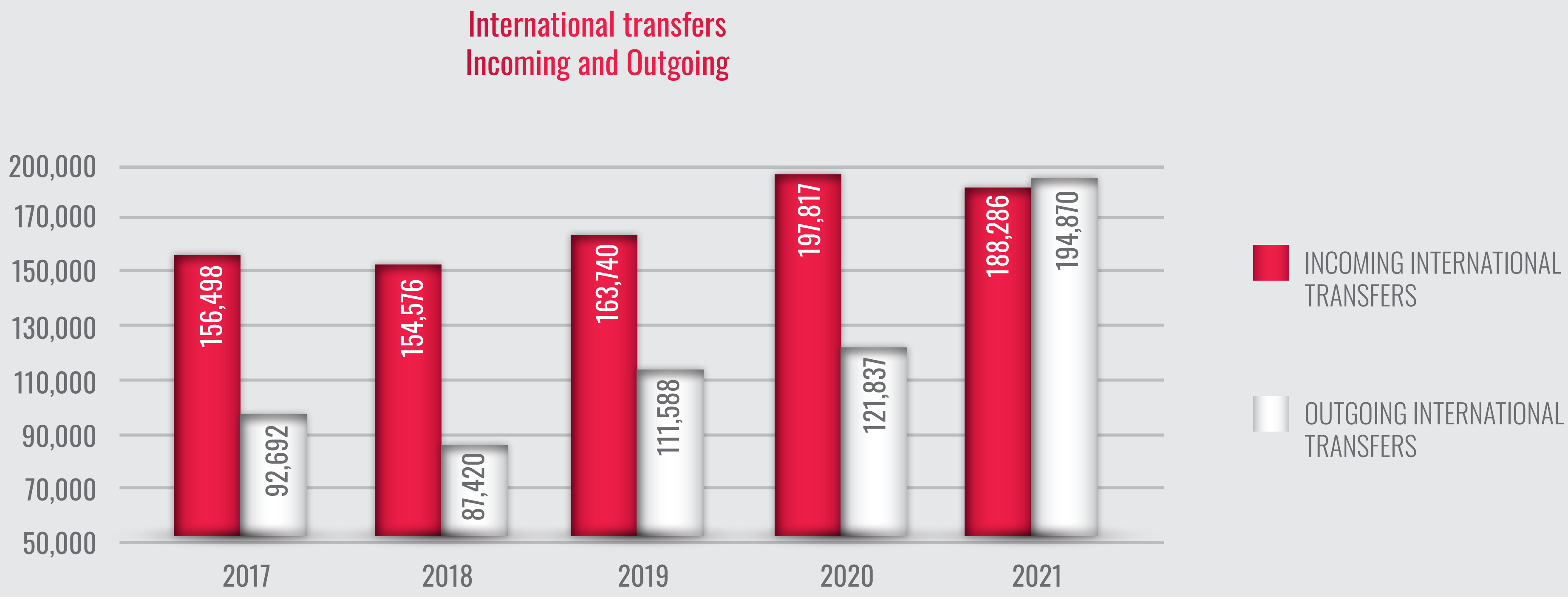


All figures are in '000 Euro

INTERNATIONAL TRANSFERS

International transfers in 2021 have increased compared to the previous year. The total value of incoming and outgoing transfers has increased by about 21 percent, from 317 thousand in 2020 to 383 thousand in 2021, as presented in the table below. The usability of the e-Banking platform in terms of international payments has increased by 49 percent in number and 57 percent in value.

FIGURE 14. International incoming and outgoing transfers

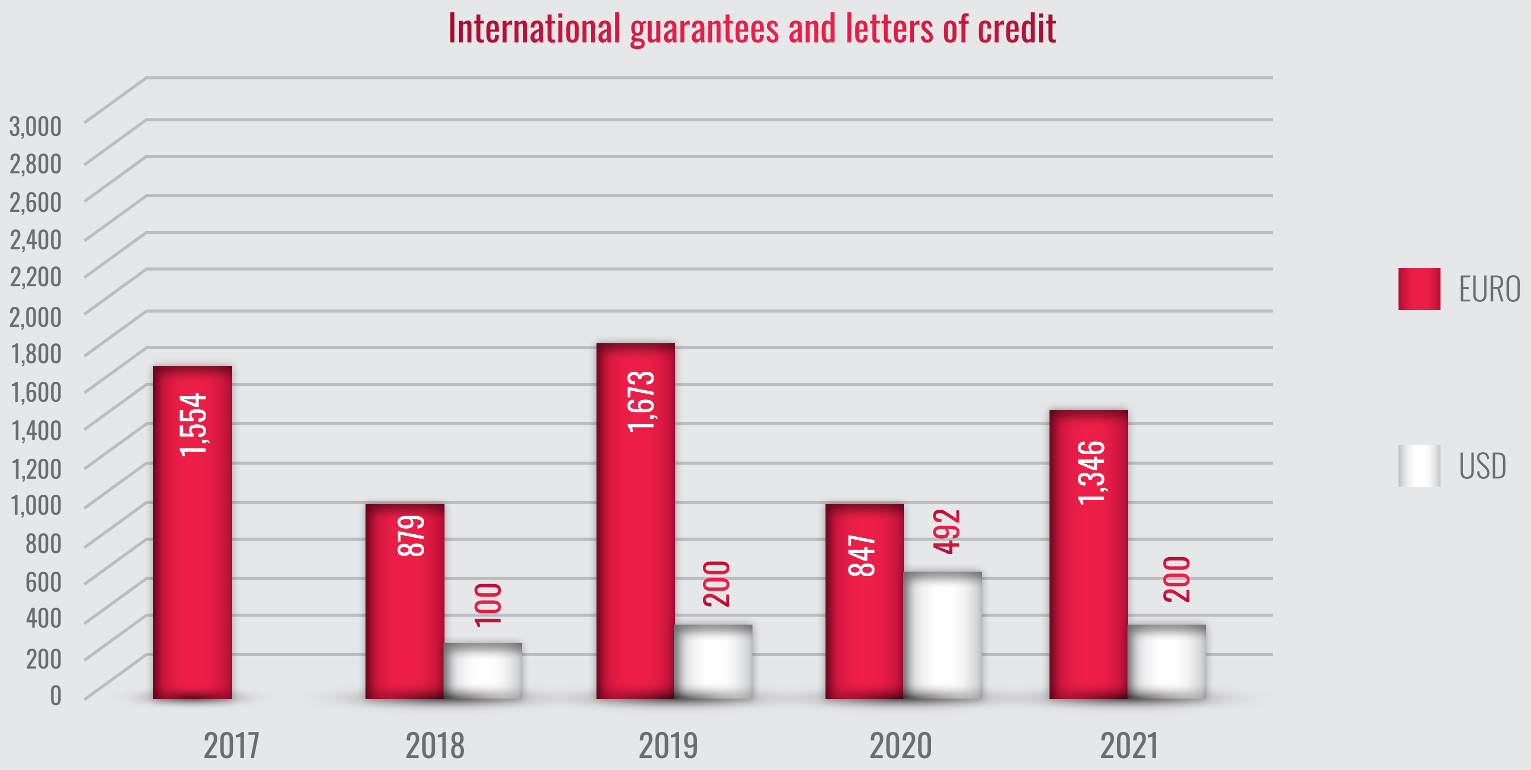


All figures are in '000 Euro

INTERNATIONAL GUARANTEES AND LETTERS OF CREDIT

International guarantees and letters of credit in 2021 have increased compared to the previous year. If we take the total amount of guarantees this year, we have an increase of about 15 percent compared to last year.

FIGURE 15. International guarantees and letters of credits over the years

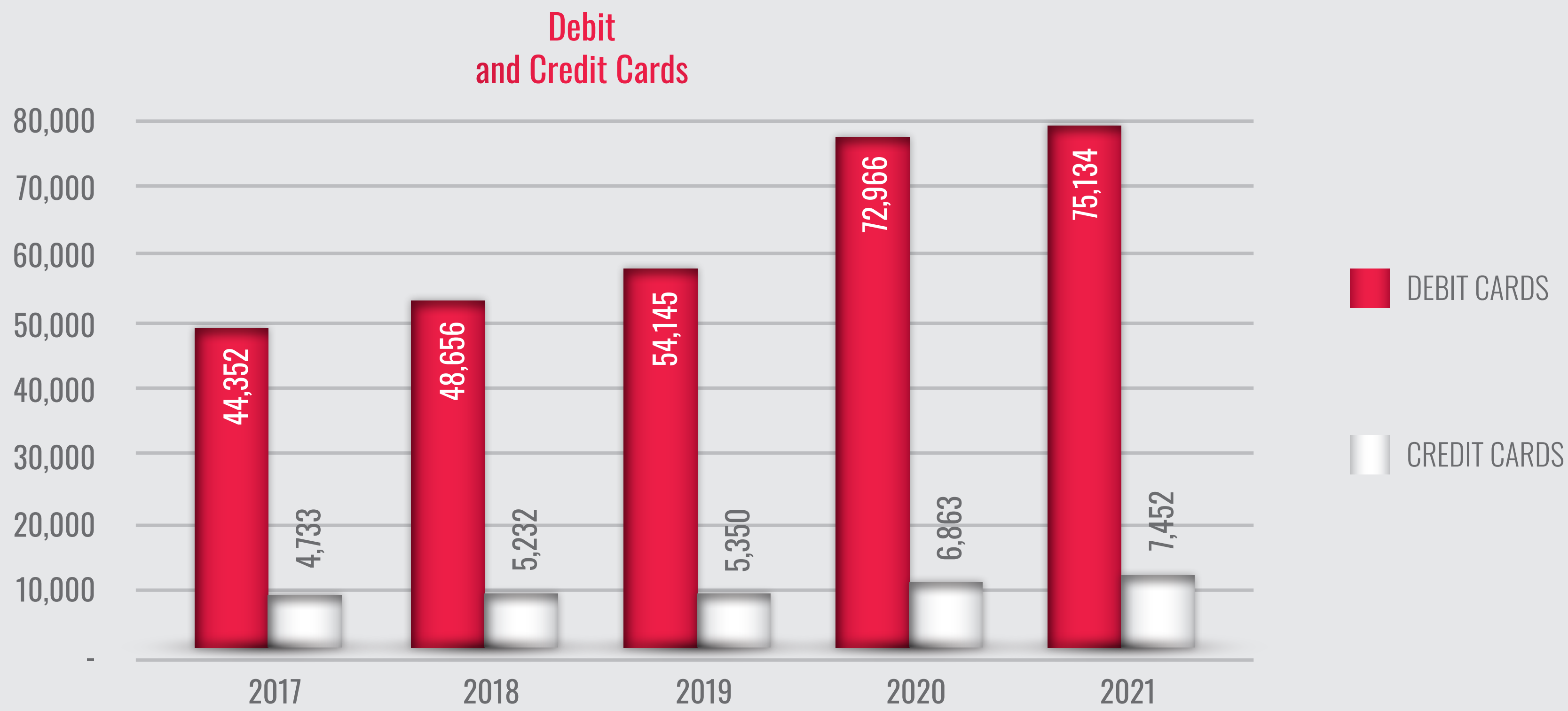


All figures are in '000 Euro

BANK CARDS

Banka Ekonomike offers customers debit and credit cards for performing services inside and outside the country in cooperation with Master Card and Visa partners both at ATMs, POS terminals, and online payments. Also, with the local debit cards, the category of retirees is able to withdraw funds at ATMs of Banka Ekonomike. Compared to last year, the number of debit cards has reached 75 thousand and has increased by 3 percent, or by 2,168 debit cards more than in the previous year, while the number of credit cards has reached 7,452 or an increase of 8.6 percent or by an additional 589 credit cards.

FIGURE 16. Number of debit and credit cards over the years



INFORMATION SECURITY AND INFORMATION TECHNOLOGY

In line with the Bank's strategy, the Information Technology Department has continued to focus on improving and modernising the technological ecosystem, in order to continuously expand and improve our banking services. As a result, this year the Bank has made major investments in technological infrastructure, such as (1) building a new server room according to international standards, and (2) interconnection of two data processing centres with dark fibre, which enables increased system performance and significantly increases the operational stability from the technical aspect.

In addition to investments in technological infrastructure, at the same time, the working group for the implementation of the new basic banking system has continued their intensive work, in order to achieve the objectives for the implementation of the new basic banking system according to the strategy and set timelines. The new basic banking system will enable the optimisation and automation of current processes, creating a favourable ecosystem to create innovative digital banking products and services to make the client experience superior and easier.

Year 2021 has also marked a record increase in cyber-attacks occurring around the world and in this regard, the Bank has continued to remain committed to providing a secure IT environment by constantly investing in modern technologies for the detection and prevention of cyber-attacks. In addition to the ongoing investment in modern cyber security technology, the Bank continues to invest in the training and deployment of human resources in the Information Security Department to stay up to date with the latest developments in the cyber security sector. The Bank remains committed to providing innovative and secure services and products in terms of information security and data protection.

PERSONNEL MANAGEMENT AND TRAINING

Although the challenge with the pandemic has continued into this year, the focus of our Bank has been the health of our employees by implementing the necessary rules and their full vaccination.

Over 95% of the Bank's staff have already been vaccinated, thus ensuring a return to normality and carrying out activities and customer service in particular.

The Human Resources Department appreciates the valuable contribution of their staff, the continued efforts, and the commitment to continuous growth and progress of the Bank during the 20 years of its presence in the market.

One of the key elements that accompanied this strategy was the uninterrupted and continuous communication from the Human Resources Department with each employee to understand the challenges and to help and support this communication between the respective departments/branches.

The Human Resources Department is an important factor that also contributes to the development and realisation of overall business goals and human resources development.

The role of the Human Resources Department is focused on recruiting competent employees to fill specific positions in the Bank, which as a result has given the opportunity to a number of internal staff at the level of branches and departments to be promoted to new positions, based on their abilities and skills.

Banka Ekonomike also offers internship opportunities. The purpose of the internship program is to provide students with the opportunity to gain practical experience in the banking system, as well as to give students and recent graduates the opportunity to test their skills and academic experience in the banking system.

Also, during 2021, certificates of appreciation were distributed to employees with over 10 years of work experience in Banka Ekonomike, which confirms once again that Banka Ekonomike continues to be a desired employer that offers conditions, work culture, and a good internal environment.

It is very important for our institution that all our employees have the opportunity to develop personally and professionally, and that they have the opportunity to develop their skills and abilities to better perform in work environments that are becoming increasingly more challenging.

As in previous years, this year too, the Department of Human Resources is particularly engaged in training and developing the most valuable assets, which are the employees. Only professional and well-trained employees can provide excellent services to clients, which results in a very good performance of the institution.

During 2021, the greatest commitment of the Human Resources Department has been in training staff for the most important areas of the banking system, especially for sales and how to approach a client.

Employees of Banka Ekonomike have participated in trainings abroad, which shows the importance that Banka Ekonomike attaches to integrating the staff and their professional development into the banking market.

The Human Resources Department successfully conducted initial training for all new employees.

The majority of the staff of the departments/branches with target groups according to certain profiles are trained in:

- General compliance
- PPP/F compliance
- E-banking
- Financial analysis
- Sales training
- Effective sales
- Agriculture segment training
- Operational issues
- Training/clarifications on New Credit Proposal Forms
- Investments in 'Diaspora Bonds'
- Train the Trainers
- Self-management and team leadership
- Motivation and effective communication

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THE LATEST INNOVATION TRAININGS

Year 2021 marks the addition of a new spirit of training at the most advanced level and certified by the world's most credible educational institutions, such as Harvard, Oxford, Cambridge, MIT.

Considering the high degree of need for changes in the field of digitalisation of banking processes, advanced level trainings for heads of department were organised during 2021.

Through these trainings with high international credibility and certified by Harvard, Oxford, MIT, we will have the opportunity to learn and get the best practices in the relevant fields and identified as necessary, as well as apply them as a strategic level.

Trainings have been conducted in various fields, such as:

- Digital marketing
- Utilising digital future
- Preparing for the advantages of future financial services
- Sustainable Fintech finances
- Designing digital processes

GENERAL COMPLIANCE

The General Compliance Department has continuously monitored regulatory and legislative requirements, and has ensured they are enforced within the Bank. During 2021, the Bank has complied with the requirements for the implementation of internal controls. As the Department of General Compliance, we are continuously engaged in training and awareness of the Bank's employees regarding the implementation of the daily demands that we are obliged to implement as a banking financial institution. It is worth highlighting the importance of implementing the requirements arising from the Code of Conduct, as a mandatory document and requirement for implementation by all Bank employees. In the framework of trainings held, special importance was also given to employee training on the importance of implementing the relevant procedures related to the requirements for fraud prevention, as well as the importance of personal data protection.

As a special legal requirement, personal data protection is one of the fundamental responsibilities of every banking institution, including Banka Ekonomike, and that the information processed on a daily basis is essential to develop business relations with our clients and associates. The right of an individual to privacy is a right that is guaranteed by the Constitution and laws of Kosovo, as well as Europe; therefore, Banka Ekonomike respects and fully implements the requirements for personal data protection.

In addition to the above-mentioned duties and responsibilities, the Department of General Compliance already has a Complaints Handling Unit within it, which have always handled complaints with the utmost dedication, considering their importance and the fact that they need to be addressed within the legally defined deadlines. This responsibility is undoubtedly of great importance in the development and further improvement of the services provided by Banka Ekonomike.

CORPORATE SOCIAL RESPONSIBILITY

Banka Ekonomike remains committed to contributing to the improvement of community conditions in line with corporate social responsibility as one of the core values of the institution.

Our commitment for 20 years has been focused on projects of social, educational, environmental, health, sports, and cultural character. Convinced that when we combine the power of our business with the desire to contribute to the good of the community, which directly affects the development and social wellbeing, we also fulfil one of our objectives to have an active role in improving the life of the community where we operate.

Throughout 2021, we have supported over 30 initiatives proving once again that we are one of the financial institutions with the greatest commitment to corporate social responsibility.

SUPPORT TO THE NATIONAL AUTISM ASSOCIATION IN KOSOVO

Even during 2021, as in previous years, within the framework of social responsibility, Banka Ekonomike has continued to support social categories which are related to children, namely education and improving their wellbeing.

Banka Ekonomike has joined the campaign initiated by the National Autism Association in Kosovo, supporting the initiative through the purchase of works made with lots of love by autistic children, which aims to create better conditions for providing services for children according to their therapeutic needs.

General NAAK activities include identifying autistic children, assessing their skills, preparing work plans, training parents on those work plans, providing consistent direct daily services needed, raising awareness on autism, and for necessary services.

PLANTING 540 TREES IN 27 MUNICIPALITIES OF KOSOVO

As a Bank with 100 percent local capital, we consequently bear 100 percent social responsibility for this country, so on the occasion of the 20th anniversary of the establishment of Banka Ekonomike, we decided to raise awareness of the local community on the importance of trees, greenery, the environment in general by a symbolic act of planting 20 trees in 27 municipalities of Kosovo, a total of 540 trees, and we also want to continue to make our further contribution to improving the environment.

THE BANK, IN COOPERATION WITH PRISHTINA ALPINE CLUB, SURPRISE THE CHILDREN IN THE PAEDIATRIC CLINIC

Banka Ekonomike, together with Prishtina Alpine Club, has organised the activity of rappelling from the building of the Paediatric Clinic so the members of Prishtina Alpine Club and a few employees of Banka Ekonomike, dressed as superheroes, surprise the children.

While rappelling, in addition to entertaining the children, some modest gifts were also distributed to them.

During this activity, Banka Ekonomike has also made a donation to Care for Kosovo Kids organisation, which will be intended for the purchase of medicines and equipment needed for the Paediatric Clinic.
This is not the first activity, as we have supported the Paediatric Clinic in the past, but it will not be the last.

SPORTS SUPPORT

For 20 years, as the only Bank with 100% local capital, we have been a partner and supporter of many social categories, one of which is sports.

Seeing the need of sports clubs for support, in order to create the best possible conditions for work, especially with young talents, we continued to support 15 sports clubs throughout Kosovo, such as 3X3 Prishtina street ball, the Kosovo Golf State Championship, Ferizaj FC, FC 2 July, Women's Volleyball Club M-Technologie, Llapi FK, Gollaku Boxing Club, Women's Basketball Club PENZA, Table Tennis Club Prizren League, Trepça 89 FK, Trepça BC, Malisheva FC and Rahovec BC, as well as football, basketball, handball, volleyball, golf, hiking clubs etc.

In addition to many other benefits, sports have a direct impact on physical and mental health, and it will therefore remain one of our focuses in the future. By supporting sports among other things, we aim to help further popularise sports.

BLOOD DONATION

For 20 years through various activities, we have helped improve and raise awareness to create a better social environment for all.

Banka Ekonomike, in cooperation with Blood Transfusion, has organised the activity of voluntary blood donation, which is already a traditional activity.

Public health, especially in the situation with the pandemic, is one of the most important things; therefore, the voluntary blood donation as a symbol is of special and vital importance for human life.

WOMEN'S SUPPORT

Banka Ekonomike continues to support women in order to improve their wellbeing by launching campaigns focused on inspiration, well-being, and mental health.

A yoga session was held in "Mother Teresa" square, under the direction of the organisation "She Inspires". The purpose of this program was manifold, given the circumstances created by the pandemic, mental and physical health are the key to a person's wellbeing and they aim to celebrate Global Welfare Day.

The event brought together all women in order to improve their wellbeing and young people going through difficult times during the pandemic, to create campaigns focused on inspiration, wellbeing, and mental health.

SUPPORT TO THE ASSOCIATION OF THE BLIND

Banka Ekonomike has continued to provide support to social categories that need special care, aiming to fulfil the mission of social responsibility. In this regard, Banka Ekonomike has joined the campaign #Një dritë në fund të tunelit (#A light at the end of the tunnel), initiated by the Association of the Blind in Gjakova, donating to support the rehabilitation and education of blind people in the Municipality of Gjakova.

The Association of the Blind in Gjakova was established in 1947 and through this donation, better opportunities will be created for blind people in learning, writing, and reading, especially in Braille and the "Joyz" speech system.

STAFF TRIP TO ISTANBUL

Employees are the main pillar of building and developing an institution. Such are Syzana, Lindita, Bekim, Kujtim, Klara, Ajete, Agron, Afijete, and Merita, who for 20 years contributed to Banka Ekonomike as distinguished employees.

On the occasion of the 20th anniversary, Banka Ekonomike organised a trip to Istanbul for our employees who gave their contribution to our Bank for 20 years.

As the only 100% local Bank, we have supported our development and growth with dedicated and professional employees.

PINK OCTOBER

Within the month of October as the International Breast Cancer Awareness Month, Banka Ekonomike joined the campaign by organising a lecture for Bank's employees on the topic, "Early Detection SAVES lives."

This organisation emphasised the importance of early detection and how we should care for our health.

SUPPORT TO THE CULTURAL ACTIVITY PRITE N'SHESH (CELEBRATE ON THE SQUARE)

within the framework of supporting cultural and sports activities, in the end of the year, we have supported the traditional cultural activity Prite n'Shesh (Celebrate on the Square), which was organised by the Municipality of Prishtina and Kanal10.

The end-of-year holidays bring us positive energy, so we have ensured to support activities that inspire optimism and celebration in our society.

BANKA EKONOMIKE SH.A.

Financial Statements prepared in accordance with
the International Financial Reporting Standards
for the year ended 31 December 2021
(with Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Banka Ekonomike Sh.A.

Opinion

We have audited the financial statements of Banka Ekonomike Sh.A. ("the Bank"), which comprise the statement of financial position as at 31 December 2021, and the statement 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 at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS").

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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Financial statements of the Bank for the year ended 31 December 2020 have been audited by another auditor who issued an unmodified opinion on 19 April 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's annual report but does not include the financial statements and our auditor's report. The Bank's 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. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and report the non-compliance.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines 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 Bank 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 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 a 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 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.

RSM Kosovo Sh.p.k.
Prishtina, Republic of Kosovo
12 April 2022

Sadik Berisha
Engagement Partner

Statement of Financial Position

(Amounts in thousands of EUR, unless otherwise stated)

		Euro '000
	As at 31 December 2021	**As at 31 December 2020**
Assets		
Cash on hand and at banks	29,081	24,860
Balances with the Central Bank of Kosovo	78,542	57,530
Loans to customers	329,296	247,123
Investments in securities	5,000	25,365
Property and equipment and right-of-use assets	13,796	8,768
Intangible assets	3,949	2,813
Other assets	1,120	1,423
Total assets	**460,784**	**367,882**
Liabilities		
Due to customers	411,106	330,281
Due to banks	1,086	2,080
Current tax liability	253	6

Other liabilities	2,542	2,183
Deferred tax liability	608	-
Total liabilities	**415,595**	**334,550**
Equity and reserves		
Share capital	29,422	29,422
Revaluation and other reserves	4,794	63
Retained earnings	10,973	3,847
Total equity and reserves	**45,189**	**33,332**
Total liabilities, equity and reserves	**460,784**	**367,882**

These financial statements have been approved by the Board of Directors of the Bank and signed on its behalf on 11 April 2022:

Mr. Shpend Luzha
Chief Executive Officer

Mr. Fitim Rexhepaj
Chief Finance Officer

Statement of Profit and Loss and Other Comprehensive Income

(Amounts in thousands of EUR, unless otherwise stated)

		Euro '000
	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest income calculated using the effective interest method	21,512	17,965
Interest expense calculated using the effective interest method	(2,838)	(2,714)
Net interest income	**18,674**	**15,251**
Fee and commission income	3,660	2,748
Fee and commission expense	(1,300)	(825)
Net fee and commission income	**2,360**	**1,923**
Other operating income	1,907	1,117
Net foreign exchange gains/(losses)	(101)	49
Revenue	**22,840**	**18,340**
Personnel expenses	(3,890)	(3,466)
Depreciation of property and equipment and ROU	(1,994)	(1,975)
Amortization of intangible assets	(373)	(302)
Other expenses	(6,427)	(4,985)
Net impairment losses on loans	(2,273)	(3,133)
Total operating expenses	**(14,957)**	**(13,861)**
Profit before tax	**7,883**	**4,479**
Income tax	(805)	(470)
Net profit for the year	7,078	4,009

Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Gain on the revaluation of land and buildings, net of tax Items that may subsequently be reclassified to Profit or Loss	4,725	-
Changes in the fair value of debt instruments at fair value through other comprehensive income	54	(309)
Total comprehensive income for the year	**11,857**	**3,700**

The accompanying notes 1 to 26 form an integral part of these financial statements.

Statement of Changes in Equity

(Amounts in thousands of EUR, unless otherwise stated)

	Share Capital	Revaluation and other reserve	Retained earnings	Total equity and reserves
As at 01 January 2020	**27,761**	**372**	**5,199**	**33,332**
Transactions with owners registered directly in the equity				
Contributions from and distributions to owners	3,361	-	(3,361)	-
Dividend distributed	-	-	(2,000)	**(2,000)**
Withdrawn of share capital	(1,700)	-	-	**(1,700)**
Total transactions with owners registered directly in the equity	**1,661**	-	**(5,361)**	**(3,700)**
Profit for the period	-	-	4,009	**4,009**
Other comprehensive income for the period				
Revaluation of securities (net of tax)	-	(309)	-	**(309)**
Total comprehensive income for the year	-	**(309)**	**4,009**	**3,700**
As at 31 December 2020	**29,422**	**63**	**3,847**	**33,332**
As at 01 January 2021	**29,422**	**63**	**3,847**	**33,332**
Transactions with owners registered directly in the equity				
Contributions from and distributions to owners	-	-	-	-
Dividend distributed	-	-	-	-
Total transactions with owners registered directly in the equity	-	-	-	-
Profit for the period	-	-	7,078	**7,078**
Other comprehensive income for the period Property revaluation (net of tax)	-	4,725	-	**4,725**
Revaluation of securities (net of tax)	-	54	-	**54**
Transfer	-	(48)	48	-
Total comprehensive income for the year	-	**4,731**	**7,126**	**11,857**
As at 31 December 2021	**29,422**	**4,794**	**10,973**	**45,189**

The accompanying notes 1 to 26 form an integral part of these financial statements.

Statement of Cash Flows

(Amounts in thousands of EUR, unless otherwise stated)

	Note	For the year ended 31 December 2021	For the year ended 31 December 2020
Operating activities			
Profit before taxation		7,883	4,479
Adjustment for:			
Amortization and depreciation	10,11	2,367	2,277
Net impairment loss on loans to customers	8	2,273	3,133
Charge/(release) of provision for guarantees and securities	19	10	(3)
Interest income	17	(21,512)	(17,965)
Interest expense	17	2,838	2,714
Loss before changes in operating activities		**(6,141)**	**(5,365)**
Changes in operating assets and liabilities			
Statutory reserves with the CBK	6	(5,246)	(3,147)
Loans to customers	8	(83,634)	(40,619)
Other assets	12	303	764
Due to customers	13	80,855	47,599
Due to banks	14	(994)	(20)
Other liabilities	15	699	(145)
		(14,158)	**(933)**
Interests paid		(2,868)	(2,282)
Interests received		20,700	16,516

Income tax paid		(621)	(866)
Net cash flow generated from/ (used in) operating activities		**3,053**	**12,435**
Investment activities			
Purchase of property and equipment and intangible assets	10,11	(2,607)	(3,223)
Purchases of investment securities		(21,687)	(27,039)
Redemptions of securities		42,052	36,395
Net cash flow generated from / (used in) investing activities		**17,758**	**6,133**
Financial activities			
Repayment of debt		-	(1,050)
Repayment of Lease liability		(825)	(727)
Dividends paid		-	(2,000)
Withdrawal of share capital		-	(1,700)
Net cash flow (used in) financial activities		**(825)**	**(5,477)**
Net increase/(decrease) in cash and cash equivalents		**19,986**	**13,091**
Cash and cash equivalents, beginning of the year	6	59,671	46,580
Cash and cash equivalents, end of the year	**6**	**79,657**	**59,671**

The accompanying notes 1 to 26 form an integral part of these financial statements.

1. INTRODUCTION

Banka Ekonomike Sh.a ("the Bank") is a Shareholding Company incorporated in the Republic of Kosovo. The address of its registered Head Office is Mother Teresa Square, 10000 Prishtina, Republic of Kosovo.
In accordance with the Central Bank of Kosovo ("CBK") regulations, the Bank obtained a license for banking activities on 28 May 2001 and commenced operations on 5 June 2001. The Bank operates as a commercial and savings bank for all categories of customers within Kosovo, through its network of 7 main branches in Prishtina, Gjakova, Peja, Prizren, Ferizaj, Mitrovica and Gjilan and 22 subbranches. The Bank employs 377 employees as at 31 December 2021 (2020: 341).

2. Basis of preparation
(a) Statement of compliance
These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

(b) New and amended standards and interpretations adopted by the Bank
The Bank has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The adoption of these standards and interpretation had no significant impact in Banks financial statements.

The following new standards and amendments became effective as at 1 January 2021:
• COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)
• Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

2. Basis of preparation (continued)

(c) New standards and interpretations in issue not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

• IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
• Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
• References to the Conceptual Framework
• Proceeds before Intended Use (Amendments to IAS 16)
• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
• Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9,
• IFRS 16, IAS 41)
• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
• Deferred Tax related to Assets and Liabilities from a Single Transaction

The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

(d) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the financial assets listed below, which are measured at fair value:

• Debt instruments held under the business model held to collect and sale.

(e) Functional and presentation currency

These financial statements are presented in EUR, which is the Bank's functional currency. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

2. Basis of preparation (continued)

(f) Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 4, 5 and 25.

3. Significant accounting policies

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements. Where necessary, comparative figures have been reclassified to conform with changes in presentation for the current year

(a) **Interest**

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the 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. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and fees and points 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. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.
However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.
For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.
Interest income and expense presented in the statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt instruments measured at FVOCI calculated on an effective interest basis.

3. Significant accounting policies (continued)

(b) **Fees and commissions**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate (see (a)).

Other fees and commission income, including account servicing fees, fund transfer fees, sales commission and placement fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

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

(c) **Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(d) **Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.
A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures
In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3. Significant accounting policies (continued)
(e) **Foreign currency transactions**
Transactions in foreign currencies are translated into the respective functional currency of the Bank at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate exchange rate at that date.
The foreign currency gain or loss on monetary items is the difference between amortised costs in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.
Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(f) **Financial assets and financial liabilities**
(i) Recognition
The Bank initially recognises loans, deposits, debt securities issued, borrowings and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets are classified as measured at amortised cost or at FVOCI.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Bank's management;

– the risks that affect the performance of the business model (and the financial assets held within

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Business model assessment (continued)

that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank does not hold Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost.

(iii) Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Modifications of financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

(v) Offsetting

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

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial liabilities (continued)

(vi) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(vii) Fair value measurement

'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 fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(viii) Identification and measurement of impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- loans to customers;
- financial assets that are debt instruments; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

The Bank recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- loans and debt investment securities for which credit risk has not increased significantly since initial recognition.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Definition of default

Under IFRS 9, the Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.

This definition is largely consistent with the definition used for regulatory purposes for loans classified as doubtful or lost.
In assessing whether a borrower is in default, the Bank consider indicators that are consistent with the risk regulatory requirements for classification of loans as doubtful or lost:

- qualitative: e.g. breaches of contractual covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same borrower to the Bank; and
- regulatory risk classification of the same borrowers in other banks.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on requirements set forth by Credit Risk Management regulation by using qualitative and quantitative factors that are indicative of the risk of default. In addition to the risk classes introduced for regulatory purposes, the Bank identifies and monitors separately standard loans in past due from standard loans not in past due.

Each exposure it is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Determining whether credit risk has increased significantly

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure that changes the regulatory risk classification from standard to watch assessed in line with the Bank's policy for regulatory risk classification. All loans showing significant increase in credit risk are classified in Stage 2.

As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable; and
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the Bank considers whether the asset's credit risk has increased significantly by analysing quantitative and qualitative factors affecting risk of default.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and business loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit.

Following forbearance, a customer needs to demonstrate consistently good payment behavior over eight months before the exposure is measured at an amount equal to 12-month ECLs.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters derived from internally developed statistical models and other historical data that leverage regulatory models.

Credit risk grades are primary input into the determination of the term structure of PD for exposures. The Bank employ statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and other factors (e.g. forbearance experience) on the risk of default..

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models considers the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD.

LGD estimates are calibrated for different external factors, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset are the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations.

The Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For retail overdrafts and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period will be estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be recognized on the basis of shared risk characteristics that include:

- instrument type; and
- credit risk grading.

The recognition are subject to regular review to ensure that exposures within a particular Bank remain appropriately homogeneous.

For investments in debt securities in respect of which the Bank has limited historical data, external benchmark information published by recognized external credit rating agencies such as Moody's are used to supplement the internally available data.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, mortgage and pledge arrangement. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as licensed mortgage brokers, housing price indices, audited financial statements, and other independent sources.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(g) **Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value,

and are used by the Bank in the management of its short-term commitments.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(h) **Investment securities**

The 'investment securities' caption in the statement of financial position includes debt securities measured at amortised cost and at FVOCI.
For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

(i) **Deposits, subordinated debt and other liabilities**

Deposits and subordinated debts are the Bank's main sources of debt funding.
Deposits, subordinated debts and other liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) **Property and equipment**

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.
Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. Significant accounting policies (continued)
(j) **Property and equipment (continued)**

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.
(ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.
(iii) Depreciation
Items of property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives. Depreciation is recognised in profit or loss.
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current and comparative periods are as follows:

	Useful life 2021	Useful life 2020
Buildings	40 years	40 years
Computers and related equipment	5 years	5 years
Motor vehicles	5 years	5 years
Furniture, fixtures and equipment	5 years	5 years

Leasehold improvements are depreciated using the straight-line basis over the shorter of the lease term and their useful lives.
Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.
(k) **Leased property and equipment**
IFRS 16 applicable for the reporting periods after 01 January 2019 specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases except for short-term leases and leases of low value assets. The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. At this date, the Bank has also elected

to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Significant accounting policies (continued)

(k) **Leased property and equipment (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "other liabilities" in the statement of financial position (note 10).

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.99%.
The Bank uses one or more of the following practical expedients according to IFRS 16.C10, applying it on a lease -by-lease basis:

- Using a single discount rate to a portfolio of leases with similar characteristics;
- Adjusting the right-of-use asset for any recognized onerous lease provisions, in-stead of performing an impairment review;
- Applying a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application and leases of low-value assets (For this purpose the bank has chosen a threshold of around € 5,000). The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term;
- Excluding initial direct costs from the measurement of the right-of-use asset;
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

3. Significant accounting policies (continued)
(k) **Leased property and equipment (continued)**
At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
- the Bank has the right to operate the asset; or
- the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.
At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (continued)

(l) **Intangible assets**

Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss over the estimated useful life of the asset, from the date that it is available for use.

Software is amortised using the straight-line method over the estimated useful life of five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) **Impairment of non-financial assets**

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

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

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) **Provisions**

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

(o) **Employee benefits**

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Bank makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. Significant accounting policies (continued)

(p) **Financial guarantees and loan commitments**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Such financial commitments are recorded in the statement of financial position if and when they become payable.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

The Bank has issued no loan commitment that are measured at FVTPL.

For other loan commitments the Bank recognises loss allowance.

(q) **Dividends**

Dividends on ordinary shares are recognised 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.

4. Use of estimates and judgments

Management discusses with the Audit Committee and the Board of Directors the development, selection and disclosure of the Bank's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 25).

(a) **Impairment**

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 3(f)(viii).

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, 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 Bank determines those financial assets measured at fair value through other comprehensive income are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Based on observable market inputs and using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity, the value of the Investment securities measured at FVOCI that resulted after impairment value approximated the carrying amount.

Carrying and net amount of financial assets as at 31 December 2021 is presented below:

Financial assets	Carrying amount	Impairment	Net amount
Loans to customers	340,080	(10,784)	329,296
Investment securities measured at FVOCI	5,000	-	5,000

Determining fair values

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(f)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

4. Use of estimates and judgments (continued)

(b) **Determining fair values (continued)**

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The estimation of the fair value is disclosed in note 5.

5. Disclosure and estimation of fair value

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

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

Fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

Investment securities	Carrying amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
31 December 2021	5,000	-	5,000	-
31 December 2020	20,581	-	20,581	-

Investment securities measured at FVOCI as at 31 December 2021 include Government bonds issued by the Government of Kosovo (2020: Government bonds issued by the Government of Kosovo) which are bought either to be sold or will be held till maturity depending on liquidity needs of bank. We as a bank in our financial investment portfolio have Government Bonds starting from 2 year up to 5 year maturity denominated in EUR.

Non Financial instruments measured at fair value – fair value hierarchy

Building

The Bank engages external, independent and qualified valuers to determine the fair value of the Bank's buildings at the end of period. As of 31 December 2021, the fair values of the buildings have been determined by external independent valuers.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available they consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Buildings	Cost less accumulated depreciation	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
31 December 2021	3,944	-	-	9,718

All resulting fair value estimates for buildings are included in level 3.The inputs used for the calculation of the fair value of buildings are presented below :

	Price per sq meters	Rent income per sq meter	Cap Rate	Location
31 December 2021	EUR 5,585	EUR 18	4.5%	Mother Teresa Square

The value of the building was determined using the average of the fair market value derived from market comparison and income approach.

Financial instruments not measured at fair value – fair value hierarchy

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.

	Carrying value		Fair value	
			Level 2	Level 2
Assets	**2021**	**2020**	**2021**	**2020**
Cash on hand and at banks	29,081	24,860	29,081	24,860
Balance with CBK	78,542	57,530	78,542	57,530
Loans to customers	329,296	247,123	329,296	247,123
Investments securities at amortised cost	-	4,784	-	4,784
Liabilities				
Due to customers	411,106	330,281	411,106	330,281
Due to banks	1,086	2,080	1,086	2,080

Fair values for financial assets and liabilities above have been determined using Level 2 input described above.

5. Disclosure and estimation of fair value (continued)

Balances with banks

Due from other banks include inter-bank placements and items in the course of collection. As balances with banks are short term, their fair value is considered to equate to their carrying amount.

Investment securities at amortised cost

Investment securities at amortised cost include government bonds issued by the Government of Kosovo. Quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs and using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

Loans to customers

Where available, the fair value of loans 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. There are no cases of loans that are valued based on observable inputs.

Due to customers

The fair value of due to customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits and subordinated debt of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date. The deposits have an estimated fair value which approximates the carrying amount due either to their short term nature or to underlying interest rates which approximate market rates. The majority of deposits is subject to re-pricing within a year.

6. Cash on hand and at banks

	As at 31 December 2021	As at 31 December 2020
Cash on hand	13,387	12,127
Current accounts with banks	15,694	12,733
	29,081	**24,860**

Cash and cash equivalents for the purposes of cash flow statement comprise the following:

	As at 31 December 2021	As at 31 December 2020
Cash on hand and at banks	29,081	24,860
Balances with the CBK (Note 7)	78,542	57,530
Statutory reserves with the CBK	(27,966)	(22,719)
	79,657	59,671

6. Cash on hand and at banks (continued)

In accordance with the CBK requirements relating to the deposits reserve for liquidity purposes, the Bank should maintain a minimum of 10% of customer deposits with maturities up to one year, as statutory reserves. The statutory reserves represent highly liquid instruments, including cash on hand, accounts at the CBK or at other banks in Kosovo, and the amounts held at the CBK should not be less than half of the total statutory reserves.

The assets with which the Bank may satisfy its liquidity requirement are deposits in EUR with the CBK and 50% of the EUR equivalent of cash denominated in readily convertible currencies. Deposits with the CBK must not be less than 5% of the applicable deposit base.

7. Balances with the Central Bank of Kosovo

	As at 31 December 2021	As at 31 December 2020
Statutory reserves with the CBK	27,966	22,720
Current accounts	50,576	34,810
	78,542	**57,530**

8. Loans to customers

	As at 31 December 2021	As at 31 December 2020
Loans	289,665	215,978
Overdraft facilities	49,614	40,890
	339,279	**256,868**
Accrued interest	1,950	1,138
Deferred disbursement fees	(1,149)	(873)
	340,080	**257,133**
Allowance for impairment	(10,784)	(10,010)
Loans to customers	**329,296**	**247,123**

Loans are presented at nominal value, accrued interest are based on nominal interest rates, while deferred disbursement fees are incremental fees which are part of effective interest rate.

Maturities of long-term loans are in the range of 1 to 30 years (2020: 1 to 30 years). In 2021, the interest rates on loans to customers ranged from 2.50% to 24% p.a (2020: 2.50% to 24% p.a).
The Bank has granted few loans with interest rates at the minimum limit shown above, which are lower than the rates that are generally offered by the Bank and are covered by cash collaterals.

The movements in the allowance for impairment are as follows:

	2021	2020
Allowance for impairment at 1 January	10,010	7,280
Loans written off	(1,499)	(403)
Charge / (Release) for the year, net	2,273	3,133
Allowance for impairment at 31 December	**10,784**	**10,010**

8. Loans to customers (continued)

The following table sets out the gross carrying amount and loss allowance of loans to customers at amortised cost:

31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	
Amortised cost	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased or originated credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying value per asset type					
Business	183,336	18,639	6,390	493	**208,858**
Mortgage	37,795	721	260	-	**38,776**
Consumer	75,967	584	1,152	-	**77,703**
Agro	7,423	89	280	-	**7,792**
Credit Cards	1,870	113	315	-	**2,298**
Other	3,706	9	137	-	**3,852**
Total gross carrying value	**310,097**	**20,155**	**8,534**	**493**	**339,279**
Loss allowance per per asset type					
Business	(1,182)	(1,722)	(4,344)	(466)	**(7,714)**

Mortgage	(280)	(41)	(160)	-	**(481)**
Consumer	(990)	(57)	(807)	-	**(1,854)**
Agro	(124)	(12)	(230)	-	**(366)**
Credit Cards	(42)	(16)	(185)	-	**(243)**
Other	(42)	-	(84)	-	**(126)**
Total loss allowance	**(2,660)**	**(1,848)**	**(5,810)**	**(466)**	**(10,784)**

Due to Covid 19 situation and restrictions applied by Ministry of Health and respective authorities to Accommodation and Food Service sector, the risk management of the Banka Ekonomike has decided that exposures of this sector to be kept in Stage 2 until the Covid 19 situation is stable and restricted measures are lifted.

8. Loans to customers (continued)

The following table sets out the gross carrying amount and loss allowance of loans to customers at amortised cost:

31 December 2020

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	
Amortised cost	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased or originated credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying value per asset type					
Business	142,167	2,420	3,565	409	**148,561**
Mortgage	23,842	176	342	-	**24,360**
Consumer	66,825	583	1,187	-	**68,595**
Agro	6,084	110	344	-	6,538

Credit Cards	1,739	85	277	-	**2,101**	
Other	6,495	5	213	-	**6,713**	
Total gross carrying value	**247,152**	**3,379**	**5,928**	**409**	**256,868**	
Loss allowance per per asset type						
Business	(1,028)	(74)	(3,344)	(409)	**(4,855)**	
Mortgage	(391)	-	(315)	-	**(706)**	
Consumer	(2,366)	(105)	(984)	-	**(3,455)**	
Agro	(144)	(12)	(248)	-	**(404)**	
Credit Cards	(114)	(24)	(248)	-	**(386)**	
Other	(109)	(1)	(94)	-	**(204)**	
Total loss allowance	**(4,152)**	**(216)**	**(5,233)**	**(409)**	**(10,010)**	

8. Loans to customers (continued)

The following table sets out the changes in allowance of Business loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
BUSINESS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Amount of the provision as at 1 January 2021	**1,028**	**74**	**3,344**	**409**	**4,855**
Movements with impact in P&L					
Transfers:					

Transfer from Stage 1 to Stage 2	(562)	562	-	-	-
Transfer from Stage 1 to Stage 3	(1,080)	-	1,080	-	-
Transfer from Stage 2 to Stage 1	2	(2)	-	-	-
Transfer from Stage 2 to Stage 3	-	(754)	754	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	2	(2)	-	-
New financial assets originated or purchased	857	1,152	577	77	2,663
Changes in Risk Parameters (PD/LGD/EAD)	937	688	(322)	(20)	1,283
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(1,087)	-	(1,087)
FX and other movements	-	-	-	-	-
Net provision value for the period	**154**	**1,648**	**1,000**	**57**	**2,859**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**1,182**	**1,722**	**4,344**	**466**	**7,714**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Business loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
BUSINESS	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Gross carrying amount as at 1 January 2021	**142,167**	**2,420**	**3,565**	**409**	**148,561**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(9,071)	9,071	-	-	-
Transfer from Stage 1 to Stage 3	(1,841)	-	1,841	-	-
Transfer from Stage 2 to Stage 1	843	(843)	-	-	-
Transfer from Stage 2 to Stage 3	-	(891)	891	-	-
Transfer from Stage 3 to Stage 1	7	-	(7)	-	-
Transfer from Stage 3 to Stage 2	-	7	(7)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	123,410	9,214	1,568	88	**134,280**
Modification of contractual cash flows	(72,179)	(339)	(374)	(4)	**(72,896)**
Write-offs	-	-	(1,087)	-	**(1,087)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**183,336**	**18,639**	**6,390**	**493**	**208,858**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Mortgage loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
MORTGAGE	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Amount of the provision as at 1 January 2021	**391**	**-**	**315**	**-**	**706**
Movements with impact in P&L	**-**	**-**	**-**	**-**	**-**
Transfers:	-	-	-	-	**-**
Transfer from Stage 1 to Stage 2	(41)	41	-	-	**-**
Transfer from Stage 1 to Stage 3	(49)	-	49	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(21)	21	-	**-**
Transfer from Stage 3 to Stage 1	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
New financial assets originated or purchased	172	-	4	-	**176**
Changes in Risk Parameters (PD/LGD/EAD)	(194)	21	(93)	-	**(266)**
Changes in Models	-	-	-	-	**-**
Modification of contractual cash flows	-	-	-	-	**-**
Unwind of discount	-	-	-	-	**-**
Write-offs	-	-	(135)	-	**(135)**
FX and other movements	-	-	-	-	**-**
Net provision value for the period	**(111)**	**41**	**(155)**	**-**	**(225)**

Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**280**	**41**	**160**	**-**	**481**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Mortgage loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
MORTGAGE	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2021	**23,842**	**176**	**342**	**-**	**24,360**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(710)	710	-	-	-
Transfer from Stage 1 to Stage 3	(101)	-	101	-	-
Transfer from Stage 2 to Stage 1	23	(23)	-	-	-
Transfer from Stage 2 to Stage 3	-	(46)	46	-	-
Transfer from Stage 3 to Stage 1	61	-	(61)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	21,755	-	8	-	**21,763**
Modification of contractual cash flows	(7,075)	(96)	(41)	-	**(7,212)**
Write-offs	-	-	(135)	-	**(135)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**37,795**	**721**	**260**	**-**	**38,776**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Consumer loans at amortised cost:

CONSUMER	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Amount of the provision as at 1 January 2021	**2,366**	**105**	**984**	**-**	**3,455**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	**-**
Transfer from Stage 1 to Stage 2	(21)	21	-	-	**-**
Transfer from Stage 1 to Stage 3	(180)	-	180	-	**-**
Transfer from Stage 2 to Stage 1	4	(4)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(64)	64	-	**-**
Transfer from Stage 3 to Stage 1	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
New financial assets originated or purchased	497	31	7	-	**535**
Changes in Risk Parameters (PD/LGD/EAD)	(1,677)	(32)	(279)	-	**(1,988)**
Changes in Models	-	-	-	-	**-**
Modification of contractual cash flows	-	-	-	-	**-**
Unwind of discount	-	-	-	-	**-**
Write-offs	-	-	(148)	-	**(148)**
FX and other movements	-	-	-	-	-
Net provision value for the period	**(1,376)**	**(48)**	**(177)**	**-**	**(1,601)**
Other movements without impact on P&L	-	-	-	-	-

Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**990**	**57**	**807**	**-**	**1,854**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Consumer loans at amortised cost:

CONSUMER	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Gross carrying amount as at 1 January 2021	**66,825**	**583**	**1,187**	**-**	**68,595**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(239)	239	-	-	**-**
Transfer from Stage 1 to Stage 3	(368)	-	368	-	**-**
Transfer from Stage 2 to Stage 1	322	(322)	-	-	-
Transfer from Stage 2 to Stage 3	-	(99)	99	-	**-**
Transfer from Stage 3 to Stage 1	51	-	(51)	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
Financial assets derecognised during the period other than write-offs	-	-	-	-	**-**
New financial assets originated or purchased	38,128	295	22	-	**38,445**
Modification of contractual cash flows	(28,752)	(112)	(325)	-	**(29,189)**
Write-offs	-	-	(148)	-	**(148)**
FX and other movements	-	-	-	-	**-**
Gross carrying amount as at 31 December 2021	**75,967**	**584**	**1,152**	**-**	**77,703**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Agro loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
AGRO	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Amount of the provision as at 1 January 2021	**144**	**12**	**248**	**-**	**404**
Movements with impact in P&L	**-**	**-**	**-**	**-**	**-**
Transfers:	-	-	-	-	**-**
Transfer from Stage 1 to Stage 2	(9)	9	-	-	**-**
Transfer from Stage 1 to Stage 3	(21)	-	21	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(43)	43	-	**-**
Transfer from Stage 3 to Stage 1	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
New financial assets originated or purchased	70	1	8	-	**79**
Changes in Risk Parameters (PD/LGD/EAD)	(61)	33	(44)	-	**(72)**
Changes in Models	-	-	-	-	**-**
Modification of contractual cash flows	-	-	-	-	**-**
Unwind of discount	-	-	-	-	**-**
Write-offs	-	-	(45)	-	**(45)**
FX and other movements	-	-	-	-	**-**
Net provision value for the period	**(20)**	**-**	**(18)**	**-**	**(38)**
Other movements without impact on P&L	-	-	-	-	-

Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**124**	**12**	**230**	**-**	**366**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Agro loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
AGRO	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Gross carrying amount as at 1 January 2021	**6,084**	**110**	**344**	**-**	**6,538**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(79)	79	-	-	-
Transfer from Stage 1 to Stage 3	(29)	-	29	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-	-
Transfer from Stage 2 to Stage 3	-	(61)	61	-	-
Transfer from Stage 3 to Stage 1	46	-	(46)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	4,376	4	22	-	**4,402**
Modification of contractual cash flows	(2,978)	(40)	(85)	-	**(3,103)**
Write-offs	-	-	(45)	-	**(45)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**7,423**	**89**	**280**	**-**	**7,792**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Credit Cards at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CREDIT CARDS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Amount of the provision as at 1 January 2021	**114**	**24**	**248**	**-**	**386**
Movements with impact in P&L	**-**	**-**	**-**	**-**	**-**
Transfers:	-	-	-	-	**-**
Transfer from Stage 1 to Stage 2	(12)	12	-	-	**-**
Transfer from Stage 1 to Stage 3	(51)	-	51	-	**-**
Transfer from Stage 2 to Stage 1	1	(1)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(16)	16	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	3	(3)	-	**-**
New financial assets originated or purchased	9	1	2	-	**12**
Changes in Risk Parameters (PD/LGD/EAD)	(19)	(7)	(73)	-	**(99)**
Changes in Models	-	-	-	-	**-**
Modification of contractual cash flows	-	-	-	-	**-**
Unwind of discount	-	-	-	-	**-**
Write-offs	-	-	(56)	-	**(56)**
FX and other movements	-	-	-	-	-
Net provision value for the period	**(72)**	**(8)**	**(63)**	**-**	**(143)**

Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**42**	**16**	**185**	**-**	**243**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Credit Cards at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CREDIT CARDS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2021	**1,739**	**85**	**277**	**-**	**2,101**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(77)	77	-	-	-
Transfer from Stage 1 to Stage 3	(125)	-	125	-	-
Transfer from Stage 2 to Stage 1	29	(29)	-	-	-
Transfer from Stage 2 to Stage 3	-	(40)	40	-	-
Transfer from Stage 3 to Stage 1	18	-	(18)	-	-
Transfer from Stage 3 to Stage 2	-	20	(20)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	294	10	4	-	**308**
Modification of contractual cash flows	(8)	(10)	(37)	-	**(55)**
Write-offs	-	-	(56)	-	**(56)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**1,870**	**113**	**315**	**-**	**2,298**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Other loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
OTHER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Amount of the provision as at 1 January 2021	**109**	**1**	**94**	**-**	**204**
Movements with impact ne P&L	-	-	-	-	**-**
Transfers:	-	-	-	-	**-**
Transfer from Stage 1 to Stage 2	-	-	-	-	**-**
Transfer from Stage 1 to Stage 3	(42)	-	42	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
New financial assets originated or purchased	15	-	3	-	**18**
Changes in Risk Parameters (PD/LGD/EAD)	(40)	(1)	(27)	-	**(68)**
Changes in Models	-	-	-	-	**-**
Modification of contractual cash flows	-	-	-	-	**-**
Unwind of discount	-	-	-	-	**-**
Write-offs	-	-	(28)	-	**(28)**
FX and other movements	-	-	-	-	-
Net provision value for the period	**(67)**	**(1)**	**(10)**	**-**	**(78)**

Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**42**	-	**84**	-	**126**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Other loans at amortized cost, which includes Staff and OVD:

OTHER	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Gross carrying amount as at 1 January 2021	**6,495**	**5**	**213**	-	**6,713**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(90)	-	90	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	1,180	9	4	-	**1,193**
Modification of contractual cash flows	(3,883)	(2)	(141)	-	**(4,026)**
Write-offs	-	-	(28)	-	**(28)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**3,706**	**9**	**137**	-	**3,852**

8. Loans to customers (continued)

The Bank monitors closely the collaterals held for the damaged loans, because it is likely that it will initiate procedures for the re-disposal and sale of collateral to reduce the expected losses. Below is the value of gross / net exposure versus collateral value:

2021	Gross carrying amount	Expected Losses	Net Exposure	Fair Value of the Collaterals
Credit-impaired assets (stage 3)	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Loans to individuals:	**1,864**	**(1,236)**	**628**	**3,518**
- Consumer	1,152	(807)	345	1,530
- Credit cards	315	(185)	130	343
- Mortgages	260	(160)	100	672
- Other	137	(84)	53	973
	6,670	**(4,574)**	**2,096**	**47,337**
Loans to corporate entities:	280	(230)	50	1,418
- Agro	6,390	(4,344)	2,046	45,919
- Business				
Total credit-impaired assets	**8,534**	**(5,810)**	**2,724**	**50,855**

8. Loans to customers (continued)

The following table contains an analysis of exposure to credit risk for financial instruments for which expected losses have been realized. The gross value below represents the entity's maximum exposure to credit risk.

	December 2021					December 2020
	Stage 1	Stage 2	Stage 3	POCI		
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000	EURO
Credit Risk Grade						
A0	7,778	-	-	-	7,778	230,561
A1	302,319	-	-	-	302,319	16,591
B	-	18,891	-	-	18,891	2,753
C	-	1,264	-	-	1,264	626
DEFAULT	-	-	8,534	493	9,027	6,337
Gross Carrying amount	**310,097**	**20,155**	**8,534**	**493**	**339,279**	**256,868**
Loss Allowance	(2,660)	(1,848)	(5,810)	(466)	(10,784)	(10,010)
Net Exposure	**307,437**	**18,307**	**2,725**	**27**	**328,495**	**246,858**

8. Loans to customers (continued)

The following table sets out the changes in allowance of loans of Business loans to customers at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
BUSINESS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Amount of the provision as at 1 January 2020	**694**	**105**	**1,945**	**418**	**3,162**
Movements with impact in P&L					
Transfers:					
Transfer from Stage 1 to Stage 2	(41)	41	-	-	-
Transfer from Stage 1 to Stage 3	(400)	-	400	-	-
Transfer from Stage 3 to Stage 1	10	(10)	-	-	-
Transfer from Stage 2 to Stage 1	-	(148)	148	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	836	63	562	-	1,461
Changes in Risk Parameters(PD/LGD/EAD)	(71)	23	535	(9)	478
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(246)	-	(246)
FX and other movements	-	-	-	-	-
Net provision value for the period	**334**	**(31)**	**1,399**	**(9)**	**1,693**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2020	**1,028**	**74**	**3,344**	**409**	**4,855**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of loans of Business loans to customers at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
BUSINESS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2020	**106,562**	**4,600**	**2,872**	**418**	**114,452**
Transfers:					
Transfer from Stage 1 to Stage 2	(572)	572	-	-	-
Transfer from Stage 1 to Stage 3	(509)	-	509	-	-
Transfer from Stage 2 to Stage 1	2,416	(2,416)	-	-	-
Transfer from Stage 2 to Stage 3	-	(206)	206	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	100	(100)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	37,436	750	20	(9)	38,197
Modification of contractual cash flows	(3,166)	(980)	414	-	(3,732)
Write-offs	-	-	(356)	-	(356)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**142,167**	**2,420**	**3,565**	**409**	**148,561**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Mortgage loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
MORTGAGE	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Amount of the provision as at 1 January 2020	**391**	**80**	**158**	**-**	**629**
Movements with impact in P&L					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(9)	-	9	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	(166)	166	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	90	-	-	-	90
Changes in Risk Parameters (PD/LGD/EAD)	(81)	86	(18)	-	(13)
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Net provision value for the period	**-**	**(80)**	**157**	**-**	**77**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2020	**391**	**-**	**315**	**-**	**706**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Mortgage loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
MORTGAGE	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2020	**21,776**	**1,240**	**169**		**23,185**
Transfers:					
Transfer from Stage 1 to Stage 2	(145)	145	-	-	-
Transfer from Stage 1 to Stage 3	(12)	-	12	-	-
Transfer from Stage 2 to Stage 1	384	(384)	-	-	-
Transfer from Stage 2 to Stage 3	-	(188)	188	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	5,874	-	-	-	5,874
Modification of contractual cash flows	(4,035)	(637)	(27)	-	(4,699)
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**23,842**	**176**	**342**	**-**	**24,360**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Consumer loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CONSUMER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Amount of the provision as at 1 January 2020	**1,868**	**96**	**599**	**-**	**2,563**
Movements with impact in P&L					
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(90)	90	-	-	-
Transfer from Stage 1 to Stage 3	(290)	-	290	-	-
Transfer from Stage 3 to Stage 1	14	(14)	-	-	-
Transfer from Stage 2 to Stage 1	-	(91)	91	-	-
Transfer from Stage 2 to Stage 3	2	-	(2)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	375	5	16	-	396
Changes in Risk Parameters (PD/LGD/EAD)	487	19	4	-	510
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(14)	-	(14)
FX and other movements	-	-	-	-	-
Net provision value for the period	**498**	**9**	**385**		**892**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2020	**2,366**	**105**	**984**	**-**	**3,455**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Individual loans to customers at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CONSUMER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2020	**59,946**	**1,055**	**751**		**61,752**
Transfers:					
Transfer from Stage 1 to Stage 2	(479)	479	-	-	-
Transfer from Stage 1 to Stage 3	(414)	-	414	-	-
Transfer from Stage 2 to Stage 1	674	(674)	-	-	-
Transfer from Stage 2 to Stage 3	-	113	(113)	-	-
Transfer from Stage 3 to Stage 1	44	-	(44)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	10,590	47	27	-	10,664
Modification of contractual cash flows	(3,536)	(437)	166	-	(3,807)
Write-offs	-	-	(14)	-	(14)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**66,825**	**583**	**1,187**		**68,595**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Agro loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
AGRO	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Amount of the provision as at 1 January 2020	**139**	**11**	**177**	**-**	**327**
Movements with impact in P&L					
Transfers:					
Transfer from Stage 1 to Stage 2	(10)	10	-	-	-
Transfer from Stage 1 to Stage 3	(41)	-	41	-	-
Transfer from Stage 3 to Stage 1	1	(1)	-	-	-
Transfer from Stage 2 to Stage 1	-	(11)	11	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	46	-	-	-	46
Changes in Risk Parameters (PD/LGD/EAD)	9	3	25	-	37
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(6)	-	(6)
FX and other movements	-	-	-	-	-
Net provision value for the period	**5**	**1**	**71**		**77**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2020	**144**	**12**	**248**	**-**	**404**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Agro loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
AGRO	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2020	**5,221**	**121**	**207**	**-**	**5,549**
Transfers:					
Transfer from Stage 1 to Stage 2	(78)	78	-	-	-
Transfer from Stage 1 to Stage 3	(125)	-	125	-	-
Transfer from Stage 2 to Stage 1	101	(101)	-	-	-
Transfer from Stage 2 to Stage 3	-	(14)	14	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	1,763	-	-	-	1,763
Modification of contractual cash flows	(798)	26	4	-	(768)
Write-offs	-	-	(6)	-	(6)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**6,084**	**110**	**344**	-	**6,538**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Credit Cards at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CREDIT CARDS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Amount of the provision as at 1 January 2020	**89**	**12**	**180**	**-**	**281**
Movements with impact in P&L					
Transfers:					
Transfer from Stage 1 to Stage 2	(18)	18	-	-	-
Transfer from Stage 1 to Stage 3	(84)	-	84	-	-
Transfer from Stage 3 to Stage 1	1	(1)	-	-	-
Transfer from Stage 2 to Stage 1	-	(38)	38	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	1	(1)	-	-
New financial assets originated or purchased	13	1	2	-	16
Changes in Risk Parameters(PD/LGD/EAD)	113	31	(39)	-	105
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(16)	-	(16)
FX and other movements	-	-	-	-	-
Net provision value for the period	**25**	**12**	**68**		**105**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2020	**114**	**24**	**248**		**386**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Credit Cards at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CREDIT CARDS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-im-paired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2020	**1,523**	**129**	**211**		**1,863**
Transfers:					
Transfer from Stage 1 to Stage 2	(62)	62	-	-	-
Transfer from Stage 1 to Stage 3	(100)	-	100	-	-
Transfer from Stage 2 to Stage 1	27	(27)	-	-	-
Transfer from Stage 2 to Stage 3	-	(42)	42	-	-
Transfer from Stage 3 to Stage 1	8	-	(8)	-	-
Transfer from Stage 3 to Stage 2	-	2	(2)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	132	4	4	-	140
Modification of contractual cash flows	211	(43)	(54)	-	114
Write-offs	-	-	(16)	-	(16)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**1,739**	**85**	**277**		**2,101**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Other loans at amortised cost:

OTHER	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Amount of the provision as at 1 January 2020	**96**	**3**	**98**	-	**197**
Movements with impact ne P&L					
Transfers:					
Transfer from Stage 1 to Stage 2	(1)	1	-	-	-
Transfer from Stage 1 to Stage 3	(7)	-	7	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	10	-	-	-	10
Changes in Risk Parameters(PD/LGD/EAD)	11	(3)	(11)	-	(3)
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Net provision value for the period	**13**	**(2)**	**(4)**		**7**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2020	**109**	**1**	**94**		**204**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Other loans at amortized cost, which includes Staff and OVD:

	Stage 1	Stage 2	Stage 3	POCI	
OTHER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EURO'000	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Gross carrying amount as at 1 January 2020	**4,450**	**44**	**160**	**-**	**4,654**
Transfers:					
Transfer from Stage 1 to Stage 2	(3)	3	-	-	-
Transfer from Stage 1 to Stage 3	(11)	-	11	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	2	(2)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	2,935	-	-	-	2,935
Modification of contractual cash flows	(876)	(44)	44	-	(876)
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**6,495**	**5**	**213**		**6,713**

8. Loans to customers (continued)

The Bank monitors closely the collaterals held for the damaged loans, because it is likely that it will initiate procedures for the re-disposal and sale of collateral to reduce the expected losses. Below is the value of gross / net exposure versus collateral value:

2020	Gross carrying amount	Expected Losses	Net Exposure	Fair Value of the Collaterals
Credit-impaired assets (stage 3)	**EURO'000**	**EURO'000**	**EURO'000**	**EURO'000**
Loans to individuals:	**2,019**	**(1,751)**	**268**	**6,952**
- Consumer	1,187	(984)	203	2,096
- Credit cards	277	(248)	29	500
- Mortgages	342	(315)	27	905
- Other	213	(204)	9	3,451
Loans to corporate entities:				
- Agro	**3,909**	**(3,482)**	**427**	**25,868**
- Business	344	(248)	96	1,444
- LG	3,565	(3,234)	331	24,424
Total credit-impaired assets	**5,928**	**(5,233)**	**695**	**32,820**

8. Loans to customers (continued)

The following table contains an analysis of exposure to credit risk for financial instruments for which expected losses have been realized. The gross value below represents the entity's maximum exposure to credit risk.

	December 2020					December 2019
	Stage 1	Stage 2	Stage 3	POCI		
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000	EURO
Credit Risk Grade						
A0	230,561	-	-	-	230,561	3,875
A1	16,591	-	-	-	16,591	200,602
B	-	2,753	-	-	2,753	5,122
C	-	626	-	-	626	1,146
DEFAULT	-	-	5,928	409	6,337	5,030
Gross Carrying amount	**247,152**	**3,379**	**5,928**	**409**	**256,868**	**215,776**
Loss Allowance	(4,152)	(216)	(5,233)	(409)	(10,010)	7,280
Net Exposure	**243,000**	**3,163**	**695**	**-**	**246,858**	**208,496**

9.Investments in securities

	As at 31 December 2021	As at 31 December 2020
Investment securities - at amortised cost		
Government Bonds	-	4,743
Accrued Interest	-	41
	-	**4,784**
Investments securities – at FVOCI		
Government treasury bills	-	-
Government bonds	5,017	20,542
Accrued Interest	(17)	39
	5,000	**20,581**
Total Investments in Securities	**5,000**	**25,365**

Investments in securities represents three month to-five year treasury bills and bonds denominated in EUR. Bank investment portfolio is classified into two parts at amortized cost and FVOCI, and all of these investments are invested in securities issued by the Government of Kosovo. The bank does not have Treasury bills or Bond which are classified in Amortized cost as of 31 December 2021.

Bank has only one Government Bond as of December 2021 which is classified in FVOCI, the average of maturity for this bond is 3 years (2020: 3 years) and average of interest is 0.66% (2020:1.26%).

The following table provides for the movement of investment securities measured at FVOCI during 2021 and 2020:

	Investment in VDATGJ
At 01 January 2021	**20,542**
Additions	26,419
Sold before maturity and matured	(41,998)
Unrealized gain/(loss)	54
At 31 December 2021	**5,017**
At 01 January 2020	**30,206**
Additions	27,040
Disposal	(36,395)
Unrealized gain/(loss)	(309)
At 31 December 2020	**20,542**

10. Property equipment and right-of use-assets

The following is a breakdown of property and equipment owned and leased:

	2021	2020
Property, plant and equipment owned	12,211	6,849
Right-of-use assets (ROU) IFRS 16	1,585	1,919
Property, Plant and Equipment and right-of use-assets	**13,796**	**8,768**

The Bank leases many buildings. Information about leases for which the Bank is a lessee is presented below.

	2021	2020
	Property	**Property**
Balance at 1 January	**1,919**	**2,650**
Introduction of IFRS 16	-	-
Additions in current year	613	551
Disposals / terminated contracts	(183)	(403)
Depreciation charge for the year	(764)	(879)
Balance at 31 December	**1,585**	**1,919**

The following table presents the maturity analysis – contractual undiscounted cash flows of the lease liability:

	2021	2020
Short term Lease Liability	390	823
Long Term Lease Liability	4,490	3,730
Total undiscounted lease liabilities at 31 December	**4,880**	**4,553**
Lease liabilities included in Note 15 as at 31 December (Discounted amounts)	**1,458**	**1,954**

Amounts recognized in the profit or loss of the Bank for the years ended 31 December 2021 and 2020:

	2021	2020
Interest on lease liabilities IFRS 16	(55)	(74)
Depreciation of ROU	(764)	(879)
Total expenses from leases	**(819)**	**(953)**

10. Property and equipment and right-of use-assets (continued)

Cost	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
At 1 January 2020	5,634	1,233	4,442	1,532	675	13,516
Additions	0	229	202	145	97	673
Disposals	0	0	(710)	0	0	(710)
At 31 December 2020	**5,634**	**1,462**	**3,934**	**1,677**	**772**	**13,479**
Additions	720	67	197	229	204	1,417
Buildings-Revaluation	5,235	0	0	0	0	5,235
Disposals	(13)	(194)	(649)	(48)	(195)	(1,099)
At 31 December 2021	**11,576**	**1,335**	**3,482**	**1,858**	**781**	**19,032**
Accumulated depreciation						
At 1 January 2020	1,410	526	2,865	1,009	431	6,241
Charge for the year	141	216	427	227	85	1,096
Disposals	0	0	(707)	0	0	(707)
At 31 December 2020	**1,551**	**742**	**2,585**	**1,236**	**516**	**6,630**
Buildings-Depreciation	137	0	0	0	0	137
Charge for the year	170	231	396	188	108	1,093
Disposals	0	(180)	(619)	(45)	(195)	(1,039)
At 31 December 2021	**1,858**	**793**	**2,362**	**1,379**	**429**	**6,821**
Carrying amount						
At 31 December 2020	**4,083**	**720**	**1,349**	**441**	**256**	**6,849**
At 31 December 2021	**9,718**	**542**	**1,120**	**479**	**352**	**12,211**

During year 2021 the Bank disposed off assets with gross carrying amount of EUR 1,039 thousand (2020: EUR 707 thousand).
As at 31 December 2021 and 2020 the Bank does not have, any property or equipment pledged as collateral.

The carrying amount of property and equipment and intangible assets of the Bank at 31 December 2021 was EUR 13,002 thousand representing 32.36% of Tier 1 capital (2020: EUR 7,514 thousand representing 26.39% of Tier 1 capital). The maximum regulatory limit of property and equipment and intangible assets is 50% of Tier 1 capital. No breach of such ratio was reported in 2021, nor in 2020.

11. Intangible assets

Cost	Software	Intangible assets in progress	Total
At 1 January 2020	**1,745**	**-**	**1,745**
Additions during the year	402	2,148	2,550
Disposals	-	-	-
At 31 December 2020	**2,147**	**2,148**	**4,295**
Additions for the year	606	1,010	1,616
Disposals	(1,196)	-	(1,196)
At 31 December 2021	**1,557**	**3,158**	**4,715**
Accumulated amortization			
At 1 January 2020	1,180	-	1,180
Charge for the year	302	-	302
At 31 December 2020	**1,482**	**-**	**1,482**
Charge for the year	373	-	373
Disposals	(1,089)		(1,089)
At 31 December 2021	**766**	**-**	**766**
Carrying amount			
At 31 December 2020	**665**	**2,148**	**2,813**
At 31 December 2021	**791**	**3,158**	**3,949**

The bank has signed a new contract on November 2018 for the development of new core banking system which it is under development. The project is planned to be finished on October 2023.
As at 31 December 2021 and 2020 the Bank does not have intangible assets pledged as collateral.

12. Other assets

	As at 31 December 2021	As at 31 December 2020
Prepayments	375	507
Other	851	916
Allowance for impairment	(106)	-
Total	**1,120**	**1,423**

13. Due to Customers

	As at 31 December 2021	As at 31 December 2020
Current accounts	221,627	153,504
Blocked accounts	6,095	5,986
Flexi deposits	7,314	5,679
Savings accounts	21,542	19,552
	256,578	**184,721**
Add: Current maturity of long-term customer deposits	53,212	82,593
Total short-term customer deposits	**309,790**	**267,314**
Time Deposits	151,905	142,907
	151,905	**142,907**
Less: Current maturity of long-term customer deposits	(53,212)	(82,593)
Total long-term customer deposits	**98,693**	**60,314**
Accrued interest	2,623	2,653
Total	**411,106**	**330,281**

Current accounts are non-interest bearing.

13. Due to Customers (continued)

The average effective interest rates for time deposits during 2021 and 2020 were as follows:

Year	1 month	3 months	6 months	1 year	18 months	2 -5 years
2021	0.04%	1.57%	1.27%	1.13%	1.82%	2.11%
2020	0.04%	1.47%	1.39%	1.68%	1.96%	2.39%

14. Due to banks

Balances due to banks amounting EUR 1,086 thousand (2020: EUR 2,080 thousand) represent current accounts from local banks.

15. Other liabilities

	As at 31 December 2021	As at 31 December 2020
Accrued expenses	666	45
Other taxes payable	33	52
Pension and social assistance charges	30	38
Other deferred income	76	77
Provision for losses from guarantees	22	12
Lease liabilities (Note 10)	1,458	1,954
Provisions for litigations	257	5
Total	**2,542**	**2,183**

The movement in the provision for losses from guarantees issued by the Bank is as follows:

-	2021	2020
Provisions as at 1 January	12	6
Charge/(release) for the year (Note 20)	10	6
Provisions as at 31 December	**22**	**12**

16. Share Capital and reserves

The authorised and paid up share capital of the Bank comprises 114,930 ordinary shares (2020: 114,930 ordinary shares) with par value of EUR 256 each (2020: 256). The shareholding structure of the Bank is as follows:

	As at 31 December 2021		As at 31 December 2020	
	%	Value	%	Value
Behgjet Pacolli	35	10,246	35	10,246
Immobiliare Red Llc	29	8,402	29	8,402
Selim Pacolli	18	5,360	18	5,360
Xhabir Kajtazi	12	3,482	12	3,482
Ismet Gjoshi	3	987	3	987
Hasan Hajdari	1	297	1	297
Zyhra Hajdari	1	285	1	285
Others with less than 1%	1	363	1	363
	100	**29,422**	**100**	**29,422**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regard to the Bank's residual assets.

During the year ended at 31 December 2021, Bank held in Retained Earnings profit of 2020 and did not allocated to the share capital as dividends in shares (2020: Bank allocated to the share capital as dividends in shares the amount of EUR 3,361 thousand. In addition, during 2020, based on the Bank's decision for distribution of profit and based on a Decision from CBK dated 16 December 2020 for "Approval of the request of the Economic Bank for the payment of the dividend and the withdrawal of share capital", the Bank paid dividends in the amount of EUR 2,000,000 from retained earnings, whereas the amount of EUR 1,700,000 were withdrawn from share capital.)

In accordance with Law no. 04/L-093 on "Banks, Microfinance Institutions and Non-Bank Financial Institutions", the minimum paid-in capital for domestic banks operating in Kosovo is EUR 7 million.

Revaluation reserves

The movement in revaluation reserve is as follows:

	31 December 2021	31 December 2020
Revaluation reserve as at January 1	63	372
Property revaluation (net of tax)	4,725	-
Revaluation reserve of investment securities measured at FVOCI	54	(309)
Transfer to retained earning	(48)	-
Balance as of December 31	**4,794**	**63**

17. Net Interest income calculated using the effective interest method

Interest income	**Year ended December 31, 2021**	**Year ended December 31, 2020**
Loans to customers	21,011	17,331
Deposits and balances with banks	16	17
Investments in securities	485	617
Total Interest income	**21,512**	**17,965**
Interest expense		
Due to customers	(2,783)	(2,616)
Subordinated debt	-	(24)
Interest on lease liabilities IFRS 16	(55)	(74)
Total Interest expense	**(2,838)**	**(2,714)**
Net interest income	**18,674**	**15,251**

18. Net fee and commission income

	Year ended December 31, 2021	Year ended December 31, 2020
Banking services	3,562	2,667
Guarantees	98	81
Fee and commission income	**3,660**	**2,748**
Swift expenses	(783)	(537)
License and other regulatory fees	(517)	(288)
Fee and commission expenses	**(1,300)**	**(825)**
Net fee and commission income	**2,360**	**1,923**

19. Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Recoveries from loans previously written off	1,356	865
(Charge)/release of provisions from guarantees	(10)	(6)
Gain from sale of Investments	400	165
Other income	161	93
Total	**1,907**	**1,117**

20. Personnel expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Wages and salaries	3,637	3,221
Pension contributions	175	163
Other compensations	78	82
Total	**3,890**	**3,466**

21. Other expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Security	1,144	1,133
Master card operational expenses	628	475
Repair and maintenance	872	641
Deposit insurance fees	600	510
IT services	679	435
Utilities and fuel	253	316
Advertising and marketing	325	201
Professional charges and other related legal fees	267	295
Credit collection services	91	53
Communication	135	93
Office materials	42	45
Printing	42	15
Travel	6	6
Fee expenses related to FKGK	112	68
Impairment for other assets	106	-
Litigations expenses	252	-
Write off of PPE and IA	168	4
Representation expenses	50	38
Consulting related expenses	159	147
Sponsorship – allowed for tax purposes	163	-
Other	333	510
Total	**6,427**	**4,985**

22. Income tax

Income tax in Kosovo is assessed at the rate of 10% (2020: 10%) of taxable income.
The following represents a reconciliation of the accounting result to the income tax:

	2021	2020
Profit before income tax (excluding sponsorship)	**8,046**	**4,479**
Tax at the rate of 10%	805	448
Adjusted for:		
Non-deductible expenses	263	220
Additional tax deductible interest expenses	(14)	(15)
Exempted income	(88)	(78)
Allowance for loans	(150)	(175)
Add allowable interest expenses	52	70
Income tax expense for the year	**868**	**470**
Effective tax rate	*10.79%*	*10.5%*
Sponsorship in culture and sport (up to 20% of the income tax expense)	(163)	-
Income tax expense	**705**	**470**
Deferred Tax Charge	**100**	-
Income Tax Expense recognized in profit and loss and other comprehensive income	**805**	**470**

Total deferred tax liability released through other comprehensive income and profit and loss for the year ended December 31, 2021 amounts to EUR 508 thousand and 100 thousand, respectively.

23. Commitments and Contingencies

The Bank issues guarantees for its customers. These instruments bear a credit risk similar to that of loans granted to customers. Based on management's estimate, no material losses related to guarantees outstanding at 31 December 2021 and 2020 will be incurred.

Guarantees	**2021**	**2020**
Secured by cash deposits	891	405
Secured by other collateral	2,652	1,889
	3,543	**2,294**
Credit Commitments		
Approved but not disbursed loans	4,741	1,085
Overdrafts	18,990	12,783
Credit cards	2,299	1,699
Unused credit card facilities	**26,031**	**15,567**

Other collaterals pledged for guarantees, include mainly pledge and real estate properties. Commitments represent the undrawn balances of loans, overdraft and card limits granted to the customers.

Litigations

As at 31 December 2021, the Bank has recognized provisions in the amount of EUR 257 thousand (31 December 2020: EUR 8 thousand), regarding legal proceedings. The management believes that the provisions recognized are an reasonable estimate for the out coming of the lawsuits ongoing as at December 31, 2021.

24. Related party transactions

In accordance with IAS 24 "Related Party Disclosures", a related party is any party that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

In the course of conducting its banking business, the Bank entered into various business transactions with related parties and the balances with the shareholders and affiliated individuals and entities at 31 December 2021 and 2020 are as follows:

	Board of Directors		Key management		Major shareholders and other parties related to them		Total	
Assets	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Loans to customers								
Loans to customers, net	44	-	82	80	10,318	6,364	10,444	6,444
Intangible assets (in progress)	-	-	-	-	3,158	2,147	3,158	2,147
Total assets	**44**	**-**	**82**	**80**	**13,476**	**8,511**	**13,602**	**8,591**
Liabilities								
Due to customers	(12)	(16)	(70)	(79)	(26,221)	(19,916)	(26,303)	(20,011)
Total liabilities	**(12)**	**(16)**	**(70)**	**(79)**	**(26,221)**	**(19,916)**	**(26,303)**	**(20,011)**
Guarantees	-	-	-	-	227	198	227	198
Total off-balance sheet	**-**	**-**	-	**-**	**227**	**198**	**227**	**198**

The total estimated value of collateral obtained from related parties at 31 December 2021 amounted to EUR 22,189 thousand Eur (31 December 2020: amounted to EUR 23,710 thousand Eur).

The unused credit commitments with related parties as at 31 December 2021 are EUR 845 thousand Eur (2020: EUR 358 thousand Eur).

Due to related parties represent 6.38% (2020: 6.02%) of total balances due to customers.

Transactions with related parties during 2021 and 2020 are as follows:

	Board of Directors		Key management		Major shareholders and other parties related to them		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Interest income	3	-	4	6	300	283	307	289
Fee and commission income	0	-	1	-	57	38	58	38
Interest expense	-	-	0	-	(41)	(20)	(41)	(20)
Implementation expense-BV	-	-	-	-	(532)	(354)	(532)	(354)

Total remuneration to the Bank's key management is as follows:

	2021	2020
Short-term employee benefits for Board of Directors	78	77
Short-term employee benefits for key management	208	232
	286	**309**

25. Financial risk management

(a) Introduction and overview

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

- market risk
- credit risk
- liquidity risk

Risk management framework

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

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee ("ALCO"), Liquidity Committee Credit Committee, Audit Committee, and Risk

Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank aims to develop a constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted by the Internal Audit Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Bank operates in the condition of a dynamically developing global financial and economic crisis. Its further extension might result in negative implications on the financial position of the Bank. The management of the Bank performs daily monitoring over all positions of assets and liabilities, income and expenses, as well as the development of the international financial markets. Based on this, the management analyses profitability, liquidity and the cost of funds and implements adequate measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting the possible negative effects from the global financial and economic crisis. In this way the Bank responds to the challenges of the market environment, maintaining an adequate capital and liquidity position.

(b) Credit risk

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

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit Risk Department is responsible for the management of the Bank's credit risk. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

25. Financial risk management (continued)

(b) Credit risk (continued)

Analysis of credit quality

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

The table below represents a maximum exposure to credit risk exposure of the Bank at 31 December 2021 and 2020, without taking into account any collateral held or other credit enhancements attached. For financial assets, the exposures set out below represent the net carrying amounts as reported in the statement of financial position.

	Loans to customers		Investments in securities		Current accounts with banks and CBK		Financial guarantees	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Maximum exposure to credit risk								
Carrying amount	329,296	247,123	5,000	25,365	94,236	70,263	-	-
	329,296	**247,123**	**5,000**	**25,365**	**94,236**	**70,263**	**-**	**-**
At amortized cost	**340,080**	**257,133**	**5,000**	**25,365**	**94,236**	**70,263**	**-**	**-**
Allowance for impairment	(10,784)	(10,010)	-	-	-	-	-	-
Net carrying amount	**329,296**	**247,123**	**5,000**	**25,365**	**94,236**	**70,263**	**-**	**-**
							-	-
Off balance: maximum exposure							**-**	**-**
Credit commitments: Low - fair risk	26,031	15,567	-	-	**-**	**-**	3,543	2,294
Total committed/guaranteed	**26,031**	**15,567**	**-**	**-**	**-**	**-**	**3,543**	**2,294**
Provisions recognized as liabilities	-	-	**-**	**-**	**-**	**-**	(22)	(12)
Total exposure	**26,031**	**15,567**	**-**	**-**	**-**	**-**	**3,521**	**2,281**

25. Financial risk management (continued)
(b) Credit risk (continued)
Analysis of credit quality (continued)

	2021				2020			
Loans to customers	**Individuals**	**Micro**	**Corporate**	**Total Loans**	**Individuals**	**Micro**	**Corporate**	**Total**
Total gross amount	110,571	101,085	128,424	340,080	Loans	68,499	95,098	257,133
Allowance for impairment	(2,570)	(4,872)	(3,342)	(10,784)	(4,479)	(3,630)	(1,901)	(10,010)
Net carrying amount	**108,001**	**96,213**	**125,082**	**329,296**	**89,057**	**64,869**	**93,197**	**247,123**
Loans with renegotiated terms								
Carrying amount	350	1,997	1,771	4,118	402	1,217	2,237	3,856
Allowance for impairment	(60)	(720)	(849)	(1,629)	(173)	(975)	(420)	(1,568)
Net carrying amount	**290**	**1,277**	**922**	**2,489**	**229**	**241**	**1,817**	**2,288**
Loans by past due days								
Not past due	105,464	91,944	123,441	320,849	88,855	60,697	88,392	237,944
Past due 1-30 days	3,091	5,396	1,351	9,838	2,850	4,626	4,438	11,915
Past due 31 - 90 days	531	1,263	481	2,275	424	627	619	1,670
Past due 91 – 365 days	658	886	1,671	3,215	604	744	141	1,489
Past due over 365 days	827	1,596	1,480	3,903	802	1,805	1,508	4,115
	110,571	**101,085**	**128,424**	**340,080**	**93,536**	**68,499**	**95,098**	**257,133**

25. Financial risk management (continued)

(b) Credit risk (continued)

Impairment and provisioning

The total allowances that are required by the IFRS on 'Credit Risk Management' (see 3. (f) (vii), include losses that have been incurred at the reporting date (the 'incurred loss model') and expected credit losses.

The Bank assesses the probability of default of the counterparties, using internal rating tools tailored to the various categories of counterparties. Such tools combine statistical analysis and judgment and are validated, where appropriate, by comparison with externally available data.

Counterparties are segmented into five rating classes and the Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. Exposures migrate between classes as the assessment of their probability of default changes. The rating tools are continuously reviewed, upgraded and validated by the Bank.

Loans are rated from A to E in the Bank's internal credit risk rating system:

- A Standard
- B Watch
- C Sub-standard
- D Doubtful
- E Loss

The Bank reports the classification of its borrowers to the CBK and the Credit Register of Kosovo.

The impairment policy for these loans is detailed in Note 3.(f) (viii).

Individual and collective assessment of loan portfolio

For internal management purpose, the Bank segregates the loans into loans that are assessed individually for impairment: these are loans that are classified as substandard-list or lower. All other loans are analyzed collectively for impairment assessment purposes.

25. Financial risk management (continued)

(b) Credit risk (continued)

Analysis of credit quality (continued)

The Bank assesses ECL (expected credit losses) on individual basis for outstanding exposures EUR >100 thousand that are classified in stage 3 on monthly basis while discounting the projected cash inflow with NEI. Moreover, such exposures are closely monitored by the Bank and reported due to their size and potential impact on the Bank's profit or loss. (2020: EUR 100 thousand at least once a month when individual circumstances demand it).

Past due but not impaired loans

Loans and securities, where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Write-off policy

The Bank writes off a loan (and any related allowances for impairment) with the decision of the Board of Directors, in accordance with the regulations of Central Bank of Kosovo. The write-off decision is taken after considering information such as the occurrence of significant changes in the borrower issuer's financial position, such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The total amount written off during 2021, is EUR 1,499 thousand (2020: EUR 403 thousand).

Due from banks

Interbank exposures are closely monitored on a daily basis by risk management and the Treasury Department. 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 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.

In accordance to the new regulation on large exposures of the Central Bank of Republic of Kosovo, banks shall not have any aggregate credit risk exposure to related counterparties exceeding 15% of Tier I Regulatory Capital. Loans to banks are granted without collateral. The table below presents the Bank's current accounts and time deposits with corresponding banks by credit ratings:

At 31 December	2021	2020
AAA+ to BBB-	8,854	8,316
A+ to A-	1,052	168
BB+ to B-	619	118
BBB+ to B-	-	701
Not Rated	1,398	435
Local Banks	3,772	2,995
	15,694	**12,733**

Investments in securities

Investments in debt securities are only with the Kosovo Government. These securities are not rated. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

25. Financial risk management (continued)

(b) Credit risk (continued)

Analysis of credit quality (continued)

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.

Risk limit control and mitigation policies

The Bank manage limits and controls the 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 a single borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, if necessary.

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 holds collateral against loans to customers in the form of mortgage interests over property and other movable assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Collateral generally is not held over loans to banks. An estimate of the fair value of collateral and other security enhancements held against loans is shown below:

	2021		2020	
	Loans to customers	FV of collateral	Loans to customers	FV of collateral
Mortgages	115,325	446,444	71,941	324,296
Cash collateral	10,092	10,092	7,316	7,316
Pledge	147,657	264,458	112,486	222,275
Mixed (mortgages and pledge)	57,044	296,174	57,958	306,564
Not collateralised	9,962	-	7,432	-
Total	**340,080**	**1,017,168**	**257,133**	**860,451**

Concentration of credit risk

As at 31 December 2021, the Bank has had exposures that exceed 10% of Tier 1 capital. The highest exposure was at 12.33%, there were in total two loans exposures exceeding 10% of Tier 1 capital. (2020: 13.13%, four loans exposures). The exposures to related parties at 31 December 2021, represent 27.06% (2020: 23.38%) of the Tier 1 Capital. The majority of the exposures to related parties are covered by cash collateral representing 7.26% (2020: 8.76%) of the Tier 1 Capital.

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

25. Financial risk management (continued)
(b) Credit risk (continued)
Analysis of credit quality (continued)
Concentration of credit risk (continued)

	Loans to customers		Investments in securities		Current accounts with banks and CBK		Financial guarantees	
	2021	2020	2021	2020	2021	2020	2021	2020
Concentration by sector								
Corporate	125,082	93,197	-	-	-	-	1,892	1,484
Government	-	-	5,000	25,365	-	-	-	-
Banks	-	-	-	-	94,236	70,263	-	-
Individuals	108,001	89,057	-	-	-	-	-	-
Micro entities	96,213	64,869	-	-	-	-	1,650	810
Total	**329,296**	**247,123**	**5,000**	**25,365**	**94,236**	**70,263**	**3,543**	**2,294**
Concentration by location								
EU countries	-	-	-	-	11,823	9,638	-	-
Republic of Kosovo	329,296	247,123	5,000	25,365	82,413	60,625	3,543	2,294
Total	**329,296**	**247,123**	**5,000**	**25,365**	**94,236**	**70,263**	**3,543**	**2,294**

Risks related to COVID-19

The Bank is continuously following the developments related to the COVID 19 pandemic, although the situation with Covid in 2021 has been easier. During the first half of the year, the first installments of reprogrammed loans in the second phase during 2021 have started, where an improvement in the financial situation of all sectors of the economy has been observed, also GDP during Q4 Reached 6.36%, compared to the same quarter of the previous year and customers have not had problems repaying loans.

The bank's financial position continues to be stable and growing steadily. This increase is observed in the increase of loans and deposits, both in interest income and in income from fees and commissions. Based on current data and current developments, the Bank continues to be above capital requirements and as of 31 December 2021, the capital adequacy is 13.56% and the liquidity level requirements 34.84%.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The assets and customer term deposits of the Bank carry fixed interest rates.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-

25. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

bearing assets and liabilities mature or reprice at different times or in differing amounts. The Bank attempts to mitigate this risk by monitoring the repricing dates of its assets and liabilities. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

Bank's exposures are based on Kosovo marked interest rates and the Bank faces only repricing risk.

On quarterly basis are held the Operational Risk Management Meetings, where are discussed the following issues:

- The report on the Operational Risk- the report is prepared from the Department of Risk
- The report on the Liquidity and Market Risk- the report is prepared from the Department of Risk
- The report on Interest rate risk - the report is prepared from the Department of Risk. The report details the interest rates of the Bank in comparison to the market interest rates and gives details of the changes in the interest rates in the market, any unusual fluctuations.

The Department of Treasury on a constant basis monitors the interest rates risk through monitoring the market conditions and taking necessary re- pricing or reallocation decisions with the approval of the Asset and Liability Committee. A report with regard to this monitoring is prepared and presented in the meeting of Assets and Liabilities Committee. Necessary measures are taken whether interest rates are changing adversely. The report includes analysis on the top depositors, their impact of the rates of deposits, investments on securities analysis, average interest rates on client accounts, GAP analysis on liquidity risk.

Exposure to interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate, LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In decreasing interest rate environments, margins earned will narrow as liabilities interest rates will decrease with a lower percentage compared to assets' interest rates. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The average effective yields of significant categories of financial assets and liabilities of the Bank as at 31 December 2021 and 2020 are as follows:

25. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

	USD		*EUR*		*CHF*	
Assets	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Cash on hand and at banks	0.40	0.88	(0.57)	(0.24)	(1.62)	(1.55)
Balances with CBK	-	-	(0.63)	(0.60)	-	-
Loans to customers	-	-	6.64	7.10	-	-
Investment securities at amortised cost	-	-	-	3.25	-	-
Investment securities at FVOCI	-	-	1.00	1.26	-	-
Liabilities					-	-
Customer deposits	1.66	-	0.63	0.80	-	-
Subordinated debt	-	-	-	7.50	-	-

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios include a 1% parallel fall or rise in all yield curves.

25. Financial risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk (continued)

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

Estimated Profit (loss) effect	up to 1 Year scenarios		over 1 Year scenarios	
	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
2021	(145)	(99)	(260)	(286)
2020	(70)	40	207	(216)

The following table shows the interest bearing and non-interest bearing financial instruments by maturity date. Increase / decrease is not symmetrical because the savings asset has rates 0,25% and in case of increase for 100pb they reach 1.25%, while in case of decrease for 100bp, they reach down to 0%. The same is with placements; their rate is 0% and in case of increase by 100bp the reach 1.00%, and in case of decrease they reach 0%. These assets are short term, hence they have affected only the part up to 1 year. There are not long term assets, hence they do not affect in the part over 1 year.

31 December 2021	Up to 1 month	1-3 Month	3-6 Month	6-12 Month	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash on hand and at banks	-	-	-	-	-	-	29,081	**29,081**
Balances with CBK	78,542	-	-	-	-	-	-	**78,542**
Investments in securities	-	-	-	-	5,000	-	-	**5,000**
Loans to customers - Fixed rate	5,833	12,014	16,531	30,266	145,755	118,897	-	**329,296**
Other assets	-	-	-	-	-	-	745	**745**

Total	**84,375**	**12,014**	**16,531**	**30,266**	**150,755**	**118,897**	**29,826**	**442,664**
Liabilities								
Due to Customers – Fixed rate	40,868	7,588	7,246	31,374	101,133	178	222,719	**411,106**
Due to Banks	1,086	-	-	-	-	-	-	**1,086**
Other liabilities	-	-	-	4	1,118	337	985	**2,444**
Total	**41,954**	**7,588**	**7,246**	**31,378**	**102,251**	**515**	**223,704**	**414,636**
Gap	**42,421**	**4,426**	**9,285**	**(1,112)**	**48,504**	**118,382**	**(193,878)**	**28,028**
Cumulative gap	**42,421**	**46,847**	**56,132**	**55,020**	**103,524**	**221,906**	**28,028**	**-**

25. Financial risk management (continued)
(c) Market risk (continued)
Exposure to interest rate risk (continued)

31 December 2021	Up to 1 month	1-3 Month	3-6 Month	6-12 Month	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash on hand and at banks	-	-	-	-	-	-	24,860	24,860
Balances with CBK	57,530	-	-	-	-	-	-	57,530
Investments in securities	-	1,519	-	553	23,294	-	-	25,365
Loans to customers - Fixed rate	5,149	6,296	11,017	24,132	118,232	82,296	-	247,123
Other assets	-	-	-	-	-	-	916	916
Total	**62,679**	**7,815**	**11,017**	**24,685**	**141,526**	**82,296**	**25,776**	**355,795**

Liabilities								
Due to Customers – Fixed rate	35,821	8,082	9,222	60,291	60,642	639	155,585	330,281
Due to Banks	2,080	-	-	-	-	-	-	2,080
Other liabilities	-	-	-	-	845	1,109	139	2,094
Total	**37,901**	**8,082**	**9,222**	**60,291**	**61,487**	**1,748**	**155,724**	**334,455**
Gap	**24,778**	**(267)**	**1,795**	**(35,606)**	**80,039**	**80,547**	**(129,947)**	**21,340**
Cumulative gap	**24,778**	**24,511**	**26,306**	**(9,299)**	**70,740**	**151,287**	**21,340**	**-**

Exposure to currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank ensures that the net exposure is kept to an acceptable level by buying or selling foreign currency at spot when necessary to address short-term balances.

The currency risk is not significant, as the majority of transactions of the Bank are in local currency. The foreign currencies the Bank deals with are predominantly United States Dollars (USD) and Swiss Franc (CHF) and GBP. The rates used for translation as at 31 December 2021 and 2020 are as follows:

	2021	2020
Currency	**Euro**	**Euro**
1 USD	1.1326	1.2271
1 CHF	1.0331	1.0802
1 GBP	0.8403	0.8990

25. Financial risk management (continued)

(c) Market risk (continued)

An analysis of the Bank's sensitivity to an increase or decrease in foreign currency rates is as follows:

	USD		CHF		GBP	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Sensitivity rates	5%	5%	5%	5%	5%	5%
Profit or loss						
+5% of Euro	(204.56)	0.93	(61.03)	14.16	0.11	0.11
- 5% of Euro	204.56	(0.93)	61.03	(14.16)	(0.11)	(0.11)

The Bank's exposure to foreign currency risk, expressed in EUR equivalents is as follows:

31 December 2021	EUR	USD	CHF	GBP	Total
Assets					
Cash on hand and at banks	20,656	3,934	3,897	594	**29,081**
Balances with CBK	78,542	-	-	-	**78,542**
Investments in securities	5,000	-	-	-	**5,000**
Loans to customers	329,296	-	-	-	**329,296**
Other assets	745	-	-	-	**745**
	434,239	**3,934**	**3,897**	**594**	**442,664**
Liabilities					
Due to customers	397,372	8,025	5,117	592	**411,106**
Due to banks	1,086	-	-	-	**1,086**

Other liabilities	2,444	-	-	-	**2,444**
	400,902	**8,025**	**5,117**	**592**	**414,636**
Net foreign currency position	**33,337**	**(4,091)**	**(1,220)**	**2**	**28,028**
31 December 2020	**EUR**	**USD**	**CHF**	**GBP**	**Gjithsej**
Assets					
Cash on hand and at banks	16,368	3,182	4,869	441	**24,860**
Balances with CBK	57,530	-	-	-	**57,530**
Investments in securities	25,365	-	-	-	**25,365**
Loans to customers	247,123	-	-	-	**247,123**
Other assets	916	-	-	-	**916**
	347,302	**3,182**	**4,869**	**441**	**355,795**
Liabilities					
Due to customers	322,092	3,164	4,586	439	**330,281**
Due to banks	2,080	-	-	-	**2,080**
Subordinated Debt	-	-	-	-	**-**
Other liabilities	2,094	-	-	-	**2,094**
	326,266	**3,164**	**4,586**	**439**	**334,455**
Net foreign currency position	**21,036**	**19**	**283**	**2**	**21,340**

25. Financial risk management (continued)

(d) Liquidity risk

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

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

The Bank monitors its liquidity on a daily basis in order to manage its obligations as and when they fall due.

Exposure to liquidity risk

Funds are raised using a range of instruments including customers' deposits, subordinated debt and share capital.

The Bank has a liquidity reserve in the Central Bank of Republic of Kosovo that is calculated based on the liquidity needs of the Bank and that is available in cases of liquidity problems. The amount of the reserve for the year ended December 31, 2021 amounted to EUR 27,965 thousand (as at December 31, 2020: EUR 22,720 thousand).

Flexibility limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

Management of liquidity risk

Residual contractual maturities of financial assets and liabilities

The following tables show the discounted cash flows of the Bank's financial assets and liabilities on the basis of their earliest residual contractual maturity. The Bank's expected cash flows of these instruments vary significantly from this analysis. For example, demand accounts are expected to maintain a stable or increasing balance.

25. Financial risk management (continued)
(d) Liquidity risk (continued)
Management of liquidity risk (continued)

31 December 2021	Up to 1 month	1-3 months	3-6 Months	6-12 months	1-5 years	Over 5 years	Total
Assets							
Cash on hand and at banks	29,081	-	-	-	-	-	**29,081**
Balances with CBK	78,542	-	-	-	-	-	**78,542**
Investments in securities	-	-	-	-	5,000	-	**5,000**
Loans to customers	5,833	12,014	16,531	30,266	145,755	118,897	**329,296**
Other assets	745	-	-	-	-	-	**745**
Total	**114,201**	**12,014**	**16,531**	**30,266**	**150,755**	**118,897**	**442,664**
Liabilities							
Due to customers	263,587	7,588	7,246	31,374	101,133	178	**411,106**
Due to banks	1,086	-	-	-	-	-	**1,086**
Other liabilities	444	181	389	20	1,159	251	**2,444**
Total	**265,117**	**7,769**	**7,635**	**31,394**	**102,292**	**429**	**414,636**
Liquidity gap	**(150,916)**	**4,245**	**8,896**	**(1,128)**	**48,463**	**118,468**	**28,028**
Cumulative gap	**(150,916)**	**(146,671)**	**(137,775)**	**(138,903)**	**(90,440)**	**28,028**	**-**

25. Financial risk management (continued)
(d) Liquidity risk (continued)

31 December 2021	Up to 1 month	1-3 months	3-6 Months	6-12 months	1-5 years	Over 5 years	Total
Assets							
Cash on hand and at banks	24,860	-	-	-	-	-	24,860
Balances with CBK	57,530	-	-	-	-	-	57,530
Investments in securities	-	1,519	-	553	23,294	-	25,365
Loans to customers	5,150	6,296	11,017	24,132	118,232	82,296	247,123
Other assets	916	-	-	-	-	-	916
Total	**88,456**	**7,815**	**11,017**	**24,685**	**141,526**	**82,296**	**355,795**
Liabilities							
Due to customers	191,406	8,082	9,222	60,291	60,642	639	330,281
Due to banks	2,080						2,080
Subordinated Debt	-	-	-	-	-	-	-
Other liabilities	135	1	17	15	888	1,037	2,094
Total	**193,621**	**8,083**	**9,239**	**60,306**	**61,530**	**1,676**	**334,455**
Liquidity gap	**(105,165)**	**(268)**	**1,778**	**(35,621)**	**79,996**	**80,620**	**21,340**
Cumulative gap	**(105,165)**	**(105,433)**	**(103,655)**	**(139,276)**	**(59,280)**	**21,340**	**-**

25. Financial risk management (continued)
(e) Capital risk management

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance.

The equity structure of the Bank comprises share capital, reserves and retained earnings.

Regulatory capital

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Central Bank of Kosovo ("CBK"). The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets, off balance-sheet items and other risks, expressed as a percentage. The minimum required Capital Adequacy Ratio is 9% for Tier 1 capital and 12% for total own funds.

Risk-Weighted Assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Six categories of risk weights (0%, 20%, 50%, 75%, 100% and 150%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carry a 100% risk weighting, meaning that it must be supported by capital (Tier 1) equal to 9% in 2021 Tier 1 Capital Ratio+CCB .

Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

	2021	2020
Total risk weighted assets	294,701	219,890
Total risk weighted assets for operational risk	21,254	19,788
Total	**315,955**	**239,678**
Regulatory capital (Total Capital)	42,842	31,219
Capital adequacy ratio (Total Capital)	**13.56%**	**13.03%**

CBK Regulation on bank capital adequacy ratio entered into force on 01.01.2020 and for this reason there has been a change of a financial assets with RWA 100% where some of these assets has been calculated with 75% RWA.

Gearing ratio

The Bank's risk management committee reviews the capital structure on a continuously basis. As part of this review, the committee considers the cost of capital and the risk associated with each class of capital. Based on the CBK regulations, the minimum leverage ratio is 3%.

The leverage ratio at the year ended was as follows:

	2021	2020
Total Assets	460,784	367,882
Total Equity	45,189	33,332
Leverage ratio	**9.81%**	**9.06%**

26. Subsequent events

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.