

Content

Message from the Board of Directors	1
MESSAGE FROM THE EXECUTIVE MANAGEMENT	3
Vision	8
Mission	8
Our values	8
Macroeconomic environment	9
Banking Sector	9
Positioning of Banka Ekonomike during the year 2023 in banking market of Kosovo	10
Participation in loans	11
Participation in deposits	13
Statement of financial position	15
Performance of Banka Ekonomike	17
Bank assets	17
Loan portfolio	18
Performance of deposits	20
Business development	21
Loan portfolio	25
Corporate clients	26
Small and medium enterprise clients	27
Individual clients	28
Distribution channels and branch network	30
Alternative customer service channels - Call Centre	31
Leasing	32
Bancassurance Development Unit	32
Product development	33
Risk management	36
Loan/credit risk management	38
Operational risk	38
Liquidity risk	39
Market risk	39
Internal capital adequacy assessment process	39
IT risk	40
Operations and payments	40
National transfers	40
International transfers	42
International guarantees and letters of credit	43
Bank cards	43
Information technology	44
Personnel management and training	46

Content

General Compliance	48
Corporate Social Responsibility	48
Support for sports	49
Banka Ekonomike with a new branch in "Prishtina Mall"	52
International Money Week	54
Donation of the device for detecting counterfeit money to the Local Public Enterprise "Prishtina Parking"	54
Banka Ekonomike is appreciated by VISA	55
Cooperation agreement between Banka Ekonomike and Kosovar Credit Guarantee Fund	55
Banka Ekonomike was part of the General International Fair "Prishtina 2023"	56
Banka Ekonomike signs cooperation agreement with Meister Training Centre	56
Banka Ekonomike supports the Information Security Conference	57
Cooperation agreement between the Banka Ekonomike and "Haxhi Zeka" University	57
Banka Ekonomike welcomes children of the preschool institution "Doves of Peace"	59
Hiking with staff in Blinaja National Park	59
International Children's Day	60
Banka Ekonomike opens a new branch in the Peyton neighbourhood!	60
Banka Ekonomike donates a new car to the organization "Jetimat e Ballkanit"	61
Banka Ekonomike, general sponsor of the international festival "Prizren Fest"	62
Banka Ekonomike relocates the branch in Istog!	63
Banka Ekonomike relocates the branch in Fushë Kosova	63
Banka Ekonomike was a participant in the "Kosovo Job Internship Fair" in cooperation with the EBRD	64
Banka Ekonomike supports for the third year in a row activity of launching superheroes zipline event	65
Banka Ekonomike supports the Information Security Conference	66
Insurance Company "Siguria"	67
MESSAGE FROM EXECUTIVE MANAGEMENT	69
Performance of KS Siguria	72
Sales and insurance department	75
Health and accident insurance department	76
Department of property insurance and guarantees	76
Casco insurance department	77
Department of auto liability insurance	77
Claims department	77
Marketing	78



Enchilotes



MESSAGE FROM THE BOARD OF DIRECTORS

Dear clients, dedicated staff and respected shareholders.

With a profound sense of pride and heartfelt gratitude, we would like to inform you that the year we left behind marked a new and unforgettable chapter in the Banka Ekonomike. The year 2023 has been not only the most fruitful in our history, but also a year of testing and proving our resilience and adaptability to economic challenges. We are grateful to have a team that exceeds expectations with their dedication and passion for success.

In 2023, our dedication reached new heights. Despite the challenges faced by the global economy and financial markets, Banka Ekonomike has demonstrated unwavering resilience through a foundation of innovation and growth. We've forged ahead by developing exceptional services and ground-breaking financial products, evident in our performance and the deepening of relationships with both clients and partners. Their steadfast trust in us serves as a testament to our commitment and the value we bring to their financial endeavours.

In the past year, the big investments we've made in information technology and infrastructure are not just improvements – they are catalysts for innovation and change. These investments have ensured that Banka Ekonomike is positioned not only as an important player in the banking industry, but also as a visionary leader shaping the future of the financial sector.

The investment in “KS Siguria” was one of the most important moments of year 2023. This strategic partnership has paved the way for a new model of cooperation between the bank and “KS Siguria”, bringing a wider and more integrated offer of services for our clients. This has been a bold move that shows we are ready to take big steps to expand our horizons and deliver unmatched value.

As we mark our achievements, we would like to highlight the constant commitment of each and every one of you – clients, partners, employees and shareholders – who have been and will continue to be essential for our journey. In the coming years, with continued persistence and dedication, we aim to reach new heights of success, building a brighter future for everyone.

With a clear vision and a defined mission, we eagerly anticipate scripting the next chapters of this narrative. We extend our heartfelt gratitude for being an integral part of this remarkable journey and for your invaluable contributions, which are indispensable to our ongoing dynamism and growth.

With the highest respect and deepest gratitude,

Valon Lluka

Chairman of the Board of Directors



Shpend Luzha

Chief Executive Officer



Hamide Pacolli Gashi

Vice Chief Executive Officer



Arijan Haxhibeqiri

Vice Chief Executive Officer

MESSAGE FROM THE EXECUTIVE MANAGEMENT

Dear clients, associates and shareholders of the Banka Ekonomike,

We are pleased to present our Annual Report for the year 2023. This report marks the most successful year for us, full of important achievements at the institutional level. In 2023, our team has faced new challenges and worked diligently to fulfil our goals and tasks in a changing and challenging economic environment. We have been committed to ensure continuity of our qualitative services to our clients and associates, always striving to raise the standards of quality and innovation in the industry.

Our continued commitment to quality and growth during 2023 gives effect to the positive results we have achieved. We have increased the credit portfolio by 60 million euros, which is an increase of over 15 percent, an indicator of stability, loyalty of our clients and our commitment to supporting economic development. At the same time, there was an increase in interest income totalling 30.7 million, increasing the share of total market interest income to 9.49 percent.

Deposits also experienced a significant increase, of 32 million euros. This rise of 6.3 percent compared to last year proves the increased confidence of clients in our bank and in the services we offer.

In 2023, we continued to invest in the training of our employees through specialized training. This is part of our strategy to ensure that our staff are equipped with the latest knowledge and skills necessary to meet our goals and provide services to our clients.

One of the most important achievements of the Bank in the field of product development is the launch of electronic payments through POS terminals. This advanced platform features the latest technology in the market, offering an exceptional experience for businesses when making payments, with a high level of efficiency. This development represents an important step forward in improving the infrastructure of electronic payments and strengthening relations with the Bank's clients.

In the field of digital banking, we have invested in improving business payroll processing services, making them easier and more efficient for our clients/customers.

Realizing the importance and necessity to prepare fast and secure solutions for business clients, we have developed a new deposit card product. This advanced solution reinforces the sustainability and efficiency of cash management.

Our commitment to improving customer services and offers has resulted in an increase in our commission income by 10 percent, also an indication of positive client appreciation for our services. This has helped to increase our profits by more than 17 percent, reaching a profit of 12.9 million EUR before tax.

During the year 2023, social responsibility was of particular importance, so our Bank was actively engaged in supporting sports clubs throughout the territory of Kosovo, starting from sports such as football, basketball to alpinism, volleyball, handball, golf, judo, martial arts, skiing, tennis, table tennis and archery. At the same time, we have also supported many initiatives in other areas such as culture, health, education, marginalized categories and any initiative that has a direct impact on social development and welfare.

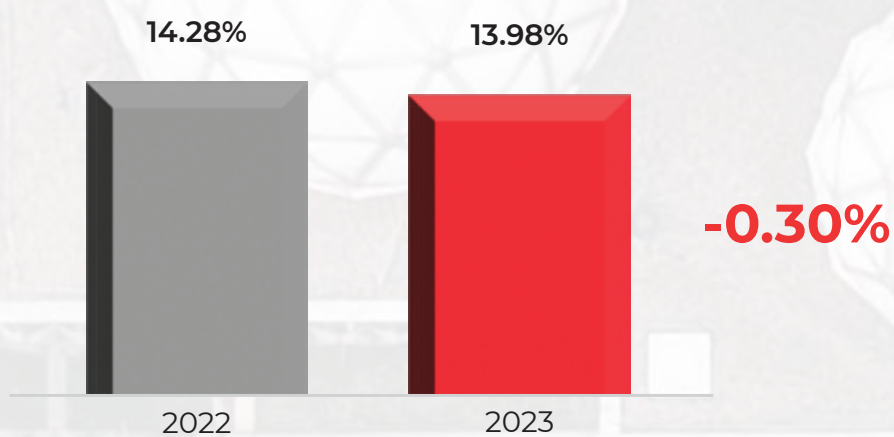
Finally, we would like to express our deepest gratitude for the valuable contribution of all parties involved during the past year. The dedication and efforts of our employees, the trust and support of our clients and shareholders, as well as the continuous support from the Board of Directors and public institutions, are essential for our successful achievements.

Moving forward, we remain committed to providing an exceptional experience for our clients and helping to achieve sustainable growth that is beneficial to all stakeholders.

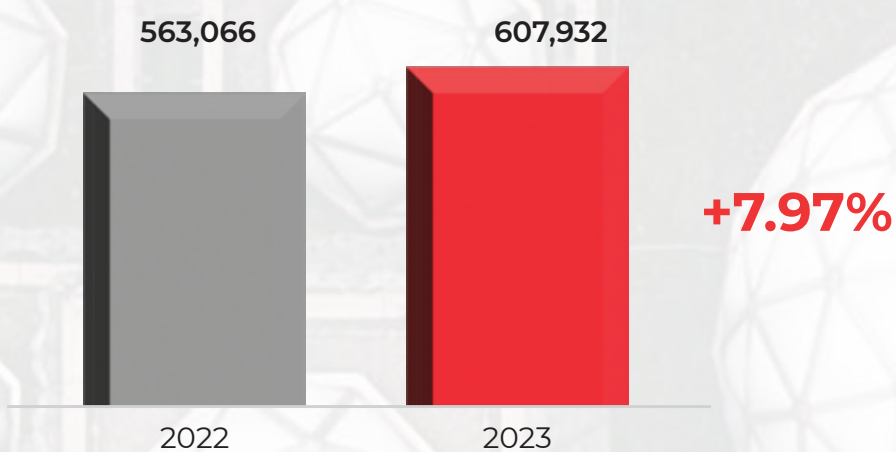
On behalf of the Executive Management.

Shpend Luzha
Chief Executive Officer

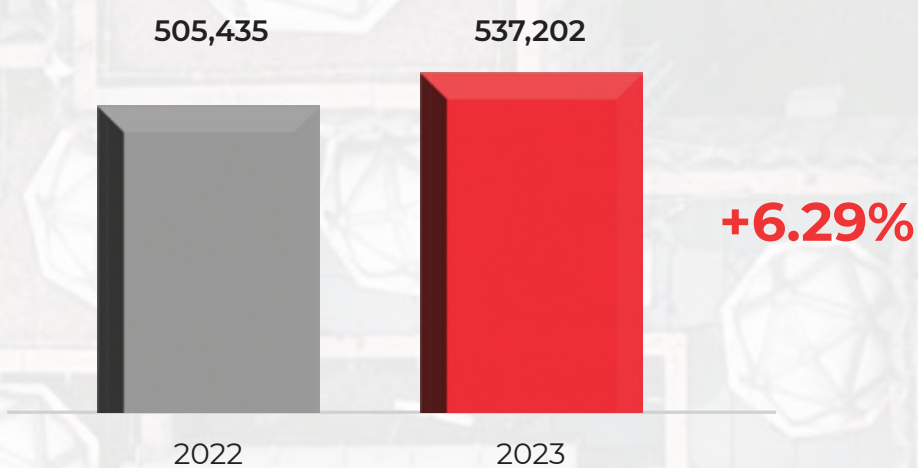
Capital Adequacy Ratio

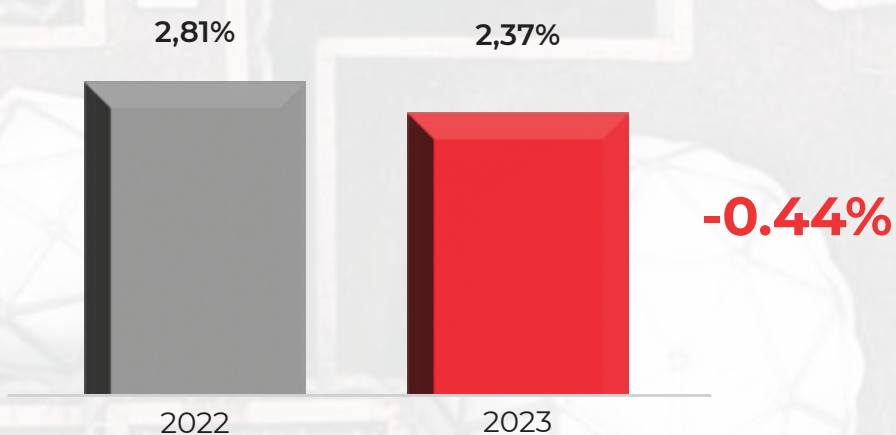
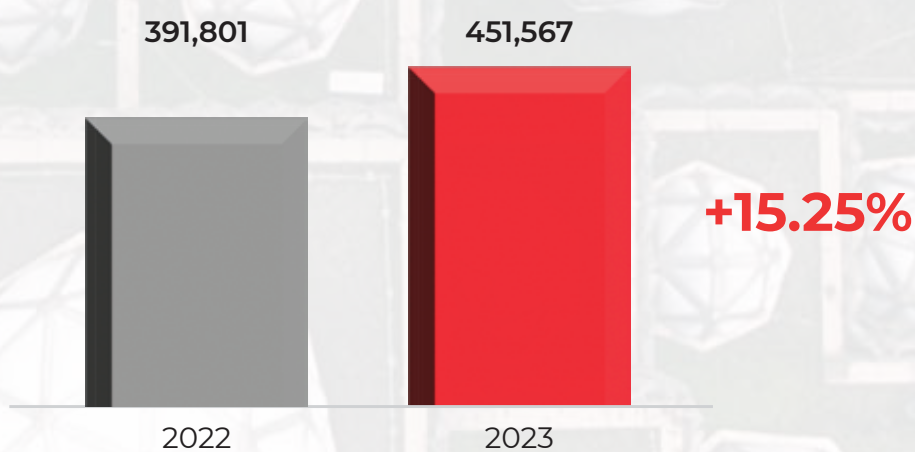
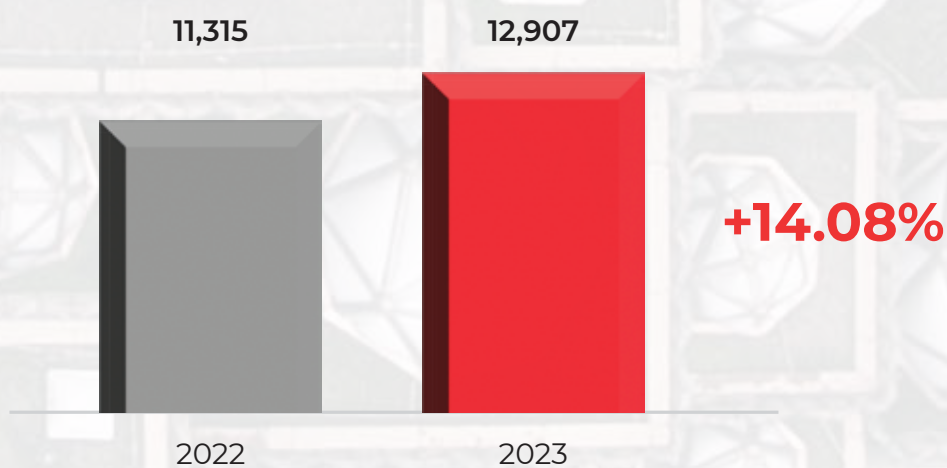


Assets (in million EUR)



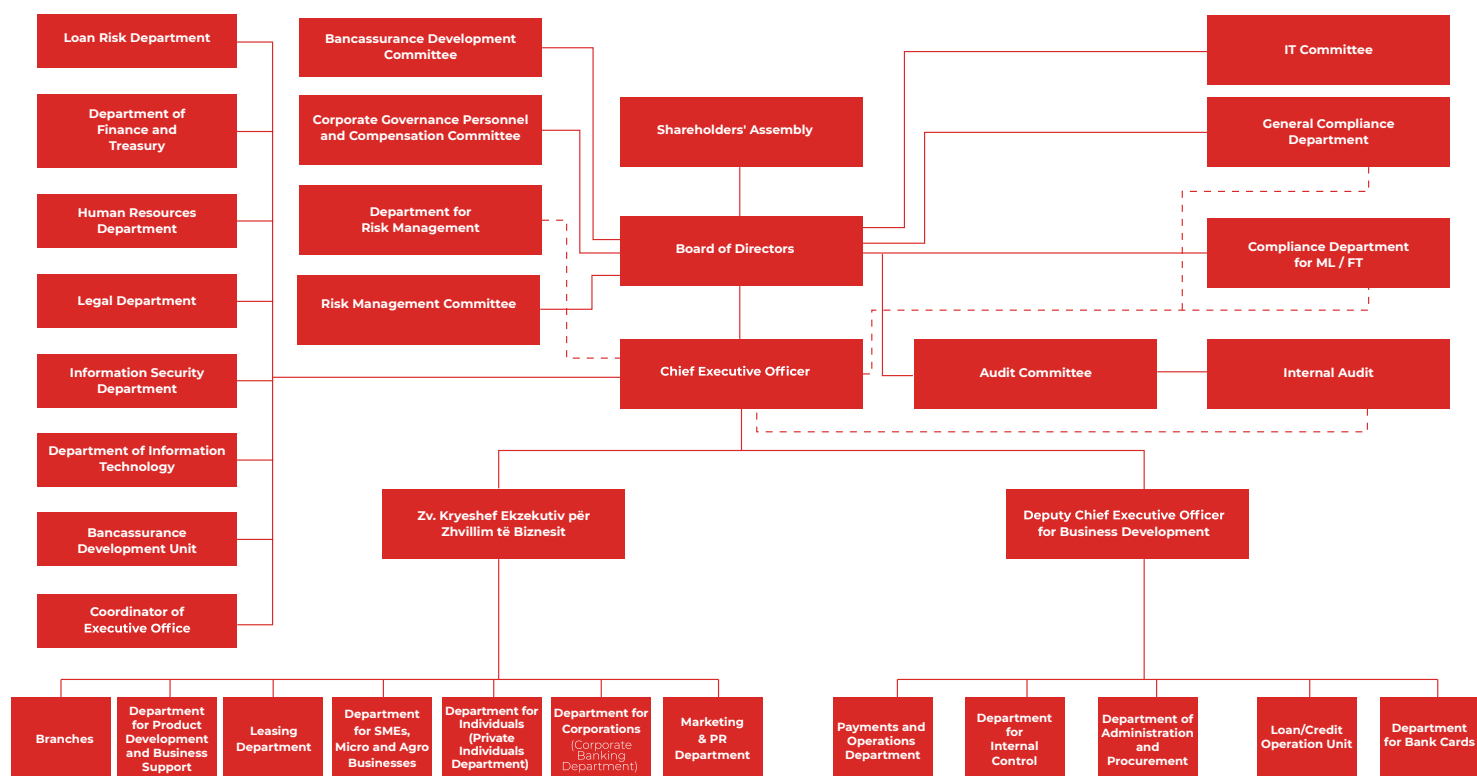
Deposits (in million EUR)



Non-performing loans (NPL)**Loans (in million EUR)****Profit before tax (in million EUR)**

Rugova Bridge - Pejë

ORGANIZATIONAL STRUCTURE OF THE BANK





Isa Boletini's Tower - Mitrovicë

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 stability.
- To be at the centre of the financial requirements and services of individual clients, businesses, corporations and institutional clients.
- To support and align in all activities that affect the economic growth and development of Kosovo.
- Our primary goal is to gain and maintain public trust and adhere to the highest ethical standards.
- Being able to provide financial support, security and optimism to our clients.

Our values

- In the long-term understanding, we invest in people, products and technology.
- We constantly strive to improve our performance to perfection.

MACROECONOMIC ENVIRONMENT

In 2023, Kosovo continued to experience sustainable economic growth, which was influenced by many factors. Investments in infrastructure and key sectors such as technology and overall manufacturing contributed to this development. At the same time, the state ended the rate of inflation and controlling the budget deficit to maintain economic stability. However, the labour market remained a challenge, despite efforts to resolve this issue through initiatives to develop employment sectors.

In terms of international relations, Kosovo continued to engage in the European integration process and strengthen economic ties with international partners. Continued investments in infrastructure were made to improve trade links and increase the competitiveness of the country's economy.

Therefore, during 2023, Kosovo experienced a period of consolidation of economic stability, with continuous efforts to meet development objectives and European integration, while the challenges of the labour market and public expenditure management remained a priority for the future.

BANKING SECTOR

The banking sector in Kosovo experienced an important year in 2023, focusing on improving services and customer expectations in a changing economic environment. Commercial banks and financial institutions continued to offer their range of services, including loans, savings accounts and digital services, in response to increased customer demands for a more convenient and appropriate banking experience.

The increase in economic activity amplified the need for new financing for businesses and individuals, leading to an increase in demand for loans and other financial services. Banks faced various challenges, including information security risks and the risk of bad loans, but constantly worked to meet security standards and protect the interests of clients.

At the same time, the banking sector tried to adapt to changes in financial policies and regulations, focusing on improving their transparency and sustainability. With their focus on innovation and the provision of diverse and convenient services, banks in Kosovo strive to remain reliable partners for their clients, contributing to the economic and financial development of the country.

THE POSITIONING OF BANKA EKONOMIKE DURING THE YEAR 2023 IN BANKING MARKET OF KOSOVO

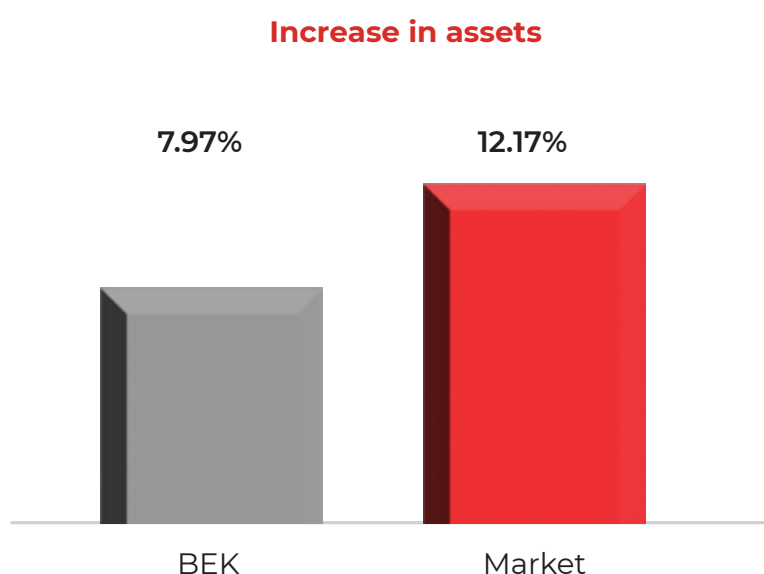
Banka Ekonomike continued to consolidate its position in the banking market of Kosovo during year 2023. Its impact on the growth of the banking market has been significant, contributing to the growth of assets in all segments.

The growth of the banking market in all assets by 12.17 percent has reflected the positive changes in the country's economy, including the contribution of the Banka Ekonomike, which has recorded an increase of 7.97 percent in all its assets. This high performance shows the Bank's ability to meet the demands of a different market and to adapt our offer in accordance with the needs of clients.

In real numbers, at the end of 2023, the total assets of the Banka Ekonomike increased to 608 million euros, compared to 563 million euros at the end of 2022. This significant increase indicates a successful portfolio management and an effective response to market and client demands.

Banka Ekonomike continues to be a reliable partner for its clients and an important part of the financial infrastructure of Kosovo. Being at the forefront of innovation and high-quality services, we remain committed to fulfilling our strategic goals and contributing to the growth of stability and economic development of our country in the future.

FIGURE 1. The participation of Banka Ekonomike in the overall growth of market assets, December 31, 2023:



The elder womans stone - Drenas

FIGURE 2. The participation of Banka Ekonomike in the overall growth of market assets, December 31, 2023;



PARTICIPATION IN LOANS

Banka Ekonomike has continued to consolidate its position in the banking market of Kosovo during 2023, marking an important participation in the total market loans.

On December 31, 2023, the participation of the Banka Ekonomike in the total loans in the market stood at 9.22 percent, showing a significant contribution to the country's banking sector. This participation shows the confidence and choice of clients to trust Banka Ekonomike for their financial need.

During the year 2023, our Bank has recorded an increase of 15.25 percent in the loans offered, going beyond the general growth of the market, which was 13.02 percent. This high performance indicates the reliability and quality of our services, influencing the choice of clients to receive loans and financial services from the Banka Ekonomike.

Following this successful path, we remain committed to meeting the needs and expectations of our customers and to contribute to increasing the stability and economic development of our country in the future.

Trepça's waterfall - Mitrovicë

FIGURE 3. Increase of Banka Ekonomike in general loans in relation to the market, December 31, 2023;

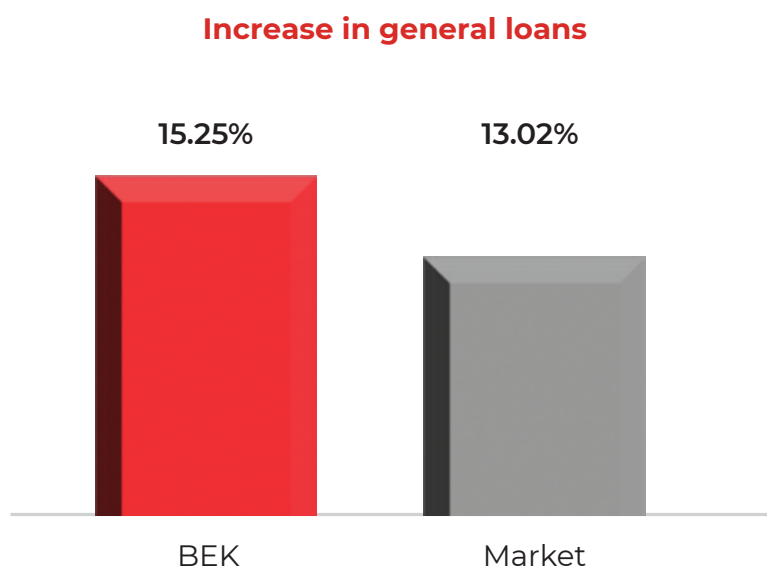
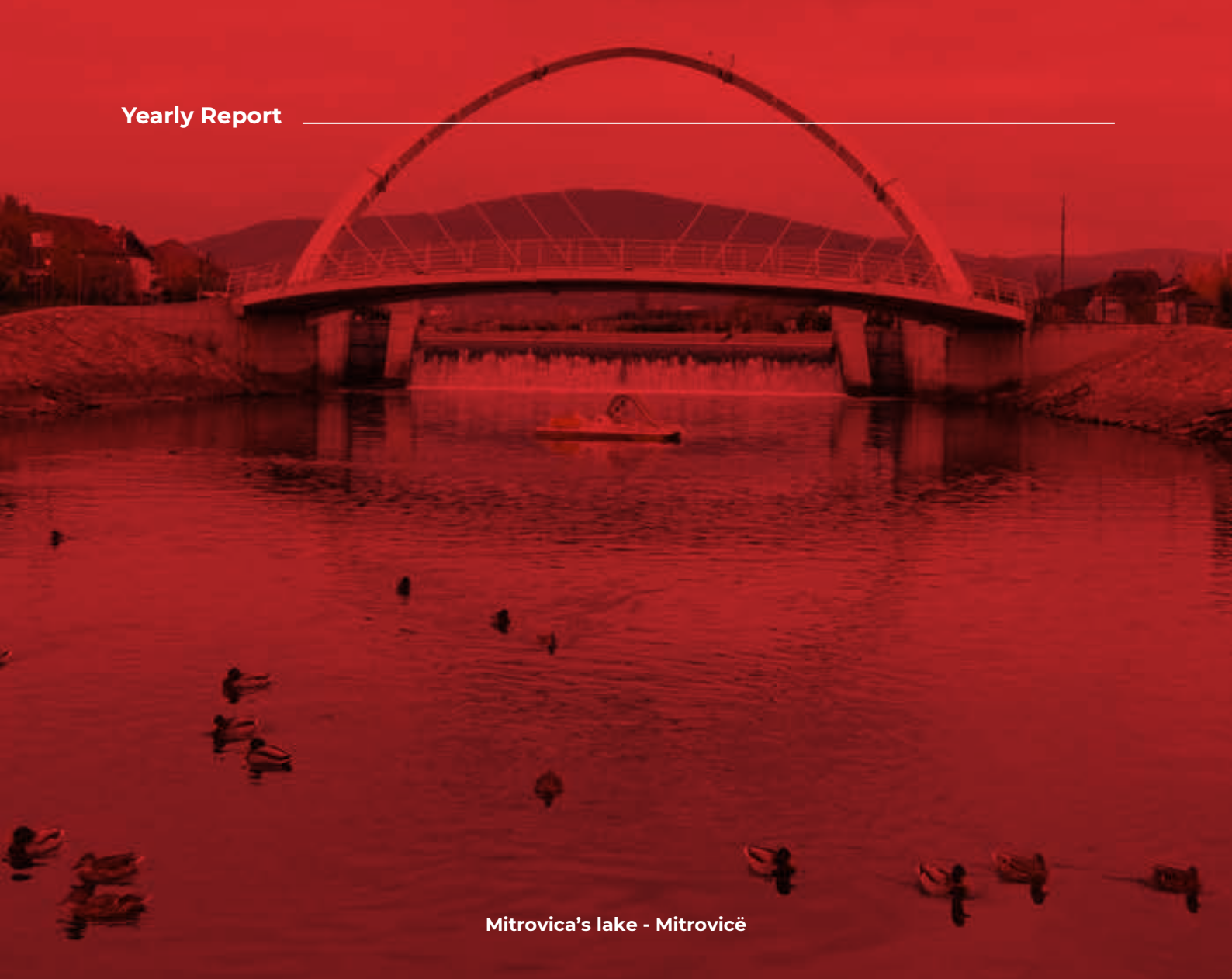


FIGURE 4: The participation of Banka Ekonomike in the size of loans in relation to the market, December 31, 2023;





Mitrovica's lake - Mitrovicë

PARTICIPATION IN DEPOSITS

Banka Ekonomike continued to assert itself as a leading actor in the banking market of Kosovo during 2023, marking an important participation in the total market deposits.

On December 31, 2023, the participation of the Banka Ekonomike in the total deposits in the market was 8.84 percent of the total banking sector in Kosovo. During the year 2023, our Bank recorded a figure that shows the trust and choice of clients to place their deposits in Banka Ekonomike. This high participation indicates the reliability and quality of our financial services.

During the year 2023, our Bank recorded an increase of 6.29 percent of the overall banking sector in Kosovo. During the year 2023, our Bank has recorded an increase in received deposits, an important performance that affects the increase of confidence from our clients. Compared to the overall growth of the market, which was 10.74 percent of the overall banking sector in Kosovo.

FIGURE 5. The participation of Banka Ekonomike in deposits in relation to the market, December 31, 2023

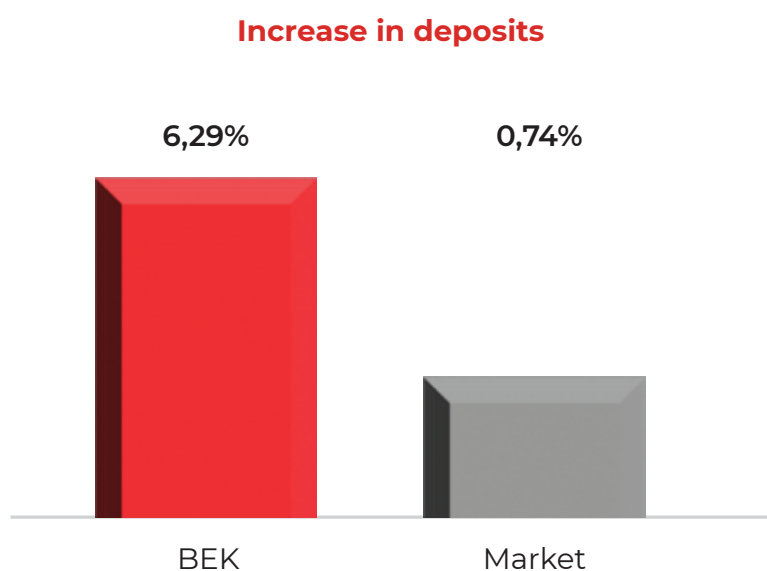


FIGURE 6. Participation of Banka Ekonomike in deposit volumes in relation to the market, December 31, 2023;



STATEMENT OF FINANCIAL POSITION

EURO '000

Assets	As at 31 December	As at 31 December
Cash on hand and at banks	54,299	32,388
Balance with the Central Bank of Kosovo	74,360	95,201
Loans to Clients	441,298	379,892
Investments in Securities	10,605	28,225
Branch investments	7,358	6,058
Property, Equipment, and Right-of-Use Assets	13,604	13,979
Intangible Assets	3,860	4,794
Other Assets	2,547	2,529
Total Assets	607,931	563,066
Liabilities		
Client Deposits	537,067	505,342
Liabilities to Banks	1,487	93
Income Tax Payable	88	210
Other Liabilities	3,802	3,549
Deferred Tax Liabilities	600	604
Total Liabilities	543,044	509,798
Equity and Reserves		
Share Capital	29,422	29,422
Revaluation Reserve and Other Reserves	4,746	4,853
Retained Earnings	30,719	18,993
Total Equity and Reserves	64,887	53,268
Total Liabilities, Equity, and Reserves	607,931	563,066

These individual financial statements were approved by the Bank's Board of Directors on 10 April 2024 and signed on their behalf by:



Mr. Shpend Luzha
Chief Executive Officer



Mr. Berat Isa
Chief Financial Officer

	Note	For the year ending December 31, 2023	For the year ending December 31, 2022
Interest income calculated according to the effective interest method	17	30,746	24,579
Interest expense calculated according to the effective interest method	17	(5,450)	(3,251)
Net interest income		25,296	21,328
Income from fees and commissions	18	4,776	4,358
Expenses from fees and commissions	18	(1,201)	(914)
Net income from fees and commissions		3,575	3,444
Other operational income	19	606	497
Income		29,477	25,269
Personnel expenses	20	(5,067)	(4,548)
Depreciation and amortization	10,11	(3,004)	(2,380)
Other expenses	21	(68,936)	(6,613)
Release of net provisions for losses on financial instruments	6,7,8,9	1,380	705
Impairment losses on intangible assets	11	(942)	-
Total operating expenses		16,569	14,246
Profit before tax		12,908	11,023
Tax on profit	22	(1,182)	(1,003)
Total Liabilities, Equity, and Reserves		11,726	10,020
Other comprehensive income			
Items that will not subsequently be reclassified to Profit or Loss			
Revaluation gains on property and buildings, net of tax		-	-
Deferred tax effect on revaluation of property and buildings		18	18
Items that may subsequently be reclassified to Income or Expense			
Changes in the fair value of debt instruments measured at fair value through other comprehensive income		(125)	41
Total comprehensive income, net of tax		(107)	59
Total comprehensive income for year		11,619	10,079

PERFORMANCE OF BANKA EKONOMIKE

Banka Ekonomike continued to present excellent results in 2023, following the tradition of growth and meeting client requirements, as well as working with dedication to achieve its goals in financial performance.

With our continued commitment to meet high standards of banking services and provide innovative solutions, our Bank has marked significant progress in most financial indicators for 2023. This is confirmed by pre-tax profit of 12.91 million euros, an achievement that shows our ability to manage efficiency and increase financial sustainability.

Net interest income has recorded an increase of 18.6 percent compared to last year, indicating a fulfilled performance in the finance sector. At the same time, the Bank managed to increase income from fees and commissions, closing the year 2023 with 3.6 million euros of income in this sector. This increase testifies to a successful strategy of attracting new clients and to an efficient orientation of our Bank's services.

Our bank remains committed to the realization of long-term strategic goals, ensuring a sustainable performance and conducting operations successfully in a constantly competitive environment. With a dedicated approach to improving services and providing innovative solutions, we are prepared to meet the needs of our clients and achieve new successes in the coming year.

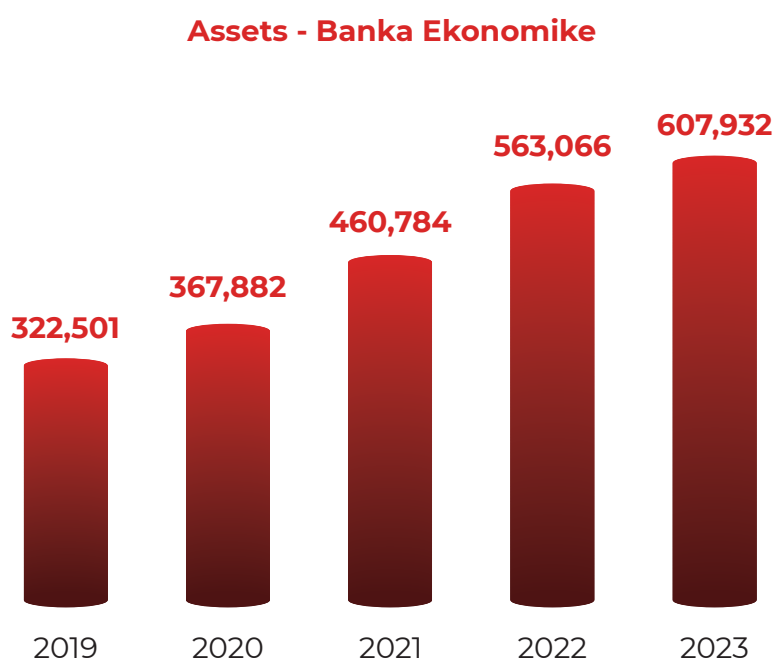
BANK ASSETS

Unremitting commitment to values, achievement of performance goals and continuous commitment to expanding the Bank's network and infrastructure has brought a significant increase in the Bank's assets for the fifth year in a row.

Our bank has achieved an excellent performance in 2023, where its assets have increased to a figure of 608 million euros, compared to 563 million euros of assets in 2022. This significant increase indicates a successful management of assets and a sustainable development strategy of our Bank.

Through our continuous commitment to improving services and adapting them to client needs, we have managed to increase our assets at a steady pace. This shows our clients' confidence in the quality of our services and our ability to meet their financial needs efficiently and conveniently.

FIGURE 7: Banka Ekonomike assets, 2019-2023



All figures are in '000 EUR.

LOAN PORTFOLIO

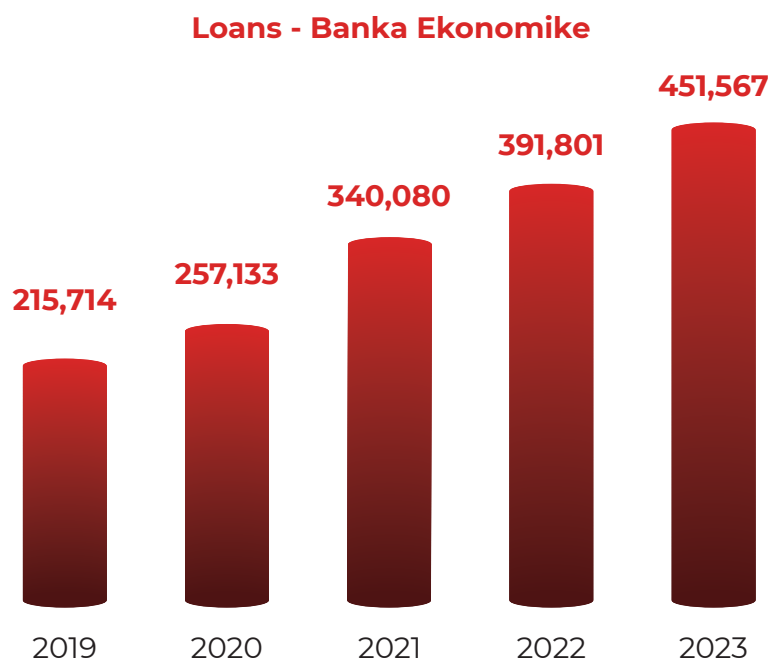
Appropriate portfolio management and careful risk supervision have influenced the growth trend in the credit sector to continue in 2023. As a result, our Bank has recorded a significant increase in the loan portfolio, including the private and business sector segments.

During year 2023, the loan portfolio has increased to a figure of 452 million euros, compared to 392 million euros in the previous year. This substantial growth indicates a continuous performance and the ability of the Banka Ekonomike to offer suitable credit solutions to its clients in all sectors.

Gollak - Prishtinë

Bank Ekonomike has continued to actively promote its best lending products, using marketing campaigns to drive usability and provide convenient financial solutions to our customers. This continuous commitment to offer innovative products and to meet the needs of clients has been a major factor in the growth of the loan portfolio and in the stability of the performance of Banka Ekonomike in the banking market of Kosovo.

FIGURE 8: Loan portfolio, 2019-2023;



All figures are in '000 EUR.

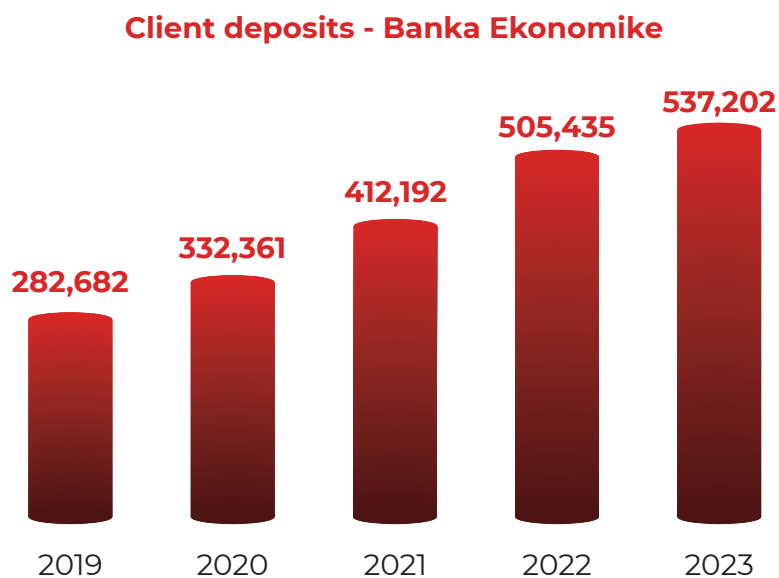
Gollak - Prishtinë

PERFORMANCE OF DEPOSITS

The continuous growth of deposits is a strong indicator of client confidence in the services of Banka Ekonomike. The year 2023 has continued the positive trend with an increase in deposits, a further indicator of the success and reliability of our Bank.

The deposits of the Banka Ekonomike for year 2023 reached a figure of 537 million euros, compared to 505 million euros of the previous year. This growth indicates a continuous improvement in client confidence in the quality and safety of our financial services.

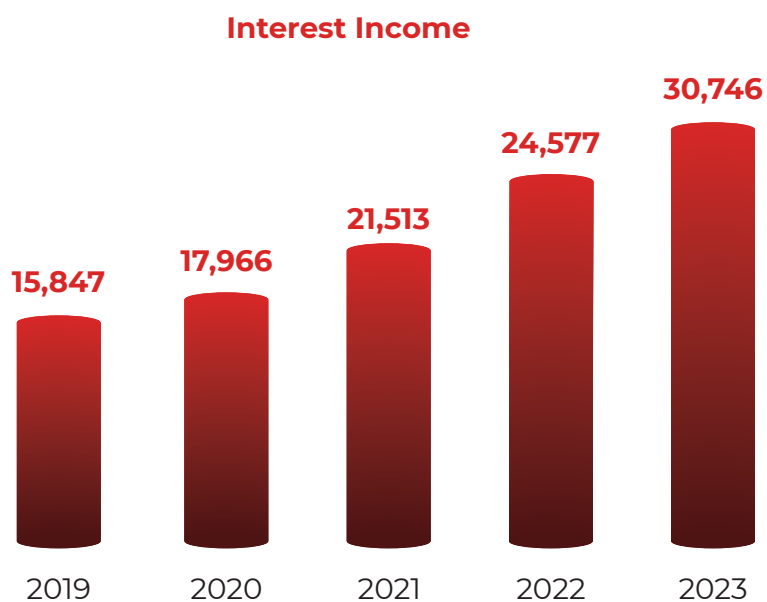
FIGURE 9: Deposits of clients, 2019-2023:



All figures are in '000 EUR.

National Museum of Kosovo - Prishtinë

FIGURA 10. Interest income, 2019-2023;



All figures are in '000 EUR.

Euro '000	2019	2020	2021	2022	2023
Të hyrat nga interesi	15,847	17,966	21,513	24,577	30,746
Kostot e depozitave	2,415	2,640	2,783	3,188	5,450
Të hyrat NETO nga interesi	13,432	15,326	18,730	21,388	25,295
Neto të hyrat nga komisionet dhe tarifat	2,162	2,030	2,467	3,444	3,575

Brod - Dragash

OPERATIONAL EXPENSES

FIGURA 11. Operational expenses



Euro '000	2019	2020	2021	2022	2023
Administrative expenses	3,767	4,463	5,083	5,314	7,292
Personnel expenses	3,274	3,466	3,888	4,546	5,064
Depreciation expenses	1,827	2,277	2,367	2,611	3,055
Total operating expenses	8,868	10,206	11,338	12,471	15,410

All figures are in '000 EUR.

During the year 2023, Banka Ekonomike has continued to pay special attention to investments in branches and infrastructure, as well as to the development and training of its personnel.

The review of operating expenses has been an important priority this year as well. This has included increasing efficiency and effectiveness at all levels of the Bank, always meeting legal standards and established rules, as well as taking into account the demands and needs of our clients.

Brod - Dragash

Our consistent approach to managing operating expenses has ensured that the Bank remains sustainable in a changing trading environment. This constant accountability to the effective use of resources is one of the key factors of our success in ensuring a sustainable performance and meeting our strategic goals.

BUSINESS DEVELOPMENT

The bank has continued to fulfil its mission with dedication, giving special importance to the continuous development and expansion of its departments, which are responsible for increasing business activity.

In 2023, we continued to be strong supporters of the business community in Kosovo, considering it as a major force for the economic growth and development of our country. A confirmation of our strategic approach to businesses is the concentration of the structure of the bank's loan portfolio, where businesses have a participation of 66.6 percent in the loan portfolio, compared to the market where the participation of the Business portfolio in the total loan portfolio is 61.3 percent, showing stability and confidence in this sector.

In addition to our commitment to businesses, we also pay special attention to the needs of individual clients. With this in mind, during 2023 we continued to open new branches and invested in improving the infrastructure of our services, ensuring that all our clients have easy and convenient access to our services.

In addition, we have made continuous efforts to meet the needs of our clients, offering innovative and personalized products and services. This includes developing electronic payment platforms and expanding the range of financial products to meet the needs of an ever-increasing number of our clients.

By working closely with all the Bank's departments to develop the business, we have managed to be a reliable and strategic partner for our clients, offering not only high-quality financial products and services, but also specialized support and advice for their financial needs.

The bank's annual report for the current year contains an in-depth analysis of the corporate department's contribution to the bank's portfolio. In fact, the corporate department has a significant share in the loan portfolio, contributing 29.58 percent. At the same time, at the level of deposits, the department has a participation of 21.58 percent, where a significant part, about 33 percent, consists of current deposits of clients. It is worth noting that key processes within the department have been reviewed and rewritten to improve work efficiency, while the launch of the POS terminal product has been accompanied by very good results.

Based on the importance of the segment of small and medium-sized enterprises in the sense of generating employment and creating new values, our Bank, during 2023, demonstrated confidence in the capacities of businesses and maintained their lending, always offering the best service for this customer group.

This focused initiative proved successful as the effects were positive. In this way, the segment recorded an increase of 16.6 million euros, thus reaching a loan portfolio of 124.2 million euros. Also, in this part, the guarantee fund has played a role as an instrument for increasing access to capital for businesses, as well as overcoming restrictions for clients, who had difficulties in providing collateral.

Seeing the needs and demands of the market as well as the potential of small and medium-sized enterprises, the Banka Ekonomike has continuously tried to respond to these demands in the most adequate way. Even from the point of view of the quality of the portfolio, we have remained quite well, keeping the level of non-performing loans within acceptable parameters, which proves the professional approach in terms of portfolio maintenance.

In addition to lending activity, the segment has also been focused on indirect sales, offering an integrated approach to client needs with other products and services.

Increasing the client base in the individual segment and the use of electronic products are two important goals for our bank. The year 2023 is characterized by the expansion of the base of new clients, also affecting the growth of deposits and loans. Using a combination of client-oriented strategies and technology innovation, we have managed to increase the number of new clients in the individual segment. Improving the client experience through electronic platforms has directly influenced the increase in the use of our online products and services. Through marketing campaigns, which have focused on the benefits and ease of use of electronic products, we have managed to significantly increase their awareness and use by our clients. This market-oriented strategy has brought success in increasing the client base and accelerating the growth of the use of electronic products.

An aerial photograph of a long, arched bridge spanning a dark lake. The bridge has multiple piers and is surrounded by dense green trees on the banks. The entire image is overlaid with a semi-transparent red filter.

Ujman's Lake - Mitrovicë

During 2023, the Bank has continued to focus on providing services with the Leasing product, while expanding the range of available products to improve economic activity in the country.

The increase in the demand for the Leasing product in the trend of 2023 proves a great potential, and the Bank continues to commit to increase its capacities to stay close to clients and to develop the Leasing product in innovative and effective ways.

During this year, the Bank has developed and launched new marketing campaigns to promote our products and services, while strengthening its brand as "Bank with 100 percent local capital". In an effort to increase presence and improve client experience in the digital world, the Bank has taken important steps to digitize services and increase engagement in social networks. These steps have been important to stay in line with technological developments and to ensure the most convenient experience for our client.

LOAN PORTFOLIO

Banka Ekonomike has recorded an exceptional performance in the loan portfolio during year 2023, as a result of our carefully elaborated strategy and our commitment to meet the needs and demands of our clients in all business segments.

In 2023, we continued to record a steady increase in the loan portfolio, increasing its value from 391 million euros, which was in 2022, to 450 million euros. This great growth is the result of a consistent strategy of offering credit products in all market segments. This diversification of the portfolio has ensured the stability and sustainable growth of our Bank in the credit market.

With a dedicated approach to our customers' needs and a constant commitment to improve our loan offer, we are ready to continue the path of success in 2024 and consolidate our position as one of the leaders in the credit market.

Segment	Credit exposure 2022 ` 000	Percentage of participation in 2022	Credit exposure 2023 ` 000	Percentage of share in 2023
SME	103,618	26,45%	124,242	27,58%
Leasing	25,800	6,58%	32,107	7,13%
Corporation	136,570	34,86%	151,978	33,73%
Individuals	125,812	32,11%	142,213	31,57%
Total	391,800	100.00%	450,540	100.00%

CORPORATE CLIENTS

In year 2023, the Corporate Department has faced a number of important developments, which mark our commitment to achieve our goals and provide an excellent service to our clients. During this year, we recorded an increase in net loans for 18.36 million euros. Institutional clients continue to hold a percentage of 80 percent of the total value of the Department's deposits.

Moreover, we are happy to announce our progress in managing non-performing loans. Their percentage has decreased from 2.35 percent, which was at the end of last year, to 2.17 percent at the end of 2023. This is clear evidence of a sustainable improvement in the management of the loan portfolio, and encourages us to continue with the same commitment to achieve high performance standards.

Another key aspect of 2023 was the implementation of the POS terminals project, which contributed to a significant turnover of around 4 million euros. This success demonstrates our team's great commitment to innovation and to expanding our range of services.

Finally, with these positive developments and challenges faced, we are determined to continue to improve our efficiency and provide quality services to all our clients in 2024.

SMALL AND MEDIUM ENTERPRISE CLIENTS

In 2023, our Bank has continued to show continued confidence in the potential of businesses in the segment of small and medium enterprises. Understanding the importance of this segment for the economy and for the development of the business community, our Bank has deepened and expanded its commitment to lending to this group of clients, providing a wide range of services and support for them.

In this context, our Bank has implemented a series of initiatives to increase the success of businesses in the SME segment. By offering financing products, cross-selling and personalized services, we have supported businesses in every step of their development.


This focused initiative proved to be successful as the effects were positive. In this way, the segment recorded an increase of 16.6 million euros, or 15.5 percent, thus reaching the loan portfolio of 124.2 million euros. Also, in this part, the guarantee fund (KCGF) played a role as an instrument for increasing access to finance for businesses, as well as overcoming restrictions for clients who had difficulties securing collateral.

Seeing the needs and demands of the market as well as the potential of small and medium enterprises, the Banka Ekonomike has continuously tried to respond to these demands in the most adequate way.

Even from the aspect of portfolio quality, we have been quite good, keeping the level of non-performing loans within acceptable parameters, which proves the professional approach in terms of portfolio maintenance.

In addition to lending activity, the segment has also been focused on indirect sales, offering an integrated approach to client needs with other products and services.

In conclusion, the success of the SME segment for 2023 proves our commitment to economic development and improving conditions for access to finance for local businesses. With a continuous approach to meet the needs and improve the quality of our services, we aim to continue to be a reliable partner and a preferred choice for businesses in the country.



Batllava's lake - Besianë

INDIVIDUAL CLIENTS

Even during the year 2023, Banka Ekonomike has continued the development and further consolidation of its position, as one of the most important financial institutions in the Kosovar market.

Our core individual customer strategy included increasing the banking activity of existing clients, creating long-term relationships and recruiting new clients, especially from the younger age groups, while continuously improving the quality of service to them.

The main point of the Bank's strategy is the provision of new services and products, the development of existing products, products fully adapted to their requirements.

Digital transformation and investment in the digital platform continued to be the main focus to strengthen the Bank's position in the Kosovo market.

We continuously work for the Bank to be the ideal place for providing services, where clients feel welcomed and comfortable while managing their finances, working with dedication towards fulfilling the needs and demands of our clients.

Throughout 2023, the Department for Individuals has performed extremely well, achieving satisfactory financial results, reporting positive performance in the main indicators: loans and deposits.

Close cooperation with the network of branches and sub-branches increased the portfolio, offering Consumer Loan and Mortgage products, and transformed the lending process into a simple and flexible process.

Heart's lake - Cursed Mountains

The portfolio of individual loans resulted in an increase of 14 percent, or expressed in the value of about 18 million euros.

In 2023, the Individual Department achieved significant success by managing a steady increase in deposits.

The deposit portfolio increased by around 56 million euros, or 19 percent.

The positive performance has influenced the realization of the Bank's strategy and objectives for 2023, while also maintaining the high level of liquidity.

The main contribution to the realization of the objectives has been the provision of suitable products and services for individual clients. These results reflect our ongoing commitment to provide quality and secure banking services.

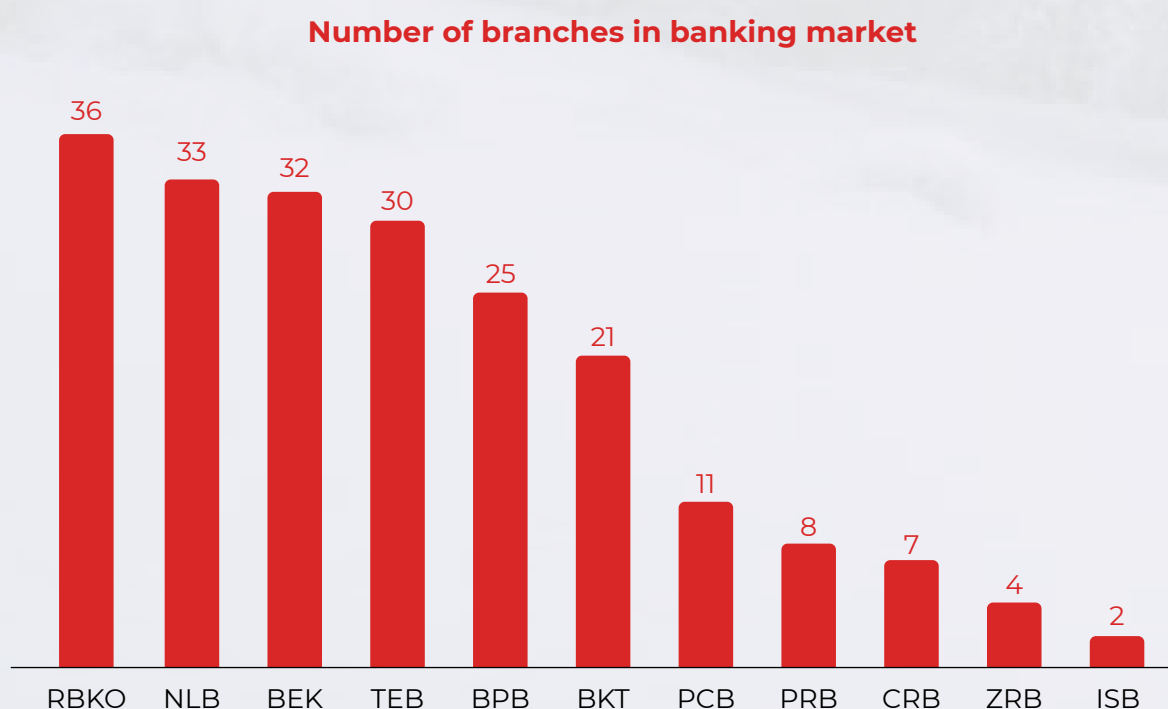
Effective strategies and focus on individual deposits, offering loan products to physical clients as well as personalized services will remain the main ingredients in continuing work and dedication in the years to come.

DISTRIBUTION CHANNELS AND BRANCH NETWORK

Banka Ekonomike operates with a wide network of branches and sub-branches, enabling clients easier and faster access to banking services. While technology and digitization of business operations are critical today, proximity to clients remains important. The bank has continued to commit to always being close to clients, opening two new branches during 2023, expanding the network to 32 branches distributed in 7 main branches and 25 sub-branches.

The general report of the banks shows that Banka Ekonomike ranks third this year in the banking market of Kosovo, proving the dedication and commitment of the Bank to be as close as possible to the clients. During the year 2023, in compliance with contemporary standards, the branches were renovated in order to provide comfort while receiving the fastest and easiest services for clients. In terms of improving the infrastructure of the branch network and self-service spaces, the sub-branch in Fushë Kosova and the sub-branch in Istog have been relocated. Likewise, two new sub-branches have been opened, one in the "Pejton" neighbourhood of the Prishtina city and one in the shopping centre "Prishtina Mall", providing a privileged and easily accessible location for clients. This step is a clear sign of the commitment of the Banka Ekonomike to accelerate economic development and to provide high quality services in a modern environment suitable for the banking market.

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



Banka Ekonomike has a participation of 11 percent in the banking market in terms of the number of ATMs. At a time when technology and life are dynamic, Banka Ekonomike has made the services it can offer to clients at any time, through ATMs, becoming the preferred choice for making transactions quickly and safely. In terms of ATM withdrawals compared to last year, we recorded an increase of 19.75 percent in number and 16.26 percent in transactions.

In terms of ATM deposits, we recorded an increase of 50.22 percent in volume and 36.14 percent in the number of transactions, while for POS purchases compared to last year, we recorded an increase of 55.53 percent in volume and 73.71 percent in the number of transactions. The total number of ATMs in the market is 53.

POS TERMINALS

In addition to ATMs, from the mid of year 2023, Banka Ekonomike has also entered the market with state-of-the-art POS terminals (Android, the first on the market), managing to place around 900 POS terminals on the market by the end of the year, distributed in 831 locations, where the number of dealers is 268.

To complement the provision of quality services to clients, our Bank has a dedicated team in each branch, which ensures that every service is provided properly and every client request is handled with care and efficiency.

ALTERNATIVE CUSTOMER SERVICE CHANNELS - CALL CENTRE

The Call Centre is one of the main channels of communication with customers for the Banka Ekonomike. In addition to phone calls, the Call Centre also offers email service to handle client requests and needs in the most effective and practical time possible. With a 24/7 approach, this communication channel is available 24/7 and plays an important role in enhancing service delivery and meeting client requirements, helping to improve their experience with the Bank.

As a result of the importance of the Call Centre in providing high quality services, Banka Ekonomike has continued to invest in improving the working conditions for its employees. The relocation of the office and the improvement of the infrastructure during 2023 have provided a more suitable environment for work and client support. During this year, through the Call Centre, the Bank has successfully managed over 37,000 requests from clients and provided advisory instructions about its products and offers.

The goal and focus of the Bank for the year 2023 was to provide professional services and continue with strengthening and raising the quality of this service, with the aim of creating and increasing the reliability of clients and maintaining long-term relationships with customers.

The experience and achievements of 2023 in the Call Centre show the commitment of the Banka Ekonomike in providing high quality services and improving client relations. By continuing to invest in the development and improvement of this communication channel, we aim to continue to provide an excellent experience for our clients and remain a preferred choice for their financial needs.

LEASING

Also, during the year 2023, we continued to work to consolidate our leasing service. It is important to note that the Leasing Department, after expanding the range of products, to which real estate leasing has been added, a new product which has resulted positively in the growth of the demand for leasing financing and has turned out to be with great potential.

Leasing in 2023 has increased compared to the previous year, with the value of disbursements at 24.4% more. It is worth noting that SME clients and individual clients have increased compared to the previous year, meaning, SME clients have increased by 45.8 percent, while individual clients have increased by 100 percent. The active portfolio in volume for 2023 is 32.1 million euros, corporate clients 10.5 million euros, SME clients 19.5 million euros and the rest or individual clients with a value of close to 2.1 million euros.

This success has been achieved by generating new clients, who have established trust in us in meeting their financial needs, by expanding and consolidating the range of products, expanding cooperation with our partners.

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

BANCASSURANCE DEVELOPMENT UNIT

Banka Ekonomike, as the sole owner of the insurance company "SIGURIA", throughout this year has continued with the implementation of the synergy plan between the two companies, focusing on optimizing the processes to offer the most qualitative services and products to clients.

The main aim of the synergy is for Banka Ekonomike to continue to support clients and fulfil their requirements by offering all banking and insurance products and services at one point of sale, and in this way, our approach is that clients are to be served with fast banking and insurance products and services. Benefiting from the expertise of the insurance company "SIGURIA", throughout the year 2023 we have managed to offer insurance products and services from the branches of the Banka Ekonomike, according to client requirements.

At the same time, the Bancassurance Development Unit has been consolidated, a unit that has coordinated the entire synergy process and ensures effective and efficient cooperation between the two companies.

The greatest success of the Unit is the implementation of the plan to provide banking and insurance services at a point of sale, as one of the most innovative institutions in the banking sector.

Banka Ekonomike is oriented towards a broader strategy of diversification of financial services in order to grow and stay at the top of the financial industry in Kosovo.

PRODUCT DEVELOPMENT

As part of our continuous commitment to provide excellent and innovative services to our clients, the year 2023 was marked as an important period of developments at Banka Ekonomike.

Throughout the year, we've remained dedicated to understanding and fulfilling our clients' diverse needs. Leveraging technology and innovation, we've crafted customized, efficient solutions.

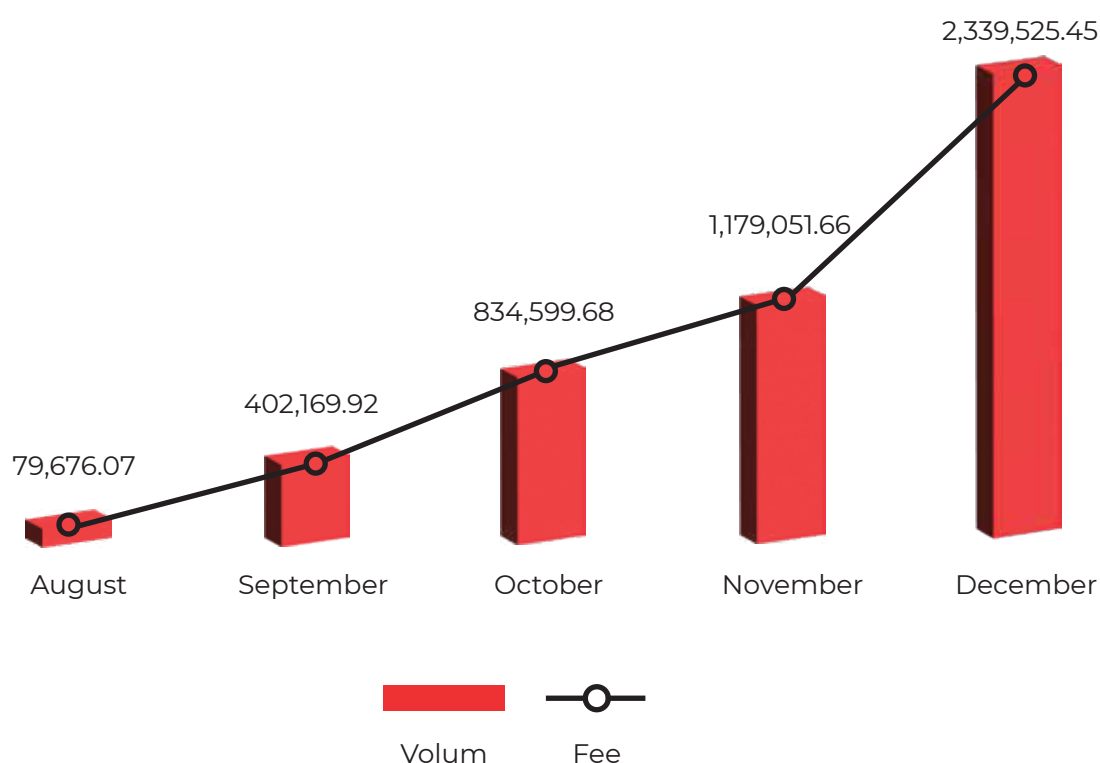
One of the most important achievements of the Bank in the field of product development is the launch of electronic payments through POS terminals. This advanced platform features the latest technology in the market offering an exceptional experience for businesses while making payments with a high level of efficiency. This development represents an important step forward in improving the infrastructure of electronic payments and strengthening relations with the Bank's clients.

Client feedback has been overwhelmingly positive. We've deployed nearly 1000 POS terminals, processing over 200,000 transactions totalling around 5 million euros.

Additionally, we've earned over 73,000 euros in POS transaction commissions in just four months, underscoring the widespread adoption of our new platform.

National Park of Cursed Mountains - Pejë/Cjakovë

Pos Transactions



In an effort to improve the experience of business clients, the Bank has developed the deposit card offering the possibility of depositing by business agents through the ATM. With this development, the bank aims for a more convenient and efficient experience for business clients, allowing them to perform financial operations without delays.

This product serves as an advanced and customized solution for the needs of large/small businesses and corporate clients, enhancing their sustainability and efficiency in cash management.

Using these cards, businesses can delegate their business agents to deposit daily purchases on their behalf through deposit cards at our ATMs that have a deposit feature. This not only makes the deposit process easier and more efficient for businesses, but also frees up valuable business time and resources that can be used to accomplish other tasks and progress in their day-to-day activities.



Karagaq's Park - Pejë

Furthermore, the introduction of deposit cards brings added advantages by relieving bank branches of handling these transactions. This streamlines the deposit process for businesses, while also enabling our staff to concentrate on other critical banking duties. Consequently, this enhances overall operational efficiency and elevates the standard of services provided.

With a permanent focus on innovation and providing excellent services to our clients, we are committed to pursuing progress and meeting their expectations. With the same passion and continued commitment, we will continue to work to develop new solutions and serve the evolving needs of our clients.

In the field of electronic banking, we continued to push the boundaries of progress, improving the user experience and expanding our range of services.

A notable development was the enhancement of our payroll processing service for business clients. This new solution allows clients to upload and process payroll for their employees with ease and efficiency.

In addition, we introduced several new features within our E-banking platform, including the introduction of pension trust accounts, where clients will have access to view their balance through e-banking. Also, we have made possible the presentation of POS terminal accounts, where business clients will have the opportunity to manage funds from POS transactions through e-banking and transfer them to their current account. These enhancements empower clients to manage their funds more efficiently and securely, furthering our commitment to providing an exceptional banking experience.

Moreover, the process of international payments has been improved through the automation and advancement of the process in order to reduce payment costs.

This innovation allows us to offer a more efficient and economical service to our clients when it comes to international transactions. Through this development, the correspondent bank that offers the lowest cost to carry out the transaction is automatically identified, guaranteeing that our clients benefit from the most competitive rate and the lowest transaction costs. In this way,

the Bank manages to benefit from an optimized and efficient payment process, improving time, costs and client experience.

With a permanent focus on innovation and providing excellent services to our clients, we are committed to pursuing progress and meeting their expectations. With the same passion and continued commitment, we will continue to work to develop new solutions and serve the evolving needs of our clients.

RISK MANAGEMENT

The year 2023 marked the beginning of the stabilization of the global financial crisis initially caused by the pandemic period, the war in Ukraine and the energy crisis. Although the second half of this year brought to the horizon the first stabilizing elements of the usual cycle of crises, the year 2023 is again characterized as a very challenging year.

In spite of all the challenges caused by the pandemic followed by interstate conflicts in the world as well as inflation, the Bank has shown stability, ensuring stable growth, where loan assets from year-to-year have increased by 16 percent.

Although the year 2023 has brought elements of stabilization, the year 2024 seems to be quite big developments both in economic and political terms.

In the local context, the year 2024 for the citizens of Kosovo brought visa liberalization in the Schengen zone, a very positive development in terms of integration. There has been labour migration in Kosovo for years, which is limiting the maximum use of business capacities, and there is uncertainty about a possible increase in migration.

Macro-economic forecasts for 2024 are optimistic, while real annual economic development is expected to be around 4%.

The risk management process at the bank level includes the management of loans/credit, operations, market, liquidity, IT systems, investment and other risks to which the Bank may be exposed at any time. In order to achieve the strategic goals, annual strategy documents have been drawn up and policies have been adapted for each specific risk in order to maintain key risk indicators, to be controlled and monitored on a regular basis, always based on the available capital of the Bank.

The Bank is exposed to loan/credit risk, which is among the material risks and has an impact on the Bank's overall performance. On the other hand, the Bank has limited exposure to the capital markets through the treasury, while the largest concentration, about 72% of the total assets, is held by the diversified credit portfolio in three segments.

In order to ensure continuity in business, the risks from credit exposures must be identified, then their impact must be assessed and finally, mechanisms must be created for their management and monitoring to reduce their impact to an acceptable level in relation to the Bank's capital. The bank also takes into account the concentration of credit risk, based on the diversification of the credit/loan portfolio across industries and different risk profiles that may come as a result of macro-economic changes or external factors. As a result of the loan policies approved by the Bank, the maximum loan limit for a client or related group of clients is always kept below the regulator's limits, thus reducing the risk of loan concentration. Such limits are pre-approved by the Board of Directors and are regularly monitored and reported to the Risk Management Committee. On the other hand, in order to be more competitive with the market and to benefit from a more stable customer structure, the Bank has launched various campaigns during the year, with more favourable conditions.

Diversification of the credit/loan portfolio continues among enterprises and individual clients. The bank also supports the growth of the financial leasing segment by offering support for new leasing products (real estate leasing). Significant support in the financing of projects has also been given to business enterprises. The bank has used the possibility of transferring the credit risk to third parties, using this year also the possibility of financing through the Kosovo Credit Guarantee Fund.

The level of non-performing loans is a very important indicator, expressing the ratio of non-performing loans to total loan exposures. Management of non-performing loans in December 2022 was 2.81 percent, while in December 2023 it was 2.37 percent. This performance trend was stable considering the effects caused by inflation at the country level.

CREDIT RISK MANAGEMENT

Financial institutions are generally exposed to various risks, one of the most important of which is credit risk, due to the fact that more than 70 percent of the bank's total assets are the loan portfolio divided into segments.

Credit risk management for financial institutions is critical for the financial security and stability of the institution, and for this reason the Bank has and continues to have a special focus on the most careful and professional continuous evaluation of the loan portfolio.

One of the most important and main steps that the Bank has taken is the diversification of the loan portfolio by taking as a basis and focusing on different activities and client profiles. As a result of the loan/credit policies approved by the Bank, the maximum loan limit for a client or related group of clients is always kept below the regulator's limits, thus reducing the risk of concentration of exposures in certain clients. Such limits are pre-approved by the Board of Directors and are regularly monitored and reported to the Risk Management Committee.

Likewise, during the past year, special attention has been given to continuous training and meetings to develop and improve analytical skills in identifying critical loan risk factors. The bank will continue to have the same approach this year in terms of updating staff knowledge, which will have an impact on better performance in managing the loan portfolio and protecting the stability of our Bank.

One of the key successes of this year is the reduction of non-performing loans from 2.8 percent (December 2022) to 2.4 percent (December 2023). This result was followed by the implementation of strategies and the use of in-depth analysis for the identification and efficient treatment of high-risk loans. This improvement serves as evidence of the Bank's commitment to the goal of reducing loan risk and ensuring the stability of the loan portfolio.

Loan/credit risk management in the Bank is essential for the Bank's financial stability and reputation. By continuing to focus on improving processes and using innovative techniques, we aim to maintain our secure position in the market and protect the interests of our clients and shareholders.

OPERATIONAL RISK

In order to establish an effective risk assessment system at all levels of the Bank, operational risk categorizes all risk events such as risk from people, processes, systems, external events. All risk events may entail a degree of reputational risk, which is not part of the definition, but is nevertheless an important risk for the Bank. The bank aims to reduce the reputational risk by efficiently managing its other types of risk, through continuous treatment of employees, investments in technology, adequate design of processes and other controls. The bank determines the level of risk by combining the financial impact and the probability/likelihood of an event occurring.

The assessment process and the entire operational risk management framework are closely linked to the Bank's risk tolerance. Continuously reviewing the organization's ability to manage the risk it faces, addressing all relevant risks and having a framework for responding to risks are crucial to a successful risk management strategy.

LIQUIDITY RISK

Liquidity risk occurs when there are not enough funds to meet funding requirements in a timely manner and can also occur when open positions cannot be closed in time at appropriate prices. On the other hand, as part of the market risk, it appears when an asset of the Bank may lose value due to the change in the interest rate. Regarding liquidity, during the first and second part of 2023, the banking sector has been stressed for the first time in a decade with withdrawal of deposits due to business and individual uncertainty, while the sector has recovered well during the third quarter of 2023, where the deposit base has increased significantly as a result of the attractive interest rates offered for term deposit accounts.

In order to manage the gap in terms of interest rate movements, the variable interest rate product has been implemented. The Liquidity Coverage Ratio continues to be at high levels, keeping the liquidity coverage ratio significantly above the legal requirement. The bank is sufficiently liquid and has the ability to meet current and future obligations on time. During the entire period, the limits set by the regulator were maintained, as well as the key liquidity indicators were monitored on a regular basis, which give positive signals for Bank stability.

MARKET RISK

Market risk is the risk that comes from losses from positions inside and outside the Bank's balance sheet resulting from movements in market conditions such as changes in interest rates and exchange rates. Euribor interest rates have increased significantly during the year 2023.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The bank has implemented the document which, as a concept, aims to identify, evaluate and manage all risks according to the Basel standards for capital adequacy. This standardized internal assessment process is important for planning the minimum capital requirements to which the Bank is exposed or may be exposed in order to continue with regular business operations. The individual risks derived from the model or strategy during the duration of the business plan, the concentration of the loan portfolio, the availability of collateral, operational and IT systems risk, liquidity, interest rate risk, determine the need for capital planning for these risks.

IT RISK

As digital processes become increasingly prevalent, IT risks have become a routine occurrence for many institutions. It's crucial to manage these risks effectively to prevent them from escalating into incidents that can cause substantial financial and reputational harm. To mitigate these risks, the Bank has prioritized investment in robust cybersecurity measures. Additionally, ensuring that employees receive adequate training to identify and thwart potential threats is essential. This proactive approach helps safeguard against potential vulnerabilities and strengthens the Bank's overall security posture.

IT Risk Management within the Bank is assessed on a regular basis by the Risk Management Department, as an independent function of the IT Department. The assessment of regular risks assessed and related to IT systems is divided into the following categories: Risk of changes, risk of continuity and availability, risk of data integrity, risk of contracting third parties and security risk.

In the framework of dealing with the risk of continuity and availability, the Bank has drawn up a business continuity plan which is reviewed and simulated on an annual basis as well as ad-hoc in the premises of Data Recovery Centre.

OPERATIONS AND PAYMENTS

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 the improvement of the Bank's processes and the fulfilment of local and international legal requirements.

With this, the Banka Ekonomike continues to be a competitor in the market, being oriented towards the further improvement of the infrastructure of services to our clients.

Banka Ekonomike has implemented various projects that contribute to increasing the efficiency of payment services.

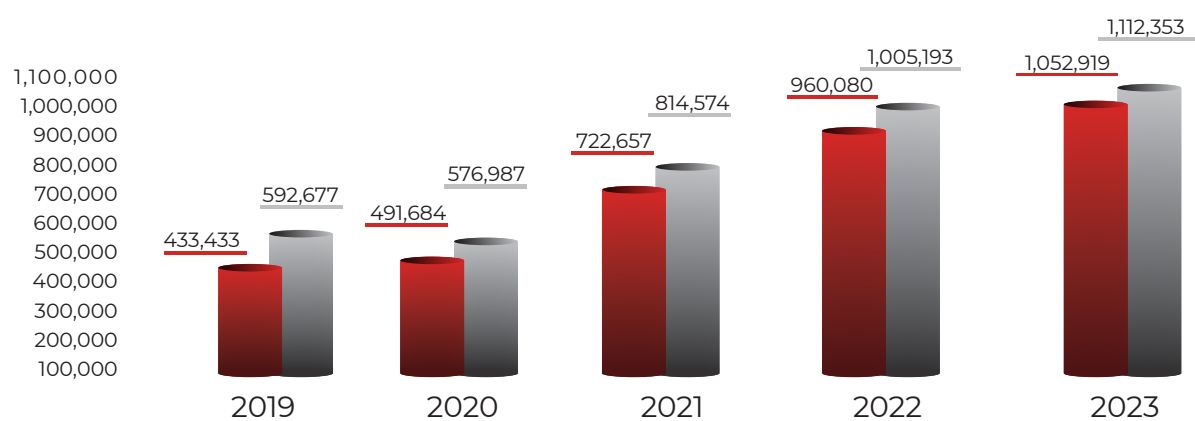
NATIONAL TRANSFERS

The total value of incoming and outgoing transfers, from 1.96 billion in 2022, has increased to 2.17 billion in 2023, which is an increase of about 10 percent, while during 2023 the national outgoing transfers made in branches had a 5 percent increase in amount and 3 percent increase in number compared to the previous year. Within the framework of our Bank's strategy for further advancement of process automation and the use of alternative channels, the usability of the E-Banking platform has increased by 22 percent in number and 16 percent in value.

Prizren's Castle - Prizren

National Money Transfers **Incoming** and **Outgoing****FIGURA 13.** National, incoming and outgoing transfers;

All figures are in '000 EUR



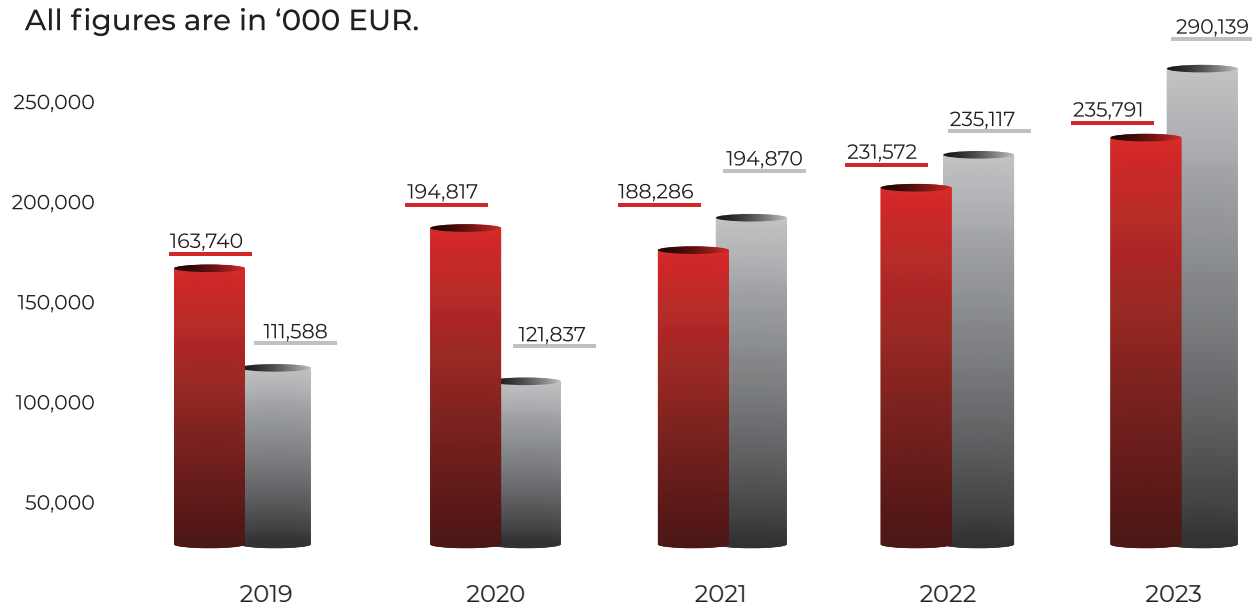
INTERNATIONAL MONEY TRANSFERS

International transfers in 2023 have increased compared to the previous year. The total value of incoming and outgoing transfers has increased by about 14 percent, from 467 million in 2022 to 526 million in 2023, as presented in the table below. The usability of the E-Banking platform in terms of international payments has increased by 23% in number and 46% in value compared to 2022, where 46% of all outgoing international transfers were made through E-Banking during 2023.

International Money Transfers **Incoming** and **outgoing**

FIGURA 14. International incoming and outgoing transfers;

All figures are in '000 EUR.



INTERNATIONAL GUARANTEES AND LETTERS OF CREDIT

International guarantees and letters of credit in 2023, compared to the previous year, have decreased. If we take the total amount of guarantees this year, we have a reduction of about 48% compared to last year.



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

All figures are in '000 EUR.

BANK CARDS

Banka Ekonomike continues to play a key role in the sector of financial services, offering a wide range of debit and credit cards to our clients at home and abroad. Compared to last year, the number of Mastercard and Visa brand debit cards compared to last year has increased by 9 percent, reaching a total of over 96 thousand cards. This is a clear indication of increased client confidence in our products and the increased need for secure means of payment.

A similar trend can be seen in credit cards, showing an increase of 8 percent compared to last year.

At the same time, we must also emphasize the increase in the number of local debit cards. We have a total of over 21 thousand local debit cards, marking an increase of 7 percent compared to last year. This growth indicates a continuous increase in client needs for our services in the domestic market.

These positive increases in the number of debit and credit cards, as well as in local debit cards, is a clear sign of the success of our strategy to offer innovative and appropriate solutions to our customers' needs.

Banka Ekonomike	2019	2020	2021	2022	2023
Debit card	54,145	72,966	75,134	87,090	96,135
Credit card	5,350	6,863	7,452	7,657	8,301
Local card		8,040	17,466	20,024	21,463

INFORMATION TECHNOLOGY

In 2023, the Department of Information Technology remained steadfast in its pursuit of key objectives, centred on enhancing security, reliability, and delivering innovative products/services. The primary IT strategy prioritized these areas to establish a resilient and secure infrastructure capable of meeting the demands of both the Bank and our clients.

Our team achieved notable advancements in disaster recovery, notably enhancing availability. Investments were made in cutting-edge network equipment to bolster the security and accessibility of our technology infrastructure. Furthermore, our expanded utilization of Office 365 Cloud services marked significant progress, fostering improved work organization and ensuring uninterrupted business operations.

Another important aspect has been the replacement of many old low-performance computers with newer and faster versions, ensuring a more efficient infrastructure ready to meet the challenges of this time period.

In addition, we have experienced new developments in our system, bringing us to a more stable and digitized environment, which is in line with market demands. These changes have been positively evaluated by the Bank's clients and are a proof of our commitment to provide a better experience for them.

Also, we have continued to invest in innovation, implementing innovative POS devices in the market and adding new services to our e-banking platform. The implementation of the toll-free number for our Call Centre has improved customer service and increased our efficiency in communicating with them.

Among other things, from the aspect of information security, our main objective is to ensure the security and protection of the information of our clients and employees, and we are proud to say that we have made great strides towards this goal.

To guarantee the protection of data and our systems, the Information Security Department has undertaken a series of measures and permanent implementations.

Initially, we invested in training and awareness for our staff regarding information security risk and security practices. This has included educating them on identifying and preventing potential risks, as well as their role in data protection.

Then we performed a detailed risk analysis to identify the weak and potentially dangerous points in our infrastructure. As a result, we have taken actions to address these risks and improve our overall security.

Implementing various information security software is also an important focus for us. We use specialized software to detect threats, monitor network activity, and protect sensitive data. This has allowed us to quickly identify potential incidents and intervene effectively.

With regard to controls, we have established a clear information security control structure to ensure the implementation of established policies and procedures. Through periodic inspection and evaluation, we monitor the implementation of these controls to ensure that our systems comply with security standards and expectations.

An important aspect of improving information security is the use of CIS (Centre for Internet Security) based security models. These models provide us with specific and tested guidelines to improve our security through system and application configurations.

Finally, to strengthen our protection, we are in the process of implementing ISO 27001 standards for information security management. This includes a structured and documented approach to managing risks, using a risk-based approach to identify and address potential risks.

In conclusion, our commitment to improving information security is unwavering. Through staff training, risk analysis, implementation of specialized software, regular checks and implementation of recognized international standards, we continue to build a secure and reliable environment for our data.

PERSONNEL MANAGEMENT AND TRAINING

Given the importance of the staff, as the main resource for achieving the goals of Banka Ekonomike, we are focused on recruiting the most suitable profiles for the respective positions, but always offering them development opportunities within the institution.

With the main focus on maximizing profit and creating a work environment as a competitive environment in the jobseeker market, we have ensured that during 2023, in addition to filling new positions with new employees, we will also take care of current employees by offering training from different areas but also by organizing different recreational events in order to have the most attractive environment for our team, thus reaching 423 total number of employees.

As every year, also in 2023, Banka Ekonomike has distributed acknowledgments to employees with 10 and 20 years of work experience at Banka Ekonomike, which confirms once again that Banka Ekonomike continues to be an attractive employer with an organizational culture and a good working environment.

It is worth noting that the Banka Ekonomike, in cooperation with a large number of universities, has continued to offer opportunities to students in the last years of their studies or recent graduates from the faculty to do practical work during 2023 by engaging them in various projects within the Bank. During the year 2023, this opportunity has been offered to about 45 students/graduates mainly in the field of study economy and administration as well as information technology. From this student program, more than 20 students of different profiles have continued their careers with our Bank.

As an integrated part of our workforce strategy, training and development within Banka Ekonomike plays a key role in building skills and competencies for the future.

As in previous years, this year too we are committed to the professional development of all employees in various relevant fields.

In general, our employees have continuously attended training activities throughout the year.

We are highly committed to human capital and teamwork to respond to ever-changing circumstances and evolving customer behaviour and demands.



Old City Square - Pejë

During this year, we continued our commitment to training all employees with a special focus on cultural and ethical work orientation, equipping them with technical skills and through soft skills, refreshing knowledge about the bank's policies and procedures, as well as all training required by the regulator.

Among other things, during 2023 we continued to improve our leadership through the training of a group of department managers who attended training at the most advanced level from credible world institutions such as Harvard, Oxford, Cambridge, MIT, who will support the digital transformation of banking processes as an ongoing part of the strategy as well as helping employees on their career path step by step.

We have continued to be dedicated to the consolidation of our leaders and successors within the institution, who through training have been able to promote a real leadership model in the development and management of teams.

GENERAL COMPLIANCE

The Compliance Department, in the exercise of its functions and responsibilities, has continuously taken care of the harmonization of the internal acts and processes of the institution in accordance with the primary and secondary legislation as well as international practices, with the aim of creating a work environment as healthy as possible and proactive.

Based on the functions of the Compliance Department, special importance, among others, has been devoted to the function of managing the Bank's internal documents, which reflects the provision of banking processes, regulatory and legal requirements, as well as the responsibilities of responsible parties.

Moreover, as a primary priority and attention has been given to the training of the Bank's staff in the field of compliance, in which case the training for all staff has been digitized, in order to inform and raise their awareness regarding legal and regulatory requirements, the activities of compliance, ways of communication, with special emphasis: avoidance/evading of conflict of interest; confidentiality and storage of personal data; fraud prevention as well as the importance or role of the informer/whistle-blower in the Bank.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility has been a key element in representing and promoting the values of Banka Ekonomike and is central to our mission to positively impact the community and environment around us.

In 2023, the Banka Ekonomike has been committed to supporting social projects throughout the country. We have invested in over 50 different projects, in fields such as: education, health, sports and culture. In addition to the financial contribution, we also offered our expertise in project management and long-term strategies to ensure their success in achieving their common goals. Our commitment to supporting social projects is a task that we take very seriously and we have the clear intention to continue this commitment in the future. We believe that by being a reliable partner of society and being responsible actors in improving the lives of citizens, we can build a better society and a more sustainable environment for everyone.

In the following we will present in detail the social projects we have supported during year 2023 and the positive impact they have had on society and the environment, aiming to demonstrate our efforts to make a positive difference and build a better future for all.



Luboten's Mountains - Sharr

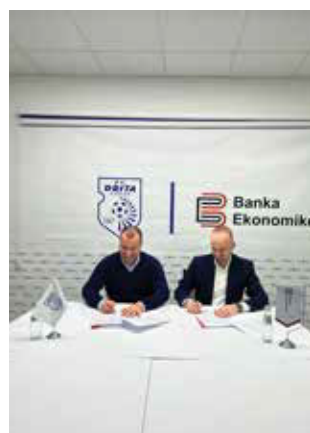
SUPPORT FOR SPORTS

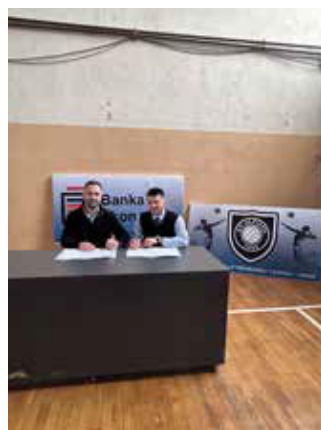
In 2023, Banka Ekonomike continued to commit to sports, showing a continuous commitment to progress the local community and to influence the improvement of the quality of life of citizens. In line with this goal, the Bank has invested in a large number of sports clubs throughout Kosovo.

During the year 2023, Banka Ekonomike has sponsored and supported 46 sports clubs in various sports fields, including football, handball, volleyball, tennis, and many other sports. This commitment has served as an investment in the future of sports in the country, providing suitable conditions for the development of sports talents and increasing awareness of the importance of physical activity in the lives of citizens.

Through this dedicated support, Banka Ekonomike has helped raise the level of competition and performance in local sports fields, creating a stronger and more developed environment for athletes and their fans.

Seeing the need for support of clubs in order to create the best conditions for work, we have continued with the support of 46 clubs throughout Kosovo, such as: KB Rahoveci, KH Rahoveci, KB Vellaznimi, KFC Vellaznimi, FC Malisheva, KF Gjakova, Handball Club, Vushtrri - Women, Handball





Club Vushtrri - Men, KF Trepça 89, KB Trepça, Handball Club Trepça-M, KPP League of Prizren, KB Bashkimi, Karate Club - Eagle Karate, KBF Bashkimi (women) , Sharri Chess Club, KF Kosovari, KF Drenasi, Kv Feronikeli, K.F. Llapi 1932 Sh.p.k, KV Ulpiana, KF Flamurtari, 2 July, FC KEK, KF Shkëndija Hajvali, Skiing, KV Prishtina Elite, TOP Football, Kosovo Golf Federation, Kosovo Tennis Federation, Prishtina Women's Volleyball Club, Club of M-technology Volleyball, Dardania Athletics Club, Holiness and Archery Club, Hajvali Tennis, Hapkido Tiger Taekwondo Academy, FC Ferizaj, KVF Volleyball Club, Ferizaj Handball Club, KF Lepenci, KB ISTOGU, KB Peja, KVF Drita, FC Drita SHPK, SC Gjilani, FENIKS Kamenice Volleyball Club.

Our commitment to sports expresses the values of the Banka Ekonomike in support of community development and the promotion of a healthy lifestyle. Through this continuous effort, we aim to create a better environment for all citizens and set a high standard of our social and cultural contribution in Kosovo.

BANKA EKONOMIKE WITH A NEW BRANCH IN “PRISHTINA MALL”

Known as a bank with 100% local capital, loyal to all customers for 23 years in a row, standing by quality and safe principles, Banka Ekonomike has opened a new branch in “Prishtina Mall”, a new location but with goals the same.

Banka Ekonomike continues to demonstrate its commitment to economic and financial development in all parts of Kosovo.





INTERNATIONAL MONEY WEEK

Banka Ekonomike has marked the International Money Week with several activities and lectures dedicated to children. The children of the “Third Millennium” elementary school visited the Banka Ekonomike, who were closely acquainted with the Bank's facilities, work processes, and learned more about the importance of saving. Also, the Banka Ekonomike has visited the children of the “Magic Garden”, teaching the children about the importance of saving from an early age. We're helping to build a culture of financial wellness that will help dramatically improve our financial lives in the future.

Banka Ekonomike will continue to be engaged in supporting financial education and personal finance awareness for all.

DONATION OF THE DEVICE FOR DETECTING COUNTERFEIT MONEY TO THE LOCAL PUBLIC ENTERPRISE “PRISHTINA PARKING”

Banka Ekonomike donated equipment for the detection of counterfeit money to the Local Public Enterprise “Prishtina Parking”.



Social Responsibility is one of the key values of Banka Ekonomike. We are an active supporter of processes that facilitate and improve the functioning of services that benefit the public, and in this regard, we have decided to donate counterfeit money detection equipment to the Local Public Enterprise “Prishtina Parking”.

BANKA EKONOMIKE IS APPRECIATED BY VISA

Banka Ekonomike is appreciated by VISA for launching the first Visa Platinum metal card in Kosovo, a card which offers special advantages and privileges.

This appreciation comes as a result of the continuous commitment of the Bank paying special attention to technological developments, making an important step in the card market in Kosovo to offer new and innovative choices to our clients.

Through this donation, the Banka Ekonomike will contribute and help in identifying counterfeit money, in order to eliminate counterfeit money from circulation, which affects the protection of our citizens.



COOPERATION AGREEMENT BETWEEN BANKA EKONOMIKE AND THE KOSOVAR CREDIT GUARANTEE FUND

Banka Ekonomike and the Kosovo Credit Guarantee Fund formalized the cooperation through the signing of agreements for the two new financial windows "Women in Business Window" and "StartUP Window".

Based on this important event for the development of the country's economy, Shpend Luzha, Chief Executive Officer of the Banka Ekonomike, emphasized: "It is a pleasure to announce that Banka Ekonomike has reached an agreement with the Kosovo Credit Guarantee Fund regarding the launch of the New Window for Women in Business and Start-up Businesses.

This agreement is a step towards supporting women in business and encouraging innovation and the development of start-up businesses. With this agreement, Banka Ekonomike will offer credit guarantees to new businesses and businesses that are founded or run by women, enabling them access to finance to help their growth and development.

Banka Ekonomike will continue to engage in supporting the community of small and medium-sized enterprises and promoting gender equality in the field of business”.



BANKA EKONOMIKE WAS PART OF THE GENERAL INTERNATIONAL FAIR "PRISHTINA 2023"

Banka Ekonomike was part of the General International Fair “Prishtina 2023”, organized by the Kosovo Chamber of Commerce and held in the shopping centre “Prishtina Mall”.

It is the largest economic fair in the country.

BANKA EKONOMIKE SIGNS COOPERATION AGREEMENT WITH MEISTER TRAINING CENTRE

Banka Ekonomike signed a cooperation agreement with Meister Training Centre for the financing of the study program.

Banka Ekonomike continues to support education and youth development in our country by signing a cooperation agreement with Meister Training Centre, for financing the training and employment program in the following programs:

- Electric installer;
- Installer of heating, air conditioning and water supply;
- Industrial robot operator-mechatronics technician/operator.

Consequently, Banka Ekonomike, through financing, encourages all those interested to join this program and benefit from easier access to the labour market.



BANKA EKONOMIKE SUPPORTS THE INFORMATION SECURITY CONFERENCE

For the second year in a row, Banka Ekonomike supports the Information Security Conference, organized by Bside Prishtina.

The two-day Information Security Conference was held for the second time in Kosovo as part of the Security Bside framework based in America, in order to gather cyber security enthusiasts to share knowledge through presentations and discussions. During the conference, in addition to presenters from Kosovo, there were also presenters from America, Bishop Fox, Microsoft, SpecterOps as well as Mandiant, etc.

Banka Ekonomike continues to attach special importance to information security due to the fact that every day banking is more and more extended to digital platforms, including the security of online data protection, therefore we will remain an active supporter in activities that contribute to the advancement of secure digitization.

COOPERATION AGREEMENT BETWEEN THE BANKA EKONOMIKE AND "HAXHI ZEKI"

The cooperation agreement between the Banka Ekonomike and "Haxhi Zeki" University is an important step towards providing practical work opportunities for university students. This arrangement aims to provide attractive opportunities for final year students or those who have recently completed their studies. Through its "Onboarding" program, Banka Ekonomike will offer students the opportunity to perform practical work at our institution. It is the objective of the Banka Ekonomike to adapt the practical work tasks to the field of study of "Haxhi Zeki" University, trying to maximize the practical experience of the students.

This cooperation represents an excellent opportunity for the students of "Haxhi Zeki" University to gain new knowledge and develop their practical skills in the field of finance and banking.

We hope that this agreement will continue to increase the good relations between the Bank and the University, contributing to the increase in the quality of education and employment of students.



BANKA EKONOMIKE SIGNS A COOPERATION AGREEMENT WITH KOSOVAR CREDIT GUARANTEE FUND (KCGF),

Banka Ekonomike signed a cooperation agreement with the Kosovo Credit Guarantee Fund (KCGF), the agreement called the “GROW Window”. Deputy Chief Executive Officer of Banka Ekonomike, Arijan Haxhibeqiri and the Managing Director of the KCGF, Besnik Berisha, have taken an important step with a clear goal, the support of investments in the field of renewable energy and energy efficiency in Kosovo. Arijan Haxhibeqiri emphasized that the Banka Ekonomike is committed to continue this successful path of cooperation with KCGF, offering advice and concrete opportunities for investments in renewable energy. In a call for further cooperation, Mr. Haxhibeqiri has shown the willingness of the Bank to help micro, small and medium enterprises in the understanding and the maximum benefit of investments in this field the field of finance and energy, while the Banka Ekonomike will continue to be an active partner in the sustainable development of businesses in Kosovo. The managing director of the Kosovo Credit Guarantee Fund, Besnik Berisha, on this occasion emphasized: we have continuous cooperation with Banka Ekonomike, and today we are pleased to sign the agreement for the GROW window. This event is a further expansion of this cooperation and will help both institutions in achieving sustainability objectives. The GROW window (Window of Recovery and Green Opportunities) will facilitate access to finance and support the development of businesses investing in the field of renewable energy and energy efficiency. The GROW window will support the economy of Kosovo through increased green investments, thanks to the capital of six (6) million euros donated by the German Development Bank (KfW), technical assistance from the Millennium Challenge Corporation (MCC) and the re-guarantee instrument from the International Development Finance Corporation (DFC), Banka Ekonomike Thinking of you.

BANKA EKONOMIKE WELCOMES CHILDREN OF THE PRESCHOOL INSTITUTION "PËLLUMBAT E PAQES"

The staff from the Banka Ekonomike, branch in Peja, has organized a special visit for the children of the preschool institution "Pëllumbat e Paqes".

During the visit, the children had the opportunity of financial education, raising awareness of how to take care of money, learn about the services the Bank offers, and develop their money management skills for a brighter future.

Banka Ekonomike is determined to contribute to the financial education of new generations and this activity is just one of the examples of our commitment. We are sure that this extraordinary experience will leave a great impact on the children of the " Pëllumbat e Paqes " preschool, helping them learn the importance of money management and build strong financial foundations for their future.



HIKING WITH STAFF IN BLINAJA NATIONAL PARK

Banka Ekonomike organized a wonderful hiking/alpinism experience for the Bank's staff in the National Park of Blinaja, with the guides of the Prishtina Alpine Club, whom we thank for making this activity safer and more enjoyable.

This experience gave us the opportunity to leave the daily routine of the office and recreate our connection with nature and the outdoor environment. We have experienced the beauty of untouched nature and been inspired by its power and the change it brings to mind and body. We believe it is our duty to protect and cultivate nature for future generations.

This trip was an extraordinary experience that we will keep in our memory for a long time and will bring us new energy and motivation to face future challenges.

INTERNATIONAL CHILDREN'S DAY

On the occasion of International Children's Day, June 1, Banka Ekonomike offered fun and educational activities for the children of our city.

Our activity included the presence of animated mascots. The mascots were there to create a joyful and fun atmosphere that conveyed a sense of magic and brought smiles to the children's faces along with face painting as their favourite images. A series of different educational games were also organized, where children had the opportunity to learn and have fun at the same time. The activity also included dance sessions for children, where they expressed their creativity.

The organization of this activity shows our commitment to the community, as one of the main values of the Banka Ekonomike.



BANKA EKONOMIKE OPENS A NEW BRANCH IN THE PEJTON NEIGHBOURHOOD!

Banka Ekonomike has opened a new branch in the centre of Pristina, in the Pejton neighbourhood, str. "Robert Doll", with a modern design and suitable environment. The new branch is equipped with advanced technology to provide quality and safe services to all our clients.

We are determined to contribute to the economic development of the country and provide innovative financial solutions for the needs of businesses and individuals in our community.

At our new branch you will find a dedicated team of banking professionals who are ready to support your plans and ensure you achieve your financial goals.



BANKA EKONOMIKE DONATES A NEW CAR TO THE ORGANIZATION “JETIMAT E BALLKANIT”

Banka Ekonomike continues its commitment to its values of social responsibility and solidarity, by donating a new car to the humanitarian organization “Jetimat e Ballkanit”. The donated car will serve as a means of transportation for the team of the “Jetimat e Ballkanit” organization, to help them be as close and as efficient as possible in distributing aid to those who need more care and love. The organization “Jetimat e Ballkanit” has an important and admirable humanitarian mission, which contributes to improving the well-being of our community. Banka Ekonomike will continue to show the necessary care for the social categories, aiming to further increase the awareness of our society for the categories that need constant institutional care.



BANKA EKONOMIKE, GENERAL SPONSOR OF THE INTERNATIONAL FESTIVAL “PRIZREN FEST”

Banka Ekonomike has signed a sponsorship agreement with the international outdoor theatre festival “Prizren Fest”. The festival will bring together actors, directors, and theatre art enthusiasts.

This sponsorship deal marks our commitment to developing culture and art in our country, and we are happy to be able to create opportunities for the public to experience the wonderful theatrical performances of this festival. In this edition of the international festival, which will be held from July 22 to 28, numerous theatre performances will be offered from various participating countries, such as: Kosovo, Albania, Montenegro, Czech Republic, Bulgaria, Ukraine, Italy, Slovakia, Greece and North Macedonia. But, apart from these performances, the festival will also promote the cultural heritage and the many monuments of Prizren. At the signing ceremony of the agreement, Deputy Chief Hamide Pacolli Gashi emphasized: “Social responsibility is one of the main values of the Banka Ekonomike. We are proud to be part of “Prizren Fest” and we hope that this collaboration will bring excitement, inspiration and extraordinary experiences to all those who will participate. We invite you to join us on this wonderful journey of theatre art and explore the cultural wealth of Prizren”. Meanwhile, the general director of the festival, Shkelzen Vaseli, continued by saying: “As the director of the festival, I am joyful and pleased that in an international theatre festival we already have a partnership with a valuable local bank such as Banka Ekonomike. I wish that this cooperation will be just the beginning and let's continue over the years to achieve more successes together”.



BANKA EKONOMIKE RELOCATES THE BRANCH IN ISTOG!

Banka Ekonomike is committed to being by your side, where you are and when you need it. In this spirit, we are proud to announce that our branch in Istog has relocated to a new and more convenient address! This step is another proof of our commitment to improve and expand our services for you. We welcome you to our new branch at "Fadil Ferati" street, no. 26, where we have brought a new and modern environment to meet every banking need you have. Our team is ready and excited to welcome you to our new space.



BANKA EKONOMIKE RELOCATES THE BRANCH IN FUSHË KOSOVA

In line with our strategy to advance the banking infrastructure and meet the needs of our clients, we are pleased to announce that our branch in Fushë Kosova has now moved to a new address. The new sub-branch is located on "Mother Teresa" street, no. 149, Fushë Kosova. This shift is an essential step towards providing more efficient services and investment continues to be a priority to ensure we are as close as possible to our clients everywhere.



BANKA EKONOMIKE WAS A PARTICIPANT IN THE “KOSOVO JOB INTERNSHIP FAIR” IN COOPERATION WITH THE EBRD

The fair was held on November 14, 2023 at the Swiss Diamond Hotel. We were there to tell you about the application details, specialized training and career development opportunities that will help you understand how to walk the path to success.

We are dedicated to the development of young talents and to offer you opportunities to develop their knowledge and skills in a professional environment. We are happy to have this opportunity to find new talent and help build a strong network of interns for the future.



BANKA EKONOMIKE SUPPORTS FOR THIRD YEAR IN A ROW THE ACTIVITY OF LAUNCHING SUPERHEROES ZIPLINE EVENT

For the third year in a row, we are proud to support the exciting superhero zipline event at the Children's Hospital. This initiative, organized by the Alpin Club Pristina and Care for Kosovo Kids, has a tremendous impact not only on the children in the hematology-oncology ward, but also on raising awareness in society about the challenges these children face. It is an opportunity to show how solidarity and care can bring about big changes.

The Chief Executive Officer, Shpend Luzha, on behalf of the Banka Ekonomike, thanked the organizers and emphasized: "Within the priorities for social responsibility, the Bank has again donated to the organization Care for Kosovo Kids, which will be used for the purchase of medicines and necessary equipment for the Pediatric Clinic.

Banka Ekonomike considers it important not only to provide financial support, but also to bring joy to the lives of children who are in the hospital. For this reason, we donated gift packages to the children, which were distributed during the parade of superheroes in the clinic", emphasized Mr. Luzha.



BANKA EKONOMIKE SUPPORTS THE INFORMATION SECURITY CONFERENCE

Banka Ekonomike, for the second year in a row, supports the Information Security Conference, organized by Bside Prishtina. The two-day information security conference was held for the second time in Kosovo as part of the Security Bside framework based in America, in order to gather cyber security enthusiasts to share knowledge through presentations and discussions. During the conference, in addition to presenters from Kosovo, there were also presenters from America, Bishop Fox, Microsoft, SpecterOps as well as Mandiant, etc. Banka Ekonomike continues to attach special importance to the security of information due to the fact that every day banking is more and more extended to digital platforms, including the security of online data protection, therefore we will remain an active supporter in activities that contribute to the advancement of secure digitization.

INSURANCE COMPANY “SIGURIA”







Fitim Rexhepaj

Chief Operations Officer



Lumbardh Kusari

Vice Chief Operations Officer

MESSAGE FROM THE EXECUTIVE MANAGEMENT

Reflecting on the achievements of the past year, I express my gratitude for the collaborative efforts, dedication and support of the parent company, the board of directors and all employees. This report serves as a testament to our commitment to service improvement and innovation in the insurance industry.

Financial performance: KS "Siguria" gave a good financial performance in 2023, achieving a profit of 744 thousand euros. This result highlights the financial stability and strategic management of the company. Additionally, the company maintained a positive cash flow throughout the year, indicating good financial health and effective cash management practices.

Operational efficiency: An important point was reached with a 20 percent increase in premium sales, showing the effectiveness of KS "Siguria" sales and marketing strategies. The successful restructuring of operations, including the delegation of functions such as HR, IT, ISO, and Marketing, has led to improved efficiency and the modernization of processes throughout the organization. This operational agility puts KS "Siguria" in a position for continued growth and innovation.

Risk management and compliance: Compliance with regulatory requirements by SC "Security" remained strong, with capital ratios exceeding the regulatory threshold. The consolidation of risk



Prevalla's Fall - Prizren

and compliance functions has increased oversight and governance, ensuring that the company operates within regulatory frameworks. These measures not only mitigate risks but also strengthen trust between stakeholders.

Market growth and strategy: Despite market challenges, KS “Siguria” increased its market share from 7.3 percent to 7.9 percent through proactive underwriting strategies, marketing and comprehensive staff training initiatives. The introduction of new reinsurance contracts has contributed to this growth trajectory, positioning KS “Siguria” as a safe player in the insurance industry.

Future outlook: On the way forward, KS “Siguria” anticipates a year of steady growth, with a projected 15 percent increase in sales. To stay competitive in an ever-evolving market, the company aims to embark on a digital transformation journey, leveraging technology to enhance operational efficiency and customer experience. This forward-looking method underlines the commitment of KS “Siguria” to innovation and adaptability.

In conclusion, I express my heartfelt gratitude to the parent company, board of directors and employees of KS “Siguria” for their unwavering support and dedication throughout the transformational journey of 2023. Your collaborative efforts and commitment to excellence have been instrumental in achieving positive results and the positioning of KS “Siguria” for future success. As we embark on the road ahead, let us remain steadfast in our pursuit of innovation, growth and sustainable value creation, ensuring that KS “Siguria” continues to thrive in the dynamic landscape of the insurance industry.

STATEMENT OF FINANCIAL POSITION

ON DECEMBER 31, 2023

ASSETS	2023 EUR '000	2022 EUR '000
Cash and cash equivalents	469	393
Deposits	9,914	11,264
Investments in securities	5,084	1,959
Insurance receivables	1,538	1,304
Deferred acquisition costs	532	469
Property, equipment and the right to use the property	3,462	3,421
Investment property	895	895
Reinsurer's share of technical provisions obligations	963	1,457
Other assets	1,351	1,227
TOTAL ASSETS	24,208	22,389

EQUITY AND LIABILITIES

EQUITY	2023 EUR '000	2022 EUR '000
Share capital	19,503	18,203
Revaluation reserve	534	534
Accumulated losses	-13,604	-14,349
TOTAL EQUITY	6,433	4,388

LIABILITIES	2023 EUR '000	2022 EUR '000
Liabilities of technical provisions	11,221	11,065
Provision for unearned premiums	5,168	4,835
Income tax liability	54	-
Lease liabilities	445	211
Insurance liabilities and other obligations	887	1,890
TOTAL LIABILITIES	17,775	18,001
TOTAL EQUITY AND LIABILITIES	24,208	22,389

These financial statements were approved by the Company's Management on April 4, 2024 and were signed on behalf of:

Mr. Fitim Rexhepaj
General Director

Mr. Adhurim Kastrati
Financial Director

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 EUR '000	2022 EUR '000
Gross written premiums	11,018	9,246
Minus: Premiums carried over to reinsurers	-813	-2,649
NET WRITTEN PREMIUMS	10,206	6,597
Gross change in provision for unearned premiums	9,914	11,264
Change in reinsurers' share of unearned premium reserve	5,084	1,959
NET PREMIUMS EARNED	9,961	6,037
Net financial income	229	145
Other income	420	732
TOTAL INCOME	10,610	6,915
PROFIT/(LOSS) BEFORE TAX	858	-2,998
Income tax	-114	-66
PROFIT/(LOSS) FOR YEAR	744	-3,064
Other comprehensive income	-	202
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	744	-2,862

PERFORMANCE OF KS SIGURIA

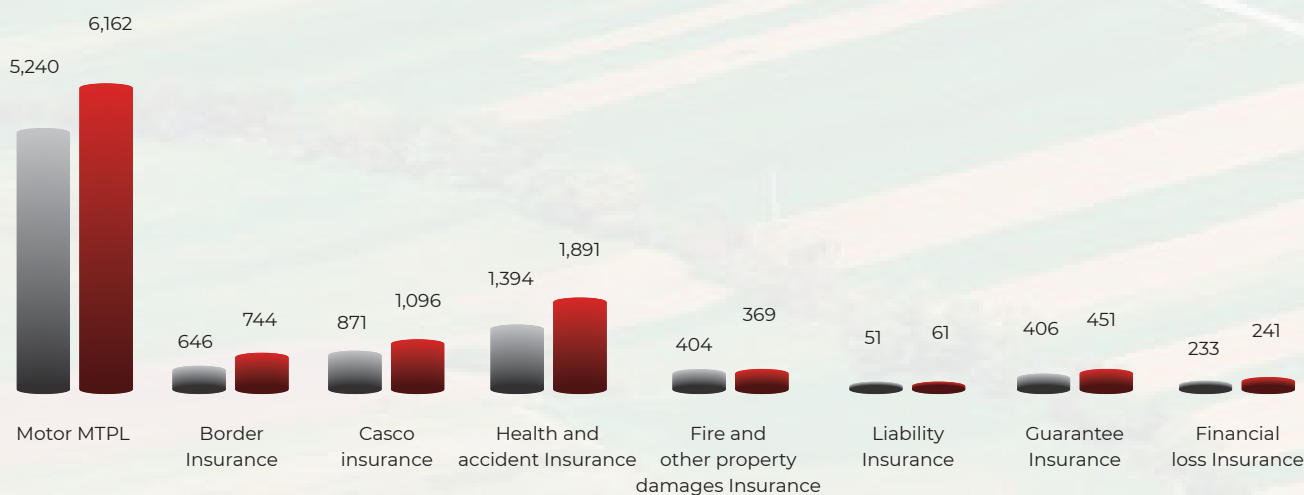
In line with the company's strategy and the importance of supporting businesses, which are main employers, the primary focus has been meeting their needs as main partners towards joint growth and development. In addition to our focus on businesses, physical persons remain a very important part of the support, and with the aim of the easiest access, the company has continued with the opening of new branches and at the same time modernization of existing branches in order to create an environment as more convenient for providing services. A substantial step that confirms our approach to quality service to clients is the integration of our services in the branches of the Banka Ekonomike, where clients will have the opportunity to be served with our products within these offices.

The increase in premiums throughout the year 2023 in relation to the previous year has continued with a significant increase in total premiums of 18 percent, while the market as a whole has increased by 9.5 percent. In order to continue and prove our commitment to the needs of our clients and care for their health, we have an increase of 30 percent in the health insurance product, while the market has an increase of 6.9 percent, this indicator which proves the quality service and the trust of the clients toward the company.

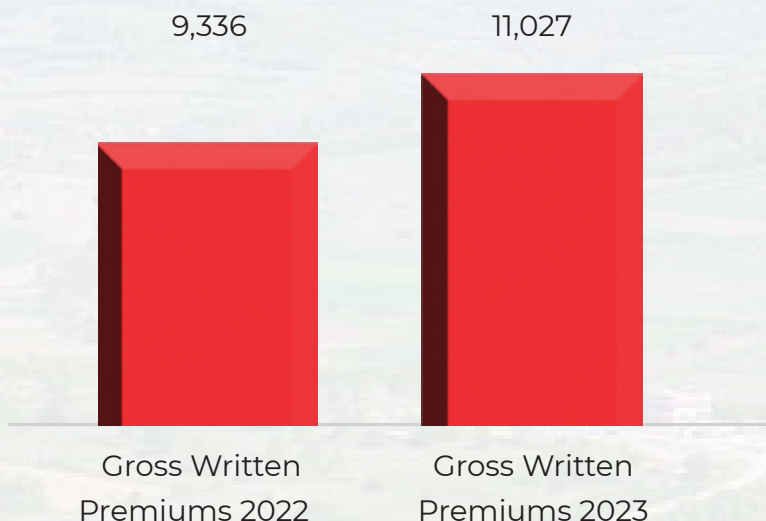
KS "SIGURIA", throughout the year 2023, in accordance with the strategy for business growth and presence in the market of the insurance industry, has launched a number of campaigns for health, property, cooperation with business partners, etc., while in the framework of social responsibility are organized various activities for the categories of persons with disabilities and cases in need.

Portfolio: During the year 2023, KS "SIGURIA" had a total of 41428 active clients in its portfolio, where 57 percent of them belong to the mandatory insurance portfolio and 43 percent to voluntary insurance.

The portfolio of KS "SIGURIA" is reinsured by reputable reinsurers, with financial stability and credibility in the reinsurer markets in Europe.

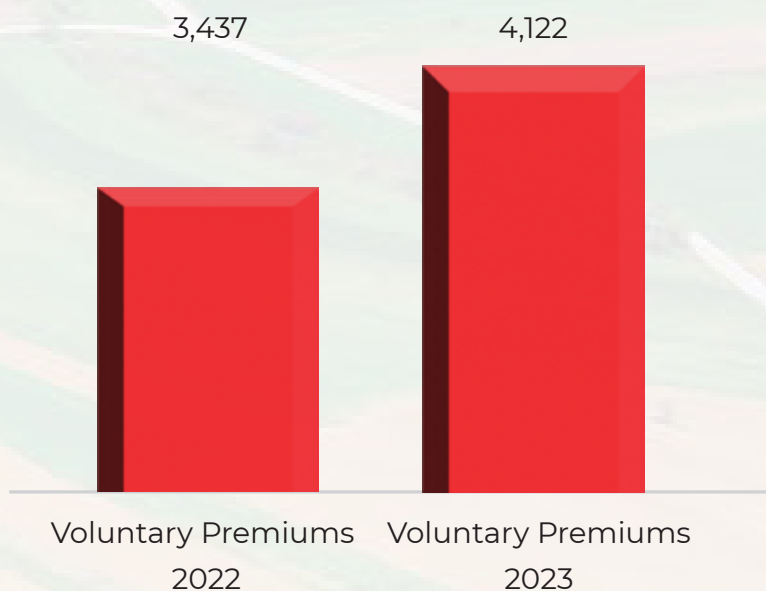


MARKET PARTICIPATION/SHARE: KS "SIGURIA" marked an increase in gross written premiums during 2023 for about 1.7 million euros, or 18 percent more compared to the previous year 2022. Referring to gross premiums written, SC "SIGURIA" has participation/share at the level of 7.9 percent in the insurance market for 2023.

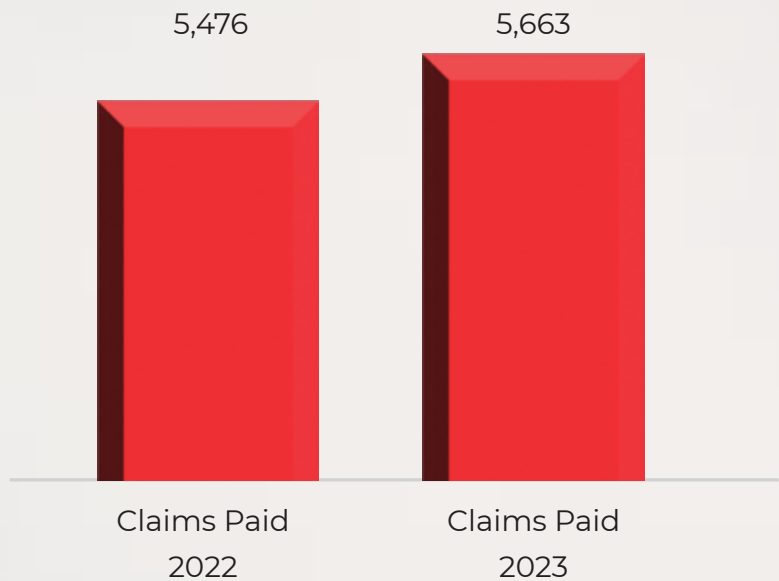


The increase in premiums throughout the year 2023 results mainly in MTPL motor premiums, with 18 percent realization more than the previous year 2022, while the increase in voluntary premiums with 18 percent more than the previous year 2022.

KS "SIGURIA" marked a trend of increasing market participation, where from 6.6 percent for 2022, the voluntary premiums for 2023 placed KS "SIGURIA" with a market share of 7.2 percent.



DAMAGES: KS "SIGURIA" continued the same trend in the fulfilment of compensation payments for the injured parties throughout the year 2023, or with a slight increase of 3 percent compared to the previous year 2022.



KS ‘SIGURIA’ continues to have a high share of paid claims at the level of 8 percent in the total insurance market for 2023.

SALES AND INSURANCE DEPARTMENT

Our company remains dedicated to a rapid transformation aiming to be an adaptive organization, with the primary goal of adding more value to our client by increasing the level of services and products and expanding the range of comprehensive digital offers, which will ultimately translate into a great experience for our clients. During 2023, we managed to make significant progress in this direction, while the improvement and digitization of our processes and services to be as competitive as possible remains one of our main drivers during the coming year.

The year 2023 for the Sales Department was a year full of achievements, thus marking the highest level of premiums since the establishment of the company. This positive result both in the volume of premiums and in the expansion of the client base comes as a result of the revitalization process and combined efforts to offer clients competitive services and products of a high quality. In line with this, we have paid special attention and importance to our clients, both individuals and businesses, through attractive offers, personalized services and fast processing of client requests.

Despite the challenges in the macroeconomic environment due to the significant increase in prices, the increase in premiums showed very positive trends in 2023, where compared to the previous year an increase of 18 percent was noted, this increase was observed in all products of insurance, reaffirming the position of KS “SIGURIA” in the reinsurance market and maintaining a

a satisfactory position of participation in the entire insurance market in Kosovo.

The crucial objective of the company remains the support of our clients to their needs, which will positively affect the development of the country. In addition to the products we offer, we remain committed to expanding the range, and at the same time investing in the digitalization of our services and products.

HEALTH AND ACCIDENT INSURANCE DEPARTMENT

Since health is primary, the company throughout the year 2023 has paid special attention to meeting client requirements, which arise from health insurance. In line with this and the company's strategy, in order to be as close as possible to clients, the health insurance campaign was launched throughout the year with three types of packages with preferential rates and adequate coverage. Undoubtedly, the entire focus in terms of meeting the needs of clients has been marked with an increase of 29.12 percent, which clearly proves the growing confidence of our clients. Furthermore, in order to increase the level of satisfaction of our clients, the company has continued with the expansion of cooperation with some of the private hospitals, this process will continue in the following years. We are strongly focused on bringing our products as high-quality and contemporary as possible, and in this context, during the previous year, projects were initiated for digitalization of services, where after the launch of these applications, clients will have the opportunity to receive our services online, saving their time.

DEPARTMENT OF PROPERTY INSURANCE AND GUARANTEES

The property and guarantees sector made an unwavering contribution to the premium increase throughout the year 2023. Taking into account the importance of businesses for the economy of Kosovo, in terms of generating employment and creating new values, KS "SIGURIA" took great care to provide this target group with the highest quality services in terms of their needs. In this context, in terms of saving their time, all businesses were offered the opportunity to perform services in the "One stop shop" strategy at the branches of Banka Ekonomike. Through this action, the company aims to increase the level of client satisfaction and at the same time increase the participation in the market level with the property product. This focused initiative proved to be successful as the effects were positive in the context of an increase in property insurance of 12.58 percent. In achieving these successes, campaigns throughout the year, which focused on meeting the needs of clients, played a special role.

CASCO INSURANCE DEPARTMENT

In the context of meeting the needs of clients and increasing competitiveness in the market, during the last year the company showed a strong focus on casco insurance. In cooperation with the Banka Ekonomike and business partners, a number of campaigns were launched, which showed significant results. With this approach, the company aimed to give another boost to economic activities by supporting clients in casco insurance. In order to achieve the strategic objectives in the company, human capacities and technological advancements were added to the Sales and Claims Department so that the services are efficient and the level of client satisfaction increases. All these activities during the year undoubtedly proved to be successful, where compared to the previous year, an increase of 23.51 percent was noted.

DEPARTMENT OF AUTO LIABILITY INSURANCE

Considering the importance of the auto liability product, it remains crucial to provide personalized and quality services for this product. In line with this, throughout the previous year, the company worked on expanding the sales network, thus offering clients access to the points closest to them for securing their motor vehicles. This approach of the company, at the same time, the commitment towards the recruitment of new individual and business clients was successful, where during the year there was an increase of 16.58 percent in relation to the growth at the market level, while participation at the market level of 8.32 percent in total.

CLAIMS DEPARTMENT

During the year 2023, the company has shown special care in fulfilling the compensation payments to the indemnified parties, relieving them from unexpected costs. In this regard, the primary focus has been the definition of responsibilities within the claims department and the increase of capacities in order to respond in time to client requests. This approach, at the end of the year, turned out to be very successful by meeting all the needs of clients, where compared to the previous year, about 40 percent more claims were paid in number, while 3.41 percent more in value. This undoubtedly shows our dedication to meeting client requirements.

In addition to the activities of the claims sector, the department has been very focused on the advancement of the technological infrastructure, which will help to increase the level of customer satisfaction and at the same time save their time in cases of handling claims.



Brezna's Lake - Opojë

MARKETING

The year 2023 has been an important period for the Marketing Department at KS "Siguria". During this year, we assisted in the consolidation and overhaul (reshaping) of the marketing department, ensuring that all marketing strategies and activities meet the highest standards of quality and professionalism.

A key development in 2023 was the appointment of the bank's Marketing Department to also take responsibility for the KS "Security". This decision has brought a powerful harmonization and synergy between the two entities, enabling the use of shared experience and resources for the benefit of both organizations.

One of the most important achievements of the year was the creation of a new brand for "Siguria". Through continuous dedication, we have managed to create a strong and distinct identity for our company. This new brand has been implemented in all marketing channels, including branch branding, the introduction of the new logo, the designs of posters, flyers, and other promotional materials. This process has embraced not only a new image for the company, but also a clear and sustainable strategy for the future of "Siguria" marketing.

During 2023, marketing strategies and campaigns have resulted in an increase in brand awareness, an increase in the number of new clients, as well as a positive impact on the level of sales and income. Changes made to the marketing and brand strategy have included using social media to increase our online presence, organizing local events and promotions to strengthen

connections with the community, and improving the customer experience through innovations in communication and offered services.

With an ongoing commitment to quality, innovation and customer service, the Marketing Department is ready to face challenges and seize opportunities to achieve future success.

SUPPORT FOR SOS CHILDREN'S VILLAGES

During the New Year holidays, KS SIGURIA collaborated with the children and staff of SOS Children's Villages to bring the magic of the New Year, decorating the New Year's Tree together. The pleasant moments filled with songs made this activity an unforgettable event for all. By bringing gifts for the children, we contributed to bring more smiles and joy in this festive period. Celebrating the New Year is a time to share joy and be together.



SUPPORT FOR DOWN SYNDROME KOSOVO CONTINUES

With an unwavering commitment to social responsibility, Banka Ekonomike and Insurance Company Siguria continues to support Down Syndrome Kosovo. This initiative is part of our commitment to provide better support and opportunities for children with Down syndrome.

Through this support, we aim to help build a better environment and support the therapeutic services that are important for their development.



Përmbajtja

Banka Ekonomike JSC - Individual Statements	83
Banka Ekonomike Banking Group - Consolidated financial statements	150
"Siguria" Insurance Company - Individual Statements	228



Goddess on the Throne- Prishtinë

BANKA EKONOMIKE SH.A

Separate Financial Statements prepared in accordance with
the International Financial Reporting Standards

for the year ended 31 December 2023
(with Independent Auditor's Report thereon)

Independent Auditor’s Report..... 85

Separate Statement of Financial Position 88

Separate Statement of Profit or Loss and Other Comprehensive Income 89

Separate Statement of Changes in Equity 90

Separate Statement of Cash Flows 91

Notes to the Separate Financial Statements 92

INDEPENDENT AUDITOR'S REPORT



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

Opinion

We have audited separate financial statements of Banka Ekonomike Sh.A. ("the Bank"), which comprise the separate statement of financial position as at 31 December 2023, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate 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.

Emphasis of matter

As disclosed in note 2(a) of the accompanying separate financial statements, these separate financial statements are prepared to assist the Bank in complying with financial reporting requirements of the Central Bank of Kosovo, and may not be appropriate to be used for general purposes unless they are read along with the consolidated financial statements. Our opinion is not modified in respect of this matter. statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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 separate 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 separate 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 separate 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 separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the separate 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 Separate Financial Statements

Our Objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

A blue ink stamp of 'RSM Kosovo Sh.p.k.' in a stylized, handwritten font.

RSM Kosovo Sh.p.k.
Prishtina, Republic of Kosovo
XX April 2024

A blue ink signature of 'Sadik Berisha' in a cursive, handwritten style.

Sadik Berisha
Statutory Auditor

Assets	Note	As at 31 December 2023	As at 31 December 2023
Cash on hand and at banks	6	54,299	32,388
Balances with the Central Bank of Kosovo	7	74,360	95,201
Loans to customers	8	441,298	379,892
Investments in securities	9	10,605	28,225
Investments in subsidiary	9.1	7,358	6,058
Property and equipment and right-of-use assets	10	13,604	13,979
Intangible assets	11	3,860	4,794
Other assets	12	2,547	2,529
Total assets		607,931	563,066

DETYRIMET			
Deposits from customers	13	537,067	505,342
Due to banks	14	1,487	93
Current tax liability		88	210
Other liabilities	15	3,802	3,549
Deferred tax liability		600	604
Total liabilities		543,044	509,798

Equity and reserves			
Share capital	16	29,422	29,422
Revaluation and other reserves	16	4,746	4,853
Retained earnings		30,719	18,993
Total equity and reserves		64,887	53,268
Total liabilities, equity and reserves		607,931	563,066

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

These separate financial statements have been approved by the Board of Directors of the Bank on 16 April 2024 and signed on its behalf by:



Mr. Shpend Luzha
Chief Executive Officer



Mr. Berat Isa
Chief Finance Officer

Assets	Note	For the year ended December 31, 2023	For the yearended December 31, 2022
Interest income calculated using the effective interest method	17	30,746	24,579
Interest expense calculated using the effective interest method	17	(5,450)	(3,251)
Net interest income		25,296	21,328
Fee and commission income	18	4,776	4,358
Fee and commission expense	18	(1,201)	(914)
Net fee and commission income		3,575	3,444
Other operating income, net	19	606	497
Revenue		29,477	25,269
Personnel expenses	20	(5,067)	(4,548)
Depreciation and amortisation	10,11	(3,004)	(2,380)
Other expenses	21	(8,936)	(6,613)
Net impairment reversal / (charge) on financial instruments	6,7,8,9	1,380	(705)
Impairment loss on of intangible assets	11	(942)	-
Total operating expenses		(16,569)	(14,246)
Profit before tax		12,908	11,023
Income tax expense	22	(1,182)	(1,003)
Profit for the year		11,726	10,020
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		-	-
Deferred tax effect on revaluation of land and building		18	18
Items that may be reclassified subsequently to profit or loss Changes in the fair value of debt instruments at fair value through other comprehensive income		(125)	41
Total other comprehensive income, net of tax		(107)	59
Total comprehensive income		11,619	10,079

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

	Share Capital	Revaluation and other reserve	Retained earnings	Total equity and reserves
As at 01 January 2022	29,422	4,794	10,973	45,189
Transactions with owners registered directly in the equity				
Contributions from and distributions to owners	-	-	-	-
Dividend distributed (note 16)	-	-	(2,000)	(2,000)
Total transactions with owners registered directly in the equity	-	-	(2000)	(2000)
Profit for the year	-	-	10,020	10,020
Other comprehensive income for the year:				
Property revaluation, net of tax	-	18	-	18
Revaluation of securities, net of tax	-	41	-	41
Transfer	-	-	-	-
Total comprehensive income for the year	-	59	10,020	10,079
As at 31 December 2022	29,422	4,853	18,993	53,268

	Kapitali aksionar	Rezerva e rivlerësimit dhe të tjera	Fitimet e mbajtura	Gjithsej ekuiteti dhe rezervat
Me 01 Janar 2023	29,422	4,853	18,993	53,268
Transactions with owners registered directly in the equity				
Contributions from and distributions to owners	-	-	-	-
Dividend distributed (note 16)	-	-	-	-
Total transactions with owners registered directly in the equity	-	-	-	-
Profit for the year	-	-	11,726	11,726
Other comprehensive income for the year:				
Deferred tax effect on revaluation	-	18	-	18
Revaluation of securities, net of tax	-	(125)	-	(125)
Transfer	-	-	-	-
Total comprehensive income for the year	-	(107)	11,726	11,619
As at 31 December 2023	29,422	4,746	30,719	64,887

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

Operating activities	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
Profit before taxation		12,908	11,023
Adjustment for:			
Amortization and depreciation	10,11	3,004	2,380
Net impairment (reversal)/charge on loans to customers	8	(1,375)	668
Net impairment loss on intangible assets	11	942	-
(Reversal)/Charge of provision for guarantees and securities	15,9	(78)	146
Interest income	17	(30,746)	(24,579)
Interest expense	17	5,450	3,251
		(9,895)	(7,111)
Changes in operating assets and liabilities			
Statutory reserves with the CBK and other restricted funds		1,951	(5,176)
Loans to customers		(59,385)	(53,135)
Other assets		(18)	946
Deposits from customers		30,822	93,208
Due to banks		1,394	(993)
Other liabilities		85	63
		(35,046)	27,802
Interests paid		(4,469)	(2,160)
Interests received		30,150	24,772
Income tax paid		(1,308)	(1,050)
Net cash flow (used in)/generated from operating activities		(10,673)	49,364
Investing activities			
Purchase of property and equipment and intangible assets	10,11	(1,474)	(2,486)
Purchases of investment securities	9	(8,667)	(23,190)
Redemptions of securities	9	26,111	-
Investments in subsidiary	9.1	(1,300)	(6,058)
Net cash flow generated from/(used in) investing activities		14,670	(31,734)
Financing activities			
Repayment of Lease liability	10	(976)	(840)
Dividends paid	16	-	(2,000)
Net cash flow used in financing activities		(976)	(2,840)
Net increase in cash and cash equivalents		3,021	14,790
Cash and cash equivalents, beginning of the year	6	93,101	78,311
Cash and cash equivalents, end of the year	6	96,122	93,101

The accompanying notes 1 to 26 form an integral part of these separate 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 441 employees as at 31 December 2023 (2022: 425).

On September 2022, the Bank completed its purchase of 100% of shares in Insurance Company Siguria Sh.a through a purchase agreement, thus obtaining full control of the Insurance Company Siguria Sh.a. As at 31 December 2022, the Bank holds 100% of the shares in Insurance Company Siguria Sh.a.

2. BASIS OF PREPARATION

(a) Statement of compliance

These separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

These separate financial statements represent the result and financial position of the Bank alone and do not include that of its subsidiary (note 9.1). The Bank prepares another set of consolidated financial statements in accordance with IFRS. These separate financial statements are prepared for local regulatory purposes.

(b) Presentation of financial statements and notes

For the purpose of clarity, the separate financial statements and the notes to the separate financial statements are prepared using the concepts of materiality and relevance.

This means that the line items not considered material in terms of quantitative and qualitative measures or relevant to separate financial statement users are aggregated and presented together with other items in the primary financial statements. Similarly, information not considered material is not presented in the notes.

(c) 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 material impact in Banks separate financial statements.

The following new standards and amendments became effective as at 1 January 2023:

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). Management reviewed the accounting policies and made updates to the information disclosed in note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with this amendment.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)

2. BASIS OF PREPARATION (CONTINUED)**(d) 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 separate financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

- Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback - effective for annual reporting periods beginning on or after 1 January 2024
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current and Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants - effective for annual reporting periods beginning on or after 1 January 2024
- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements – both effective for annual reporting periods beginning on or after 1 January 2024
- IFRS S1 General Requirements for Disclosure of Sustainability - Related Financial Information, effective for annual reporting periods beginning on or after 1 January 2024.
- IFRS S2 Climate - Related Disclosures, effective for annual reporting periods beginning on or after 1 January 2024.

• Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” - Lack of Exchangeability - effective for annual reporting periods beginning on or after 1 January 2025

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

The Bank has opted not to early adopt these pronouncements and is in the process of analyzing the impact of adoption of these standards, revisions and interpretations on the separate financial statements of the Bank in the period of initial application.

(e) Basis of accounting

The separate financial statements have been prepared on historical cost convention, 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 and certain classes of property, plant and equipment

(f) Going concern

The separate financial statements are prepared on a going concern basis, as the Directors are satisfied that the bank have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios. They also considered other top and emerging risks as well as from the related impacts on profitability, capital and liquidity.

(g) Functional and presentation currency

These separate 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.

(h) Use of judgments and estimates

In preparing these separate 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 separate financial statements are described in notes 4, 5 and 25.

3. MATERIAL ACCOUNTING POLICIES

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

In addition, the Bank adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information related to financial instruments disclosed in note 3 in certain instances (see note 2(c) for further information).

a) Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading are recognised in 'interest income' and 'interest expense' in the statement of profit or loss and other comprehensive income using the effective interest method.

Interest on credit-impaired financial assets is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for ECL).

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

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 (note (3a)).

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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) 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 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.

(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.

d) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date.

e) 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**e) Financial assets and financial liabilities (continued)****(ii) Classification (continued)****Financial assets (continued)**

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.

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.

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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

(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;
- other financial assets at amortised cost;
- 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).

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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

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 considers 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 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) 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. PDs have been adjusted to reflect forward-looking information as decided below.

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 changes in macro-economic factors, as well as in-depth analysis of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators are likely to include unemployment rates and consumer price inflation. The Bank's approach to incorporating forward-looking information into this assessment is discussed below.

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 and forward-looking forecasts.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) 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.

Forward-looking information

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

Under IFRS 9, the Bank has incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Bank formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Bank Risk Committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by

governmental bodies and monetary authorities in the country where the Bank operates, supra-national organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private sector and academic forecasters. The base case represents a most-likely outcome and be aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank also periodically carry out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include unemployment rates and consumer price inflation forecasts. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

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.

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.

f) 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.

Investment securities

g) 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.

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.

h) Deposits, subordinated debt and other liabilities

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.

(i) Property and equipment**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Depreciation

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:

As at 31 December 2023	Useful life 2023	Useful life 2022
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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Property and equipment (continued)

(ii) Depreciation (continued)

Leasehold improvements are depreciated using the straight-line basis over the shorter of the lease term and their useful lives.

Land and building

Land and building of Head Office are shown at fair value, periodically, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount.

(j) Leased property and equipment

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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Bank's incremental borrowing rate.

The lease liability 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 weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 on 31 December 2023 was 3.05%.

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.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) 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.

Research and development

Research and development Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Bank is able to use or sell the asset; the

Bank has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life.

(l) Repossessed property

Reposessed assets are acquired through enforcement of security over non-performing loans to customers and are intended for disposal in a reasonably short period of time. Repossessed assets are initially recognised using the bailiff set amount in the last auction and are subsequently measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss when incurred.

Gains or losses from the sale of these assets are recognized in the profit or loss.

(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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(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.

(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.

The nominal contractual value of financial guarantees, and undrawn loan commitments, are not recorded on the statement of financial position. The nominal values of these instruments are disclosed in note 23 and corresponding loss allowance are disclosed in note 15.

(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.

(r) Investments in subsidiaries

A subsidiary company is one in which the Bank has a long-term investment and over which it exerts control, including the governance of its financial and operating policies. Investment in subsidiary in these separate financial statements are carried at cost.

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(e)(viii).

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis.

Carrying and net amount of financial assets as at 31 December 2023 is presented below:

Financial assets	Carrying amount	Impairment	Net amount
Loans to customers	451,567	(10,269)	441,298
Investment securities measured at FVOCI	10,608	(3)	10,605

(b) 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(e)(vii).

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.

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 VALU

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 2023	10,605	-	10,605	-
31 December 2022	28,225	-	28,225	-

Investment securities measured at FVOCI as at 31 December 2023 include Government bonds issued by the Government of Kosovo (2022: 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 at reporting date have Government Bonds starting from three-years to four year maturity denominated in EUR.

Non-Financial instruments measured at fair value – fair value hierarchy

Land and Building

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 31 December 2021 based on external, independent and qualified valuer. The management do not believe that there has been a material movement in fair value since the revaluation date up to 31 December 2023.

Measurement of the land and building is classified in level 3 of the fair value hierarchy as inputs and assumptions used in arriving at the fair value are unobservable. In the absence of an active market, the fair value of the land and building as of 31 December 2021 was determined by using the average of the fair market value derived from comparison method and income approach.

Below table presents fair value at reporting date minus accumulated depreciation.

Buildings	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
31 December 2023	-	-	8,397
31 December 2022	-	-	8,720

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

5. DISCLOSURE AND ESTIMATION OF FAIR VALUE (CONTINUED)

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			
Assets	2023	2022	Level 2 2023	Level 3 2023	Level 2 2022	Level 3 2022
Cash on hand and at banks	54,299	32,388	54,299	-	32,388	-
Balance with CBK	74,360	95,201	74,360	-	95,201	-
Loans to customers	441,298	379,892	-	441,298	-	379,892
Liabilities						
Deposits from customers	537,067	505,342	537,067	-	505,342	-
Due to banks	1,487	93	1,487	-	93	-

Fair values for financial assets and liabilities above have been determined using Level 2 or 3 input described above.

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.

Loans to customers

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.

Deposits from customers

The fair value of deposits from 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 2023	As at 31 December 2022
Cash on hand	13,447	12,207
Current accounts with banks	40,864	20,190
Allowance for impairment	(12)	(9)
	54,299	32,388

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

	As at 31 December 2023	As at 31 December 2022
Cash on hand and at banks	54,299	32,388
Balances with the CBK (Note 7)	74,360	95,201
Statutory reserves with the CBK	(30,818)	(32,153)
Other restricted funds	(1,719)	(2,335)
	96,122	93,101

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.

Movement in impairment for the years ended December 31, 2023 and 2022, charged to profit and loss is as following:

	2023	2022
Opening balances	9	-
Charge/(release) to profit and loss	3	9
Closing balance	12	9

7. BALANCES WITH THE CENTRAL BANK OF KOSOVO

	As at 31 December 2023	As at 31 December 2022
Statutory reserves with the CBK	30,818	32,153
Current accounts	43,559	63,070
Allowance for impairment	(17)	(22)
	74,360	95,201

Movement in impairment for the years ended December 31, 2023 and 2022, charged to profit and loss is as following:

	2023	2022
Opening balances	22	-
Charge/(release) to profit and loss	(5)	22
Closing balance	17	22

8. LOANS TO CUSTOMERS

	As at 31 December 2023	As at 31 December 2022
Loans	385,936	328,009
Overdraft facilities	64,953	63,480
	450,889	391,489
Accrued interest	2,403	1,757
Deferred disbursement fees	(1,725)	(1,446)
	451,567	391,800
Allowance for impairment	(10,269)	(11,908)
Loans to customers	441,298	379,892

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 (2022: 1 to 30 years). In 2023, the interest rates on loans to customers ranged from 2.20% to 24% p.a (2022: 2.20% 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:

	2023	2022
Allowance for impairment at 1 January	11,908	10,784
Loans written off	(941)	(1,222)
Charge / (Release) for the year, net	(698)	2,346
Allowance for impairment at 31 December	10,269	11,908

The movement in the impairment for the years ended December 31, 2023 and 2022, charged or released to profit and loss are as follows:

	2023	2022
Release/(Charge)	698	(2,346)
Recoveries from previously written off loans	677	1,678
Net impairment losses on loans	1,375	(668)

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

	Stage 1	Stage 2	Stage 3	POCI	
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired origină dămtimi	Total
	EURO'000	EURO'000	EURO'000	EURO'000	EURO'000
Amount of the provision as at 1 January 2023	4,131	1,939	5,838	-	11,908
Movements with impact in P&L	-	-	-	-	-
Transferet:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(155)	155	-	-	-
Transfer from Stage 1 to Stage 3	(733)	-	733	-	-
Transfer from Stage 2 to Stage 1	17	(17)	-	-	-
Transfer from Stage 2 to Stage 3	-	(370)	370	-	-
Transfer from Stage 3 to Stage 1	36	-	(36)	-	-
Transfer from Stage 3 to Stage 2	-	6	(6)	-	-
Release of ECL on derecognition of loans other than write offs	(1,079)	(919)	(415)	-	(2,413)
New financial assets originated or purchased	1,262	331	162	-	1,755
Changes in Risk Parameters (PD/LGD/EAD)	(909)	(413)	1,267	-	(55)
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(926)	-	(926)
FX and other movements	-	-	-	-	-
Net provision value for the period	(1,561)	(1,227)	1,149	-	(1,639)
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2023	2,570	712	6,987	-	10,269

8. LOANS TO CUSTOMERS (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	POCI	
	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 2022	310,096	20,156	8,535	493	339,280
Transferet:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(14,515)	14,515	-	-	-
Transfer from Stage 1 to Stage 3	(2,608)	-	2,608	-	-
Transfer from Stage 2 to Stage 1	6,888	(6,888)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,309)	1,309	-	-
Transfer from Stage 3 to Stage 1	304	-	(304)	-	-
Transfer from Stage 3 to Stage 2	-	17	(17)	-	-
Financial assets derecognised during the period other than write-offs	(97,270)	(7,726)	(1,217)	-	(106,213)
New financial assets originated or purchased	183,248	19,751	830	-	203,829
Modification of contractual cash flows	(40,821)	(2,893)	6	(493)	(44,201)
Write-offs	-	-	(1,206)	-	(1,206)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 202	345,322	35,623	10,544	-	391,489

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	
	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 2023	345,322	35,623	10,544	-	391,489
Transferet:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(3,023)	3,023	-	-	-
Transfer from Stage 1 to Stage 3	(1,568)	-	1,568	-	-
Transfer from Stage 2 to Stage 1	8,553	(8,553)	-	-	-
Transfer from Stage 2 to Stage 3	-	(796)	796	-	-
Transfer from Stage 3 to Stage 1	256	-	(256)	-	-
Transfer from Stage 3 to Stage 2	-	95	(95)	-	-
Financial assets derecognised during the period other than write-offs	(94,746)	(16,197)	(1,044)	-	(111,987)
New financial assets originated or purchased	218,659	9,992	346	-	228,997
Modification of contractual cash flows	(50,622)	(5,175)	(886)	-	(56,684)
Write-offs	-	-	(926)	-	(926)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2023	422,831	18,012	10,047	-	450,889
Loans to customers (continued)					

8. LOANS TO CUSTOMERS (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	POCI	
	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 2022	2,661	1,847	5,810	466	10,784
Movements with impact in P&L	-	-	-	-	-
Transferet:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(380)	380	-	-	-
Transfer from Stage 1 to Stage 3	(965)	-	965	-	-
Transfer from Stage 2 to Stage 1	60	(60)	-	-	-
Transfer from Stage 2 to Stage 3	-	(445)	445	-	-
Transfer from Stage 3 to Stage 1	4	-	(4)	-	-
Transfer from Stage 3 to Stage 2	-	4	(4)	-	-
Release of ECL on derecognition of loans other than write offs	(733)	(501)	(612)	-	(1,846)
New financial assets originated or purchased	2,181	1,483	181	-	3,845
Changes in Risk Parameters (PD/LGD/EAD)	1,303	(769)	263	466	331
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(1,206)	-	(1,206)
FX and other movements	-	-	-	-	-
Net provision value for the period	1,470	92	28	(466)	1,124
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2022	4,131	1,939	5,838	-	11,908

8. LOANS TO CUSTOMERS (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	POCI	
	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 2022	310,096	20,156	8,535	493	339,280
Transferet:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(14,515)	14,515	-	-	-
Transfer from Stage 1 to Stage 3	(2,608)	-	2,608	-	-
Transfer from Stage 2 to Stage 1	6,888	(6,888)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,309)	1,309	-	-
Transfer from Stage 3 to Stage 1	304	-	(304)	-	-
Transfer from Stage 3 to Stage 2	-	17	(17)	-	-
Financial assets derecognised during the period other than write-offs	(97,270)	(7,726)	(1,217)	-	(106,213)
New financial assets originated or purchased	183,248	19,751	830	-	203,829
Modification of contractual cash flows	(40,821)	(2,893)	6	(493)	(44,201)
Write-offs	-	-	(1,206)	-	(1,206)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2022	345,322	35,623	10,544	-	391,489

9. INVESTMENTS IN SECURITIES

	As at 31 December 2023	As at 31 December 2022
Investments securities – at FVOCI		
Government bonds	10,546	28,115
Accrued Interest	62	116
Allowance for impairment	(3)	(6)
Total Investments in Securities	10,605	28,225

Investments in securities at reporting date represent three-month to-five year government 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 Bonds which are classified in Amortized cost as of 31 December 2023.

Bank has five Government Bonds as of December 2023 which are classified in FVOCI, the average maturity for these bonds is 3.15 years (2022: 3.91 years) and average of interest is 3.16% (2022: 2.80%).

The following table provides for the movement of investment securities measured at FVOCI during 2023 and 2022:

9. INVESTMENTS IN SECURITIES

	As at 31 December 2023	As at 31 December 2022
Investments securities – at FVOCI		
Government bonds	10,546	28,115
Accrued Interest	62	116
Allowance for impairment	(3)	(6)
Total Investments in Securities	10,605	28,225

Investments in securities at reporting date represent three-month to-five year government 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 Bonds which are classified in Amortized cost as of 31 December 2023.

Bank has five Government Bonds as of December 2023 which are classified in FVOCI, the average maturity for these bonds is 3.15 years (2022: 3.91 years) and average of interest is 3.16% (2022: 2.80%).

The following table provides for the movement of investment securities measured at FVOCI during 2023 and 2022:

Investments at FVOCI	
At 01 January 2023	28,115
Additions	8,667
Disposal	(26,111)
Unrealized (loss)/gain	(125)
At 31 December 2023	10,546

Investments at FVOCI	
At 01 January 2022	5,017
Additions	23,057
Disposal	-
Unrealized gain/(loss)	41
At 31 December 2022	28,115

9.1 INVESTMENTS IN SUBSIDIARY

	As at 31 December 2023	As at 31 December 2022
Investments in Insurance Company Siguria Sh.a.	7,358	6,058
Total Investments in Subsidiary	7,358	6,058

On 17 May 2022 the Bank has initiated the process of purchasing Insurance Company Siguria Sh.a. by signing a contract of purchase with the prior shareholder of Insurance Company Siguria Sh.a. The contract was sent to the Regulator for approval.

The approval from the Regulator regarding the transaction for the purchase of Insurance Company Siguria Sh.a. was received by the Bank on 22 June 2022 and Competition authority approval was received on 9 September 2022.

Further to receipt of regulatory approvals, on 12 September 2022, the Bank completed its purchase process of acquiring 100% stake in Insurance Company Siguria Sh.a, after transferring consideration agreed of EUR 2,100 thousand to prior shareholder of Insurance Company Siguria Sh.a. Subsequent to the date of purchase, additional amount of EUR 958 thousand, EUR 3,000 thousand and EUR 1,300 thousand was invested in Insurance Company Siguria Sh.a. on 30 September 2022, 19 December 2022 and 01 September 2023, respectively.

As of 31 December 2023, the Bank is the sole shareholder of Insurance Company Siguria Sh.a.

10. PROPERTY EQUIPMENT AND RIGHT-OF USE-ASSETS

	2023	2022
Property, plant and equipment owned	10,890	11,391
Right-of-use assets (ROU) IFRS 16	2,714	2,588
Property, Plant and Equipment and right-of use-assets	13,604	13,979

The Bank leases several assets which consist of premises. Information about Right of Use assets and Lease liabilities for which the Bank is a lessee is presented below:

Right-of-use assets	2023	2022
Balance at 1 January	2,588	1,585
Additions in current year	1,936	1,832
Disposals / terminated contracts	(582)	(172)
Depreciation charge for the year	(1,228)	(657)
Balance at 31 December	2,714	2,588
Lease Liability as at January 1, 2022		1,458
+ Additions		1,637
- Less Disposals		(56)
- Less lease payments		(840)
+ Interest on Lease Liabilities		63
Lease liability as at December 31, 2022		2,262
+ Additions		1,324
- Less Disposals		(181)
- Less lease payments		(976)
+ Interest on Lease Liabilities		79
Lease liability as at December 31, 2023		2,508

Amounts recognized in the profit or loss of the Bank for the years ended 31 December 2023 and 2022:

	2023	2022
Interest on lease liabilities - IFRS 16	(79)	(63)
Depreciation of ROU	(1,228)	(657)
Total expenses from leases	(1,307)	(720)

10. PROPERTY EQUIPMENT AND RIGHT-OF USE-ASSETS (CONTINUED)

Cost or Revaluation	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
Në 1 Janar 2022	10,869	1,335	3,482	1,858	781	18,325
Additions	-	105	547	307	187	1,146
Write-offs	-	(419)	(93)	(35)	-	(547)
At 31 December 2022	10,869	1,021	3,936	2,130	968	18,924
Additions	-	385	264	183	4	836
Write-off	-	(100)	(149)	(23)	-	(272)
At 31 December 202	10,869	1,306	4,051	2,290	972	19,488
Accumulated depreciation						
At 1 January 2022	1,829	793	2,362	1,379	429	6,792
Charge for the year	320	194	405	216	129	1,264
Write-offs	-	(402)	(90)	(31)	-	(523)
Më 31 Dhjetor 2022	2,149	585	2,677	1,564	558	7,533
Charge for the year	323	214	440	201	139	1,317
Write-offs	-	(83)	(147)	(22)	-	(252)
At 31 December 2023	2,472	716	2,970	1,743	697	8,598
Carrying amount						
At 1 January 2022	9,040	542	1,120	479	352	11,533
At 31 December 2022	8,720	436	1,259	566	410	11,391
At 31 December 2023	8,397	590	1,081	547	275	10,890

As at 31 December 2023 and 2022 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 2023 was EUR 13,336 thousand representing 22.46 % of Tier 1 capital (2022: EUR 13,053 thousand representing 27.60% 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 2023, nor in 2022.

If land and buildings were stated under the historical cost convention, the amounts would be as follows:

	2023	2022
Balance at 1 January	3,803	3,944
Additions in current year	-	-
Less: Depreciation	(141)	(141)
Balance at 31 December	3,662	3,803

11. INTANGIBLE ASSETS

Cost	Software	Intangible assets in progress	Total
At 1 January 2022	1,557	3,158	4,715
Additions during the year	411	981	1,392
Write-offs	(444)	-	(444)
At 31 December 2022	1,524	4,139	5,663
Additions for the year	597	-	597
Transfers	915	(915)	-
Write-offs	(372)	-	(372)
Impairment	-	(942)-	(942)
At 31 December 2023	2,664	2,282	4,946
Accumulated amortization			
At 1 January 2022	766	-	766
Charge for the year	459	-	459
Write-offs	(356)	-	(356)
At 31 December 2022	869	-	869
Charge for the year	459	-	459
Write-offs	(242)	-	(242)
At 31 December 2023	1,086	-	1,086
Carrying amount			
At 31 December 2022	655	4,139	4,794
At 31 December 2023	1,578	2,282	3,860

On November 2018, the Bank signed a contract for the development of a new core banking system. Work on the project was in progress and the project was expected to be finalized in October 2023.

Subsequent to the reporting date, the Bank concluded that the functionality of the new system does not entirely complement with their existing IT infrastructure, resultantly, the bank re-entered into a discussion with the contractor and negotiated a revised contract, under which the existing core banking system would be upgraded to cover all developments that were initially envisioned under the new core banking system, without any additional cost to the Bank.

The Bank and the Contractor have agreed on a specific list of modules and upgrades to be made in the existing core banking system, with the timeline of completion being kept the same as the base contract i.e., October 2023.

Due to the projects not meeting the contractual completion requirements, an amendment was enacted on December 29, 2023, altering the agreement between the Bank and the Contractor. This amendment extended the deadlines for unfinished projects, alongside reallocating resources among them, with an anticipated completion in 2024. Conversely, after analysing the recoverable amount of these unfinished projects, an impairment loss of EUR 942 thousand has been recognized in the statement of profit or loss and other comprehensive income.

As at 31 December 2023 and 2022 the Bank does not have intangible assets pledged as collateral.

12. OTHER ASSETS

	As at 31 December 2023	As at 31 December 2022
Prepayments	745	752
Reposessed property	868	1,009
Other	957	792
Allowance for impairment	(23)	(24)
Total	2,547	2,529

Movements in reposessed property during the years are shown below:

	2023	2022
Balance at 1 January	1,009	678
Additions in current year	118	712
Sold during the year	-	(151)
Write down	(259)	(230)
Balance at 31 December	868	1,009

13. DEPOSITS FROM CUSTOMERS

	As at 31 December 2023	As at 31 December 2023
Current accounts	229,392	252,266
Blocked accounts	9,648	11,861
Flexi deposits	6,526	7,220
Flexi deposits	27,170	22,711
	272,736	294,058
Add: Current maturity of long-term customer deposits	65,458	62,792
Total short-term customer deposits	338,194	356,850
Time Deposits	259,778	207,633
	259,778	207,633
Less: Current maturity of long-term customer deposits	(65,458)	(62,792)
Total long-term customer deposits	194,320	144,841
Accrued interest	4,553	3,651
Total	537,067	505,342

Current accounts are non-interest bearing.

The average effective interest rates for time deposits during 2023 and 2022 were as follows:

Year	1 month	3 months	6 months	1 year	18 months	2 -5 years	5years
2023	0.02%	2.51%	1.52%	2.32%	2.22%	2.77%	1.80%
2022	0.03%	1.37%	1.26%	1.45%	2.10%	2.35%	2.5%

14. DUE TO BANKS

Balances due to banks amounting EUR 1,487 thousand (2022: EUR 93 thousand) represent current accounts from local banks.

15. OTHER LIABILITIES

	Më 31 Dhjetor 2023	Më 31 Dhjetor 2022
Lease liabilities (Note 10)	2,508	2,262
Accrued expenses	748	743
Other deferred income	237	197
Provision for losses from guarantees	84	162
Provisions for litigations	63	138
Pension and social assistance charges	40	33
Other taxes payable	122	14
Total	3,802	3,549

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

	2023	2022
Provisions as at 1 January	162	22
(Release)/Charge for the year (Note 19)	(78)	140
Provisions as at 31 December	84	162

16. SHARE CAPITAL AND RESERVES

The authorised and paid up share capital of the Bank comprises 114,930 ordinary shares (2022: 114,930 ordinary shares) with par value of EUR 256 each (2022: 256). The shareholding structure of the Bank is as follows:

	As at December 31, 2023		As at December 31, 2022	
	%	Amount	%	Amount
Behgjet Pacolli	35	10,246	35	10,246
Immobiliare Red Llc	29	8,402	29	8,402
Immobiliare Blue Llc	18	5,360	-	-
Selim Pacolli	-	-	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 31 December 2023, Selim Pacolli divested his complete shareholding in the bank, and a new shareholder Immobiliare Blue Llc purchased his shares. (2022: There were no changes in the shareholding structure).

During the year ended at 31 December 2023, no dividends paid (2022: Bank paid dividends in the amount of EUR 2,000,000 from retained earnings).

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:

	2023	2022
Revaluation reserve as at January 1	4,853	4,794
Property revaluation (net of tax)	18	18
Revaluation reserve of investment securities measured at FVOCI	(125)	41
Transfer to retained earning	-	-
Balance as of December 31	4,746	4,853

17. NET INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

Interest income	Year ended December 31, 2023	Year ended December 31, 2022
Loans to customers	29,800	24,295
Deposits and balances with banks	453	7
Total Interest income	493	277
Interest expense	30,746	24,579
Deposits from customers	(5,371)	(3,188)
Interest on lease liabilities IFRS 16	(79)	(63)
Total Interest expense	(5,450)	(3,251)
Net interest income	25,296	21,328

18. NET FEE AND COMMISSION INCOME

	Year ended December 31, 2023	Year ended December 31, 2022
Banking services	4,482	4,136
Guarantees	294	222
Fee and commission income	4,776	4,358
Swift expenses	(604)	(651)
License and other regulatory fees	(597)	(263)
Fee and commission expenses	(1,201)	(914)
Net fee and commission income	3,575	3,444

19. OTHER OPERATING INCOME, NET

	Year ended December 31, 2023	Year ended December 31, 2022
Gain from sale of Investments	354	-
Other income	135	454
Net foreign exchange gains/(losses) – (note 19.1)	67	(4)
Release / (Charge) from guarantees	78	(140)
(Charge) / Release from litigations	(28)	105
Release from impairment of other assets	-	82
	606	497

19.1

Net foreign exchange gains/(losses) include foreign exchange gains amounting to Euro 4,423 thousand (2022: 1,568 thousand) and foreign exchange losses amounting to 4,356 thousand (2022: 1,572 thousand)

20. PERSONNEL EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Wages and salaries	4,708	4,253
Pension contributions	239	202
Other compensations	120	93
Total	5,067	4,548

21. SHPENZIMET E TJERA

	Year ended December 31, 2023	Year ended December 31, 2022
Security	1,288	1,202
Repair and maintenance	1,216	1,107
IT services	1,458	551
Deposit insurance fees	756	644
Master card operational expenses	897	534
Advertising and marketing	550	301
Other	506	351
Sponsorship – allowed for tax purposes	396	305
Professional charges and other related legal fees	298	271
Utilities and fuel	285	285
Write down of repossessed assets	259	230
Consulting related expenses	198	71
Fee expenses related to FKCK	189	136
Credit collection services	145	157
Write off of PPE and IA	149	120
Communication	139	121
Representation expenses	96	112
Office materials	60	54
Travel	27	14
Printing	24	47
Total	8,936	6,613

22. INCOME TAX

Income tax in Kosovo is assessed at the rate of 10% (2022: 10%) of taxable income. The following represents a reconciliation of the accounting result to the income tax:

	2023	2022
Profit before income tax (excluding sponsorship)	13,303	11,328
Tax at the rate of 10% Adjusted for:	1,330	1,133
Non-deductible expenses	455	655
Additional tax deductible interest expenses	20	(18)
Exempted income	(84)	(28)
Tax depreciation adjustment	(362)	(565)
Add allowable interest expenses	205	117
Income tax expense for the year	1,564	1,294
Effective tax rate	11.76%	11.42%
Sponsorship in culture and sport (up to 30% of the income tax expense)	(396)	(305)
Income tax expense	1,168	989
Deferred Tax Charge	14	14
Income Tax Expense recognized in profit and loss and other comprehensive income	1,182	1,003

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 2023 and 2022 will be incurred.

Guarantees	2023	2022
Secured by cash deposits	492	1,573
Secured by other collateral	12,315	8,265
	12,807	9,838

Credit Commitments		
Approved but not disbursed loans	3,787	8,786
Overdrafts	15,651	19,077
Credit cards	4,373	3,318
Unused credit facilities	23,811	31,181

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 2023, the Bank has recognized provisions in the amount of EUR 63 thousand (31 December 2022: EUR 138 thousand), regarding legal proceedings. The management believes that the provisions recognized are a reasonable estimate against the outcome of ongoing lawsuits against the Bank as at December 31, 2023.

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 2023 and 2022 are as follows:

	Board of Directors		Key management		Major shareholders and other parties related to them		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Assets								
Loans to customers								
Loans to customers, net	79	39	276	323	9,803	9,252	10,158	9,614
Intangible in progress	-	-	-	-	2,282	4,140	2,282	4,140
Total assets	79	39	276	323	12,085	13,392	12,440	13,754
Liabilities								
Deposits from customers	(85)	(11)	(355)	(44)	(29,056)	(30,503)	(29,496)	(30,558)
Total liabilities	(85)	(11)	(355)	(44)	(29,056)	(30,503)	(29,496)	(30,558)
Guarantees	-	-	-	-	65	348	65	348
Total off-balance sheet	-	-	-	-	65	348	65	348

The total estimated value of collateral obtained from related parties at 31 December 2023 amounted to EUR 16,213 thousand Eur (31 December 2022: amounted to EUR 18,428 thousand Eur). The unused credit commitments with related parties as at 31 December 2023 are EUR 944 thousand Eur (2022: EUR 758 thousand Eur).

Due to related parties represent 5.49 % (2022: 6.05 %) of total balances deposits from customers.

Transactions with related parties during 2023 and 2022 are as follows:

	Board of Directors		Key management		Major shareholders and other parties related to them		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Interest income	3	3	9	9	315	411	327	423
Fee and commission income	-	-	1	-	(98)	80	(97)	80
Interest expense	-	-	1	-	(126)	(36)	(125)	(36)
Implementation expense-BV	-	-	-	-	(1,386)	(383)	(1,386)	(383)
Paid for intangible in development	-	-	-	-	-	981	-	981

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

	2023	2022
Short-term employee benefits for Board of Directors	120	93
Short-term employee benefits for key management	350	249
	470	342

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 2023 and 2022, 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	
	2023	2022	2023	2022	2023	2022	2023	2022
Maximum exposure to credit risk	441,298	379,892	10,605	28,225	115,212	115,382	-	-
Carrying amount	441,298	379,892	10,605	28,225	115,212	115,382	-	-
At amortized cost	451,567	391,800	10,608	28,231	115,241	115,413	-	-
Allowance for impairment	(10,269)	(11,908)	(3)	(6)	(29)	(31)	-	-
Net carrying amount	441,298	379,892	10,605	28,225	115,212	115,382	-	-
							-	-
Off balance: maximum exposure							-	-
Credit commitments: Low - fair risk	23,811	31,181	-	-	-	-	12,807	9,838
Total committed/guaranteed	23,811	31,181	-	-	-	-	12,807	9,838
Provisions recognized as liabilities	-	-	-	-	-	-	(84)	(162)
Total exposure	23,811	31,181	-	-	-	-	12,723	9,676

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Analysis of credit quality

	2023				2022			
Loans to customers	Individuals	Micro	Corporate	Total Loans	Individuals	Micro	Corporate	Total Loans
Total gross amount	144,336	142,246	164,986	451,567	125,644	117,694	148,462	391,800
Allowance for impairment	(3,009)	(4,110)	(3,151)	(10,269)	(3,294)	(4,933)	(3,681)	(11,908)
Net carrying amount	141,327	138,136	161,835	441,298	122,350	112,761	144,781	379,892
Loans with renegotiated terms								
Carrying amount	405	2,365	447	3,217	310	2,219	1,261	3,791
Allowance for impairment	(94)	(393)	(69)	(556)	(52)	(451)	(610)	(1,114)
Net carrying amount	311	1,972	378	2,661	258	1,768	651	2,677
Loans by past due days								
Not past due	130,546	123,563	152,315	406,424	119,359	107,344	143,988	370,691
Past due 1-30 days	10,902	13,355	9,520	33,777	3,894	4,983	1,095	9,972
Past due 31 - 90 days	893	1,242	306	2,441	900	1,496	168	2,564
Past due 91 – 365 days	852	1,644	-	2,496	603	2,478	-	3,081
Past due over 365 days	1,142	2,442	2,845	6,429	888	1,393	3,211	5,492
	144,335	142,246	164,986	451,567	125,644	117,694	148,462	391,800

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) (viii)), 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. (2022: 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 2023, is EUR 940 thousand (2022: EUR 1,222 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	2023	2022
AAA+ to BBB-	19,097	9,917
A+ to A-	781	1,790
BB+ to B-	-	-
BBB+ to B-	16,676	5,577
Not Rated	3,082	1,912
Local Banks	1,216	985
	40,852	20,181

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.

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:

	2023		2022	
	Loans to customers	FV of collateral	Loans to customers	FV of collateral
Mortgages	177,919	599,103	136,681	444,897
Cash collateral	16,207	16,207	13,240	13,240
Pledge	159,949	328,180	156,732	305,295
Mixed (mortgages and pledge)	58,412	300,904	64,391	294,756
Not collateralised	39,080	-	20,756	-
Total	451,567	1,244,394	391,800	1,058,188

Concentration of credit risk

As at 31 December 2023, the Bank has had exposures that exceed 10% of Tier 1 capital. The highest exposure was at 14.27%, there were in total five loans exposures exceeding 10% of Tier 1 capital. (2022: 14.43%, two loans exposures). The exposures to related parties at 31 December 2023, represent 17.90% (2022: 21.94%) of the Tier 1 Capital. Exposures to related parties are covered by cash collateral represents 2.78% (2022: 5.54%) 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:

	Loans to customers		Investments in securities		Current accounts with banks and CBK		Financial guarantees	
Pasuritë	2023	2022	2023	2022	2023	2022	2023	2022
Përqendrimi sipas sektorëve								
Corporate	161,835	144,781	-	-	-	-	9,925	1,845
Government	-	-	10,605	28,225	-	-	-	-
Banks	-	-	-	-	115,212	(115,382)	-	-
Individuals	141,327	122,350	-	-	-	-	-	-
Micro entities	138,136	112,761	-	-	-	-	2,882	-
Total	441,298	379,892	10,605	28,225	115,212	115,382	12,807	9,838
Concentration by location								
EU countries	-	-	-	-	39,648	19,544	-	9,838-
Republic of Kosovo	441,298	379,892	10,605	28,225	75,564	95,838	12,807	9,838
Total	441,298	379,892	10,605	28,225	115,212	115,382	12,807	9,838

Effects of Ukraine-Russia War

The Russian Federation's invasion of Ukraine and the subsequent global response to those military actions may have significant financial effects on many entities and financial markets. These include entities with physical operations in Ukraine, Russia and Belarus, as well as indirect interests. The Bank does not have any significant direct exposure to Ukraine, Russia or Belarus. Nevertheless, the Bank is continuously monitoring the developments related to the effects of Ukraine-Russia War. The Bank's financial position continues to be stable and growing steadily. This increase is observed in the increase of loans and deposits, as well as in interest income and in income from fees and commissions.

(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-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 EURIBOR 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 2023 and 2022 are as follows:

	USD		EUR		CHF	
Pasuritë	2023	2022	2023	2022	2023	2022
Cash on hand and at banks	2.87%	0.22%	1.00%	(0.35%)	-	(1.13%)
Balances with CBK	-	-	0.30%	(0.41%)	-	-
Loans to customers	-	-	6.88%	6.49%	-	-
Investment securities at FVOCI	-	-	3.15%	2.80%	-	-
Liabilities						
Customer deposits	0.58%	-	1.21%	0.85%	-	-

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 Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
2023	(45)	(240)	(292)	(315)
2022	(97)	(163)	(144)	(426)

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 2023	Deri 1 muaj	1-3 muaj	3-6 Months	6-12 Months	1-5 years	Over 5 years	Non-interest bearing	Total
Pasuritë								
Cash on hand and at banks	25,426	-	-	-	-	-	28,873	54,299
Balances with CBK	74,360	-	-	-	-	-	-	74,360
Investments in securities	-	-	-	-	10,605	-	-	10,605
Loans to customers - Fixed rate	9,015	11,390	24,186	40,378	224,685	131,644	-	441,298
Other assets	-	-	-	-	-	-	934	934
Total	108,801	11,390	24,186	40,378	235,290	131,644	29,807	581,496
Liabilities								
Deposits from customers - Fixed rate	47,744	8,364	5,468	53,720	191,405	838	229,528	537,067
Due to Banks	1,487	-	-	-	-	-	-	1,487
Other liabilities	-	-	-	119	1,548	841	973	3,481
Total	49,231	8,364	5,468	53,839	192,953	1,679	230,501	542,035
Gap	59,570	3,026	18,718	(13,461)	42,337	129,965	(200,694)	39,461
Cumulative gap	59,570	62,596	81,314	67,853	110,190	240,155	39,461	

31 December 2023	Deri 1 muaj	1-3 muaj	3-6 Months	6-12 Months	1-5 years	Over 5 years	Non-interest bearing	Total
Pasuritë								
Cash on hand and at banks	7,066	-	-	-	-	-	25,322	32,388
Balances with CBK	95,201	-	-	-	-	-	-	95,201
Investments in securities	-	-	5,023	-	23,202	-	-	28,225
Loans to customers - Fixed rate	2,864	14,245	21,541	37,026	164,270	139,946	-	379,892
Other assets	-	-	-	-	-	-	768	768
Total	105,131	14,245	26,564	37,026	187,472	139,946	26,090	536,474
Liabilities								
Deposits from customers – Fixed rate	48,287	10,102	5,467	42,163	146,958	6	252,359	505,342
Due to Banks	93	-	-	-	-	-	-	93
Other liabilities	-	-	-	2	1,469	790	929	3,190
Total	48,380	10,102	5,467	42,165	148,427	796	253,288	508,625
Gap	56,751	4,143	21,097	(5,139)	39,045	139,150	(227,198)	27,849
Cumulative gap	56,751	60,894	81,991	76,852	115,897	255,047	27,849	

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.

Currency	2023 EUR	2022 EUR
1 USD	1.1050	1.0666
1 CHF	0.9260	0.9847
1 GBP	0.8691	0.8869

25. Financial risk management (continued)

(c) Market risk (continued)

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

31 Dhjetor 2023	EUR	USD	CHF	GBP	Total
Assets					
Cash on hand and at banks	42,627	5,594	5,201	877	54,299
Balances with CBK	74,360	-	-	-	74,360
Investments in securities	10,605	-	-	-	10,605
Loans to customers	441,298	-	-	-	441,298
Other assets	934	-	-	-	934
	569,824	5,594	5,201	877	581,496
Liabilities					
Deposits from customers	525,858	5,138	5,196	875	537,067
Due to banks	1,487	-	-	-	1,487
Other liabilities	3,481	-	-	-	3,481
	530,826	5,138	5,196	875	542,035
Net foreign currency position	38,997	456	5	2	39,461
31 December 2022	EUR	USD	CHF	GBP	Total
Assets					
Cash on hand and at banks	21,912	4,251	4,680	1,545	32,388
Balances with CBK	95,201	-	-	-	95,201
Investments in securities	28,225	-	-	-	28,225
Loans to customers	379,892	-	-	-	379,892
Other assets	768	-	-	-	768
	525,998	4,251	4,680	1,545	536,474
Liabilities					
Deposits from customers	497,886	2,037	4,665	754	505,342
Due to banks	93	-	-	-	93
Other liabilities	3,190	-	-	-	3,190
	501,169	2,037	4,665	754	508,625
Net foreign currency position	24,829	2,214	15	791	27,849

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

	USD		CHF		GBP	
	2023	2022	2023	2022	2023	2022
Sensitivity rates	5%	5%	5%	5%	5%	5%
Profit or loss	-	-	-	-	-	-
+5% e Euro	22.80	110.70	0.25	0.75	0.10	39.55
- 5% e Euro	(22.80)	(110.70)	(0.25)	(0.75)	(0.10)	(39.55)

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, 2023 amounted to EUR 30,818 thousand (as at December 31, 2022: EUR 32,153 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 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.

31 December 2023	Deri 1 muaj	1-3 muaj	3-6 Months	6-12 Months	1-5 years	Over 5 years	Non-interest bearing
Pasuritë							
Cash on hand and at banks	54,299	-	-	-	-	-	54,299
Balances with CBK	74,360	-	-	-	-	-	74,360
Investments in securities	-	-	-	-	10,605	-	10,605
Loans to customers - Fixed rate	9,015	11,390	24,186	40,378	224,685	131,644	441,298
Other assets	934	-	-	-	-	-	934
Total	138,608	11,390	24,186	40,378	235,290	131,644	581,496
Liabilities							
Deposits from customers – Fixed rate	277,272	8,364	5,468	53,720	191,405	838	537,067
Due to Banks	1,487	-	-	-	-	-	1,487
Other liabilities	643	12	574	136	1,635	481	3,481
Total	279,402	8,376	6,042	53,856	193,040	1,319	542,035
Gap	(140,794)	3,014	18,144	(13,478)	42,250	130,325	39,461
Cumulative gap	(140,794)	(137,780)	(119,636)	(133,114)	(90,864)	39,461	

31 December 2022	Deri 1 muaj	1-3 muaj	3-6 Months	6-12 Months	1-5 years	Over 5 years	Total
Pasuritë							
Cash on hand and at banks	32,388	-	-	-	-	-	32,388
Balances with CBK	95,201	-	-	-	-	-	95,201
Investments in securities	-	-	5,023	-	23,202	-	28,225
Loans to customers - Fixed rate	2,864	14,245	21,541	37,026	164,270	139,946	379,892
Other assets	768	-	-	-	-	-	768
Total	131,221	14,245	26,564	37,026	187,472	139,946	536,474
Liabilities							
Deposits from customers – Fixed rate	300,646	10,102	5,467	42,163	146,958	6	505,342
Due to Banks	93	-	-	-	-	-	93
Other liabilities	341	6	756	85	1,545	457	3,190
Total	301,080	10,108	6,223	42,248	148,503	463	508,625
Gap	(169,859)	4,137	20,341	(5,222)	38,969	139,483	27,849
Cumulative gap	(169,859)	(165,722)	(145,381)	(150,603)	(111,634)	27,849	-

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 2023 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.

	2023	2022
Total risk weighted assets	414,650	355,604
Total risk weighted assets for operational risk	28,407	24,072
Total	443,057	379,676
Regulatory capital (Total Capital)	61,945	51,426
Capital adequacy ratio (Total Capital)	13.98%	13.54%

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:

	2023	2022
Total Assets	607,931	563,066
Total Equity	64,887	53,268
Leverage ratio	10.67%	9.46%

26. Subsequent events

Except as disclosed in the separate financial statements, there are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.