Building on advantages of our home court

Annual Report 2023
NLB Banka, Prishtina

Content

Statement from the President of the Management Board

Gazmend Kadriu
President of the Management Board

Dear stakeholders of NLB Banka,

Year 2023 was a very specific year for the banking system in general and NLB Banka in particular.
The geopolitical disruptions in 2022 following the continuing Russian aggression in Ukraine continued to have ripple effects, affecting Kosovo and its economy. Kosovo economy is expected to have had a GDP growth rate of 3.2% in 2023, below its usual growth rate, though robust enough keeping in mind the situation during the year. The inflation rate in Kosovo reached double-digit levels, subsequently brought down to near 3% at yearend. The decisive actions of monetary authorities worldwide, addressing the rising inflation rates after the ballooning government expenditures and supply chain challenges of previous years, brought a global increase in interest rates. The impetus to increase interest rates on bank deposits went hand-in-hand with challenges in corresponding increases of interest rates in loans to customers. Kosovo banking system turned an outlier in the region and beyond, with relatively modest increase in local loan interest rates following the significant increases in global rates. Variable rate lending, belatedly introduced in Kosovo, had a slow and occasionally erratic expansion.

Against such backdrop, NLB Banka had a significant internal challenge. Mr. Albert Lumezi, its CEO since the bank's inception in 2006, had to retire by the force of law in April 2023. All these years, Mr. Lumezi was the firm leader of so many bright employees throughout the years that vaulted NLB Banka into a leading Kosovo bank. He was practically the face of the Kosovo banking system. I was humbled by the honor to succeed him. The burden was made greater with the need to expand the bank's Management Board, preparing for the reorganization of the bank in 2024. All that while our clients, our reason d'être, rightly expected to continue receiving best possible service they got used to during all these years.

The wonderful staff of NLB Banka, throughout our branches and departments, rose to the occasion. They did not miss a beat. Thanks to their hard good work, their care for clients, while following our policies and best banking practices, NLB Banka had yet another excellent year, meeting and exceeding all major objectives planned for 2023:

- Our clients entrusted us with additional EUR 114M of their deposits, a 13% increase compared to last year, with the bank crossing the line of EUR 1 billion deposits at yearend.
- We disbursed EUR 373M of new loans during 2023, increasing our loan portfolio to individuals and businesses for 90M or 12%, to EUR 867M, to support the aspirations of Kosovo citizens for better life, and of Kosovo businesses for expansion, thus contributing to the wellbeing of the whole society. In addition to this loan growth provided by our bank, we worked with NLB Group to increase the support of Kosovo businesses by NLB dd Ljubljana to nearly EUR 50M
- Our lending continued to be responsible towards our loan clients, our shareholders and the Kosovo society as a whole, with our NPL ratio further reduced to 1.9%. We had another year of negative cost of risk, while preserving ultra-conservative >200% coverage of NPL with provisions.
- Our operations were likewise careful and responsible, with the growth of total expenses at 12% below the growth of our total incomes at 14%. We achieved further reduction of our record low cost-to-income ratio further to 29%, the lowest in the banking system.
- Our overall growth, coupled with sound lending and careful operations, produced record annual profit of 36M, achieving ROA of 3.2% and ROE of 27%, with all three results being the best in the banking system, continuing the tradition of NLB Banka as the most profitable bank in Kosovo.
- We continue to be well-capitalized, above both regulatory limits and internal risk appetite, with capital adequacy further increasing to 15.8%. Our capital and liquidity position allowed us to approve the payment of dividends of 70% of the 2022 profits, in the amount of EUR 23M, to be executed in the beginning of 2024 upon regulatory approval.

In parallel with achieving such growth and profitability, while preserving and enhancing our liquidity and capital adequacy, we achieved significant success in our strategic reorientation towards retail. With retail loans growth surpassing corporate loans growth in absolute volumes, too, not just growth rate, the proportion of retail loans in total loans increased from 39% to 42%, above the banking system average.

2023 marked another year wherein the bank continued its intense activity with regards to our defined Sustainability Roadmap, the three-pillar sustainability strategy (sustainable finance, operations and CSR), was pivotal on further re-shaping our business model. While hosting our first ESG event dedicated on bringing attention to green investments and best leveraging such opportunities on both dimension (cost optimization along to contribution for better environment) we partnered with NLB dd, EBDR, KFGK and CBK to deliver a clear message to our key business clients.
Apart from the awareness campaigns, the bank introduced dedicated green products and gradually shifted its focus toward Green Bond eligible investments. Alongside this environmental contribution, the bank further strengthened its dedication to the social part by signing with the EBRD the Woman in Business program, which aims to further unlock women business potential and ease their access to finance.
With regards to the operations, the bank continued its efforts on decreasing its carbon footprint. During 2023 we decreased Co2 from our operation by 5% and overall decreased the energy consumption. Internal alignments were made in the direction of changing and re-aligning our embedded habits: speed limits, AC optimization, paper printing etc.

Our CSR initiatives played a pivotal role in shaping our performance over the past year. While we executed numerous donations and sponsorships that had meaningful impact on the communities facing social, health or other challenges, one standout contribution was the allocation of a 100,000€ donation for charitable organizations, as part of NLB Group's overall donation of 1.35 million euros. This specific donation was chosen through a process where our employees proposed and voted for the recipients, and their decision was final.

NLB Banka will remain committed to delivering the best products while respecting our green targets, with the NLG Group Green Bond issuance of EUR 500M and Net Zero Banking Alliance escorting our investment strategy. We will steadfast our position as leading bank in the ESG matters.

In the end, I must thank again all our employees individually, in all offices and levels of the bank, for their dedication and hard work throughout the year, producing these excellent results in a very challenging year.
I must also thank our clients for their continuing trust in NLB Banka. They have a firm promise that we will further improve our service to them, to meet their highest expectations of professional, responsible, and efficient bank service.

Looking forward to an even better 2024!

Yours truly,

Gazmend Kadriu
President of the Management Board

33M €

net profit of NLB Banka

Management Board of NLB Banka sh.a

Gazmend Kadriu
President of the
Management Board

Gem Maloku
Member of the
Management Board

Financial highlights

Profit and loss account indicators (in EUR thousand)	2023	2022	Index 2023/2022
Net operating income	**55,181**	**48,392**	**14.0%**
Net interest income	47,165	39,846	18.4%
Net non-interest income	8,016	8,546	-6.2%
Total operating costs	**-15,995**	**-14,350**	**11.5%**
Employee costs	-8,538	-7,450	14.6%
Other general administrative expenses	-5,310	-4,684	13.4%
Depreciation	-2,147	-2,216	-3.1%
Profit before provisions	**39,186**	**34,042**	**15.1%**
Net impairments and Provisions	775	2,051	-62.2%
Profit before Tax	**39,961**	**36,093**	**10.7%**
Tax	-3,994	-3,693	8.2%
Profit after Tax	**35,967**	**32,400**	**11.0%**
Balance sheet indicators (in EUR thousand)			
Total assets	1,229,757	1,083,638	13.5%
Loans to non-banking sector (net)	831,333	740,776	12.2%
Loans to non-banking sector (gross)	866,730	777,203	11.5%
Deposits from non-banking sector	1,008,264	894,242	12.8%
Total equity	149,669	113,844	31.5%
Key indicators			
ROE a.t (Return on equity after tax)	27.3%	29.2%	-1.9%
ROA a.t (Return on assets after tax)	3.2%	3.3%	-0.1%
RORAC a.t	24.2%	23.6%	0.6%
CIR (Cost to income ratio)	29.0%	29.7%	-0.7%
LTD (net loans NBS/deposits NBS)	82.5%	82.8%	-0.4%
CAR (Capital adequacy ratio as per CBK)	15.8%	15.7%	0.1%
Tier 1 ratio	12.9%	12.6%	0.4%
Interest margin	4.2%	3.9%	0.3%

Portfolio quality and provisions			
Gross NPL (non-performing loans)	16,234	15,705	3.4%
Share of NPL in total loans to NBS	1.9%	2.0%	-0.1%
Cost of risk	-25	-40	-36.4%
Other business indicators (IFRS)			
Market share of total assets	16.9%	16.7%	0.2%
Market share of loans to NBS	17.5%	17.6%	-0.1%
Market share of deposits	17.1%	17.0%	0.1%
Number of business units	33	33	0.0%
Number of ATM's	116	99	17.2%
Number of POS	2,811	2,414	16.4%
Number of clients	341,373	341,372	0.0%
Number of employees	468	467	0.2%

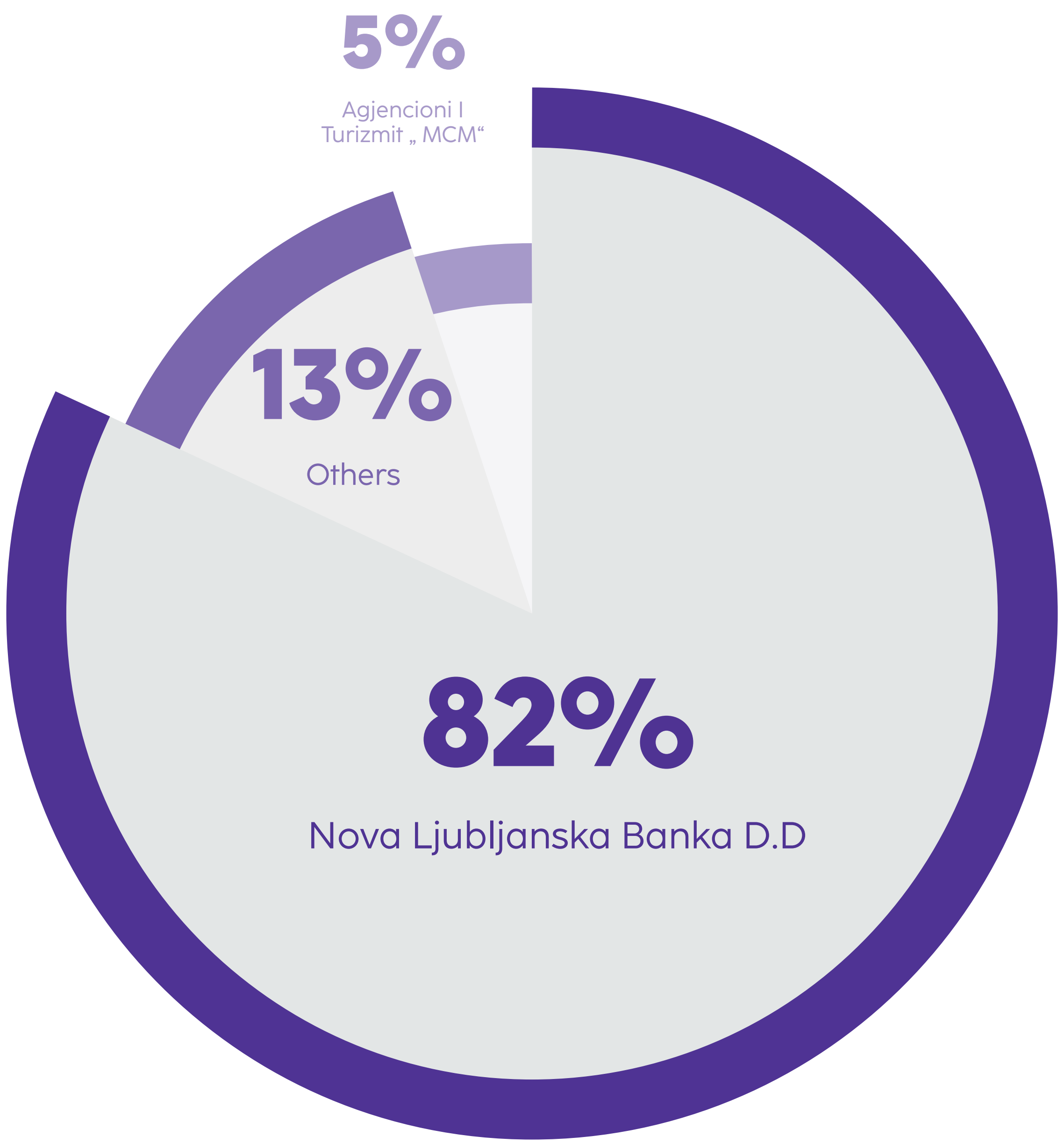
Shareholder structure of NLB

As at December 31, 2023, the share capital amounted to EUR 51,287 thousand (2022: EUR 51,287 thousand).
All shares are fully entitled to dividends and carry equal voting rights. There are no restrictions attached to the shares. The capital of the Bank has seen an organic rice over the years, through capitalization of retained earnings.

Authorized share capital		
42,739 Ordinary shares at par value of EUR 1,200 each	51,287	51,287

Paid up share capital		
42,739 Ordinary shares at par value of EUR 1,200 each	51,287	51,287

Shareholders	Percentage ownership	December 2022
Nova Ljubljanska Banka D.D	82%	42,248
Agjencioni I Turizmit „ Mcm“	5%	2,414
Hashim Deshishku	2%	1,271
Rizah Deshishku	1%	636
Bashkim Deshishku	1%	636
Nerimane Ejupi	1%	625
Naim Ejupi	1%	622
Metush Deshishku	1%	462
„Dardania“ - 2“ Sh.P.K.	1%	323
Xhemail Ismajli	1%	310
Ndërmarrja Prodhuese Tregtare Shërbyese“Jehona“	1%	308
Blerina Ejupi	1%	259
Elez Sylaj	0%	223
Kadri Shalaku	0%	174
„Raf Ii“ Sh.P.K.	0%	124
Rudis D.D. Trbovlje	0%	116
Others	1%	535
Total	**100.0%**	**51,287**



KEY EVENTS

March
NLB Banka: Introducing a new way for cash withdrawal with ATM Contactless

April
New CEO Mr. Gazmend Kadriu takes over management of NLB Banka as Mr. Albert Lumezi approaches his well-deserved retirement.

May
The EBRD awards NLB Banka as 'The most active issuing Bank in Kosovo in 2022"

July
NLB Banka and EBRD sign a cooperation agreement for lending to small businesses in Kosovo.

July
NLB Bank donates €100,000 to charity

November
NLB Banka and FKGK sign a cooperation agreement for the GROW Window

December
NLB Banka "Friend of Children"

December
"Taxpayer and Employer of the Year 2023" award.

March

NLB Banka: Introducing a new way for cash withdrawal with ATM Contactless

Recognizing the changing nature of technology and its impact on our lives, we have made it our priority to provide our customers with access to digital innovations. Hence, we are proud to introduce a new way for customers to withdraw cash from ATMs by simply tapping their contactless cards, without the need to insert them into the ATM machine.

April

New CEO Mr. Gazmend Kadriu takes over management of NLB Banka as Mr. Albert Lumezi approaches his well-deserved retirement.

Due to the forthcoming retirement of Mr. Albert Lumezi, a long-term CEO of NLB Banka, whose contribution towards the growth and outstanding results of our Bank was truly exceptional, Mr. Gazmend Kadriu will take over this position as of 1 April 2023.

May

The EBRD awards NLB Banka as 'The most active issuing Bank in Kosovo in 2022"

NLB Banka has once again been honored by the European Bank for Reconstruction and Development (EBRD) for its exceptional achievements in 2022 within the Trade Facilitation Program (TFP). The award was given during the EBRD Annual Meeting and Business Forum held in Samarkand, Uzbekistan.

July

NLB Banka and EBRD sign a cooperation agreement for lending to small businesses in Kosovo.

NLB Banka Prishtina is already a partner bank of the European Bank for Reconstruction and Development (EBRD) in Kosovo. In the framework of this cooperation, the EBRD has provided two loans with a total value of 10 million euros for NLB Banka. The purpose of these loans is to enable the Bank to further support its small business clients, including companies run or owned by women.

NLB Bank donates €100,000 to charity

Every day, many people around us face various difficulties, whether it's violence, illness, poverty, or other challenges that are not easy and require assistance to overcome. That's why the NLB Group has decided to donate €1.35 million across all markets in the region where we operate. NLB Group employees proposed around 100 organizations, and in the end, through voting, more than 30 beneficiaries were selected, including various associations, humanitarian organizations, and groups for which we will provide financial aid. Kosovo donated 100,000€ to six organizations.

November

NLB Banka and FKGK sign a cooperation agreement for the GROW Window

NLB Banka is a partner bank of the Kosovo Credit Guarantee Fund (FKGK). Within the framework of this cooperation, today the cooperation agreement for the GROW Window was signed, which will support investments of Kosovar businesses in renewable energy and energy efficiency.

December

NLB Banka "Friend of Children"

NLB Banka accepted the "Friend of Children" NLB Banka accepted the "Friend of Children" recognition for the year 2023 from KOMF At the ceremony organized by the Coalition of NGOs for the Protection of Children in Kosovo - KOMF, NLB Bank received the "Friend of Children" recognition for the contribution made during the year 2023 in the field of child protection in Kosovo.

"Taxpayer and Employer of the Year 2023" award.

The main carrier of positive economic processes in Kosovo and the creation of well-being in the country is the private sector. The Economic Chamber of Kosovo has organized the Gala Evening with the main actors of development processes, where NLB Bank received the "Taxpayer and Employer of the Year 2023" award.

Macroeconomic environment and market development

The recovery and a return to pre-pandemic levels come with differences across countries. In Kosovo, as elsewhere in the Western Balkans, amidst challenging external conditions, real GDP growth decelerated but it remains positive.
GDP for the third quarter of the year 2023 was 3%, while estimations from World Bank is 3.2% (while IMF 3.8%). Despite the challenges, Kosovo's economy remained resilient, impacted from robust export performance in both goods and services, as well as strong household consumption, encouraged by remittances. These factors are expected to continue to drive economic growth in 2023. Remittances meanwhile have enabled private consumption to remain strong.
The Government of Kosovo continued its conservative approach towards budget spending and capital investments also in 2023. Significant impact for the economic development of the country apart from stabilization of inflation and political stability will play public spending in terms of capital investments.

Inflation (CPI) – The recovery of the economic activity as well as the increase of prices in foreign markets are reflected in an increase of prices also in Kosovo. Kosovo economy was characterized with an annual inflation rate of 5.0%.
Price movement in Kosovo is similar to the movement of prices in international markets as a result of high dependence of the Kosovo's economy on imports.

Public debt – has continued with a double-digit annual rate, reaching 17.2% of the GDP as of December 2023 (2022: 20.0%), although this remains the lowest public debt in the region. However, it is expected to increase in the near future.

Unemployment rate – is one of the major challenges that every Kosovo government faces. The unemployment level reaches the figure of 11.5%, as of March 2023 (latest data from ASK). Kosovo has the lowest employment rate in Europe. The public sector remains highest employment agency. The number of registered private firms continues to increase but the informal sector remains very strong. Kosovo's formalization of the labor market has continued, and this trend is expected to persist. However, the labor market still faces a high level of inactivity and gender imbalances. Addressing these issues will be crucial for the long-term sustainability of Kosovo's economic growth.

Remittances, confirm to pay an important tool in the improvement of the wellbeing of many citizens in Kosovo and in the financing of the economy through stimulating consumption and private investment. Remittances constitute the dominant component of the secondary income balance.

Below are key performance macroeconomic indicators and respective explanation.

Kosovo	2023	2022
GPD (real growth v %) *	3.0	3.6
Inflation - average of the year (in %)	5.0	11.6
Unemployment rate (in %) **	11.5	11.8
Public debt (% of GDP)	17.2	20.0
Remittances (in Mil. EUR)	1,344.5	1,222.8

Source: CBK and ASK reports
* Latest data as of 30.9.2023.
** Latest data as of 31.3.2023.

As a forward-thinking bank dedicated to promoting inclusivity and equality in sports

Handball Federation, Kosovo's female national team

Give wings to Kosovo.

Banking system

Banking sector in Kosovo (key indicators)

Bank	Period	Total assets	Loans to NBS	Deposits	Net profit	NPL	NPL	ROE a.t.	CAR	CIR	LTD	Interest margin
		000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	%	%	%	%	%	%
Banking Sector	2022	6,495,187	4,202,457	5,487,253	140,319	86,680	2.0%	20.6%	14.8%	36.5%	78.3%	3.9%
	2023	**7,285,775**	**4,754,639**	**6,076,617**	**155,855**	**97,966**	**2.0%**	**19.7%**	**15.8%**	**36.0%**	**80.2%**	**3.2%**
NLB Banka	2022	1,083,638	740,776	934,667	32,400	15,705	2.0%	29.2%	15.7%	29.7%	82.8%	3.9%
	2023	**1,229,758**	**831,333**	**1,039,454**	**35,967**	**16,234**	**1.9%**	**27.3%**	**15.8%**	**29.0%**	**82.5%**	**4.2%**

Source: KBA reports

Banking sector in Kosovo currently operate twelve (12) banks, offering a wide range of products and services to customers. Nine banks with foreign ownership continue to dominate the banking sector, and they manage 84.3% of total assets. As regards to the country of origin, Austria, Germany and Slovenia are represented with a single bank each, while Albania is represented with two and Turkey is represented by three banks and three are with Kosovan capital.

Their products and services include banking accounts, loans, domestic and international payments, banking cards, banking guarantees, letter of credit, e-banking. Access to these services is enabled through 215 branches and sub-branches and there are 4,022 employees in commercial banks.

The net profit of banking sector for the year 2023 was EUR 159.9M, representing a YoY increase of 11.1%. this result is a testament of the sound management of the banks, despite the challenges posed by increasing of inflation rate and constant increase of prices.

The capital adequacy ratio was 15.8% (2022: 14.8%), indicating that Kosovo's banks are well capitalized. The ratio of loans to deposits was at 80.2% (2022: 78.3%), reflecting a balance between lending and deposits.

The ratio of non-performing loans was 2% (2022: 2%) based on report from CBK, which remains in same line compared to the previous year and indicates that the banks are effectively managing their credit risk.

The average interest rate on loans was 6.4% as of December 2023 (2022 were 6.3%). On the other hand, the average interest rate on deposits increased to 3.1%, (2022 were 2.4%). The interest rate spread was 3.2%, (2022 was 3.9%).

Overall, the banking sector in Kosovo remains strong and profitable, with well-capitalized banks and effective risk management practices. As the economy continues to grow, we expect to see continued growth and innovation in the banking sector, as banks adapt to changing customer needs and market conditions.

Strategy

Despite the challenging and uncertain economic environment, NLB Banka sh.a. Prishtina has continued to be in line with comprehensive strategy of the NLB Group. This includes focusing on protecting and strengthening its market position, actively participating in the growth and consolidation of the market, and promoting the Environmental, Social, and Governance (ESG) agenda. Digitalization, client centricity, and cost efficiency remain some of key strategic orientations to ensure delivery of the Group's vision.

Our primary objective is protecting and strengthening the market position, while actively participate in the growth and consolidation of the market in Kosovo, as further moving ahead with extensive digitalization and transformation of our operations. The bank is focused in delivering our value proposition more efficiently through operation excellence, smart pricing and client centricity. NLB Banka will pursue further its strategy with sustainable development, with focus on maintaining high quality of loan portfolio, ensuring financial stability, delivering consistently strong results and sustainable value creation for shareholders.
Further the bank will enhance ESG implementation and dedication on climate financing and implement CSR activities on, public private projects, sport and culture.

Be a local champion

The Bank strives to become a market leader and to have a prominent role in the local economy development. This will be further accelerated by promoting advanced environmental, sustainability, and corporate governance agendas. The Bank is accelerating its efforts to adhere to all modern standards, as well as catalyze their adoption throughout its client base and markets. It has created novel green financial products for financing clients' green transformation, as well as invested significant efforts and resources to reduce the carbon footprint of the Bank's own business operations.

Put clients first

The Bank is driving its customer-centricity agenda by starting with the client's financial needs and looking for ways to improve and streamline its products and services to fulfil them to the utmost extent. One way the Bank does this is by digitizing its distribution channels, allowing clients to access its products and services from anywhere at any time. This makes it easier for clients to manage their finances and take care of their banking needs at their own convenience without having to visit a physical branch. The Bank is committed to adding new financial solutions to meet unmet and new needs of its clients. By staying on top of the latest trends, needs, and technologies, it will stay competitive and provide the best possible banking experience. Ensuring strong customer support remains one of the Banks key focuses.

Grow our market position

The Bank is working to protect and strengthen its market position as a systemic player in the market. To do this, the Bank is monitoring how well it is adding value to three types of its main stakeholders: shareholders, customers, and employees. With respect to its shareholders, the Bank views its decisions through a lens of maximizing its return on equity. With respect to its customers, market share is constantly tracked. With respect to its employees, an employee engagement metric is measured and analyzed. The Banks employees represent its key resource and are one of its main drivers for creating value. In addition, other supporting indicators and benchmarks are tracked to continually revaluate current projects and utilize those insights for future decisions. A variety of communication channels are used for an open and transparent dialogue on sustainability-related issues.

Digitalization

The Bank continues to implement substantial efforts and resources toward digital distribution channels and operating models. Effective and safe digital distribution channels require novel operating models and automated processes to minimise response times and costs. The focus on digitalization is to enable quicker and better customer service, a higher level of internal processes efficiency, and consequently, additional cost savings. The Bank will continue to invest substantially in IT infrastructure and its digital capabilities and roles. The focus will be on improving the speed of IT delivery by adopting agile methodology principles, provision, and implementation of the best online experience for customers, and enhancing capabilities for processing data, modelling, and relevance of services to clients.

Dividend Policy

The Bank's general intention is to distribute dividends on a yearly basis, while at the same time fulfilling all regulatory requirements. The Bank's dividend policy envisages annual distribution of dividends in an estimated amount of 70% of the Bank's result. However, the disbursement of dividends by the Bank will depend on several factors, including the Bank's capital structure, risk appetite, profits, financial condition, regulatory requirements, overall economic and business conditions, as well as forthcoming prospects.

Risk Factors

The Bank closely monitors the risk factors that might potentially impact its operations. Amongst many challenges that the Bank will face during the following years, there are certain main risk factors shall impact on business activity of the bank. These include: unfavorable low interest rate environment, lower interest margins, further deterioration of macroeconomic circumstances, and instability in financial markets. Additionally, the increasing digitalization of banking processes has increased also the need to invest in measures to protect the bank and our customers' data, as a response to cyber threats.
The bank is also prone to changes of regulatory, changes in regulations may affect significantly banks operations and profitability, by limiting the banks' ability to generate revenues. Furthermore, political and geopolitical instability could also impact banks investments and operations.

Outlook 2024

NLB Banka will advance further its strategy in 2024 prioritizing sustainable development, upholding high quality of loan portfolio, financial stability fostering resilience of the bank, while delivering continuously strong results and contributing positively to the society. Furthermore, NLB Banka anticipates expanding its business activity through the year and continuing to deliver exceptional financial performance.
It is expected that the year 2024 will have its challenges on:

- Political stability/instability
- Strong market competition, new bank entries expected, FINTECH competition
- GDP growth of 4.4%, inflation at 3.7% in 2024, normalized in 2025 - onwards
- 6M Euribor rate at 3.6% in 2023, decreasing in 2024 and onwards
- Regulator changes and market growth sentiment
- Historical trends of bank results
- Migration.

Overview of Financial Performance

Statement of profit or loss and other comprehensive income

Income statement (000EUR)	2023	2022	Index 2023/2022
Total operating income	**55,181**	**48,392**	**14%**
Net interest income	**47,165**	**39,846**	**18%**
Interest income	53,699	43,333	24%
Interest expenses	-6,534	-3,487	87%
Net non-interest income	**8,016**	**8,546**	**-6%**
Net fee and commission income	**9,382**	**9,754**	**-4%**
Fee and commission income	14,769	14,963	-1%
Fee and commission expenses	-5,387	-5,209	3%
Other net operating profits/losses	-1,366	-1,208	13%
Total Operating Costs	**-15,995**	**-14,350**	**11%**
Staff expenses	-8,538	-7,450	15%
General and administrative expenses	-5,310	-4,684	13%
Depreciation	-2,147	-2,216	-3%
Profit before impairments and tax	**39,186**	**34,042**	**15%**
Net Impairments and Provisions	775	2,051	-62%
Profit before tax	**39,961**	**36,093**	**11%**
Tax	-3,994	-3,693	8%
Net profit	**35,967**	**32,400**	**11%**

Profit

NLB Banka has wrapped another successful year. All expectations were exceeded, continued to deliver solid results in its growth pattern with a role as systemic bank in the market, offering wide range of products and services and developing our capabilities to meet the needs of our diverse customer base.

Our results prove that we success to continues value creation and well positioned for future growth. Net profit reached the amount EUR 36M, an increase compared YoY by EUR 3.6M or 11%. The profitability indicators exceed both the market and budgeted results despite inflation-related cost pressure. The profitability trends have reached its peak performance ever, putting the bank in the first position in its industry for the second time successive.

Profit before provision and tax reached EUR 39.2M or 17% more than budgeted figures resulting mainly from the strong performance of interest-bearing assets. While compared to YoY net profit increased by EUR 5.1M or 15%.

Figure 1: Net profit evolution YoY

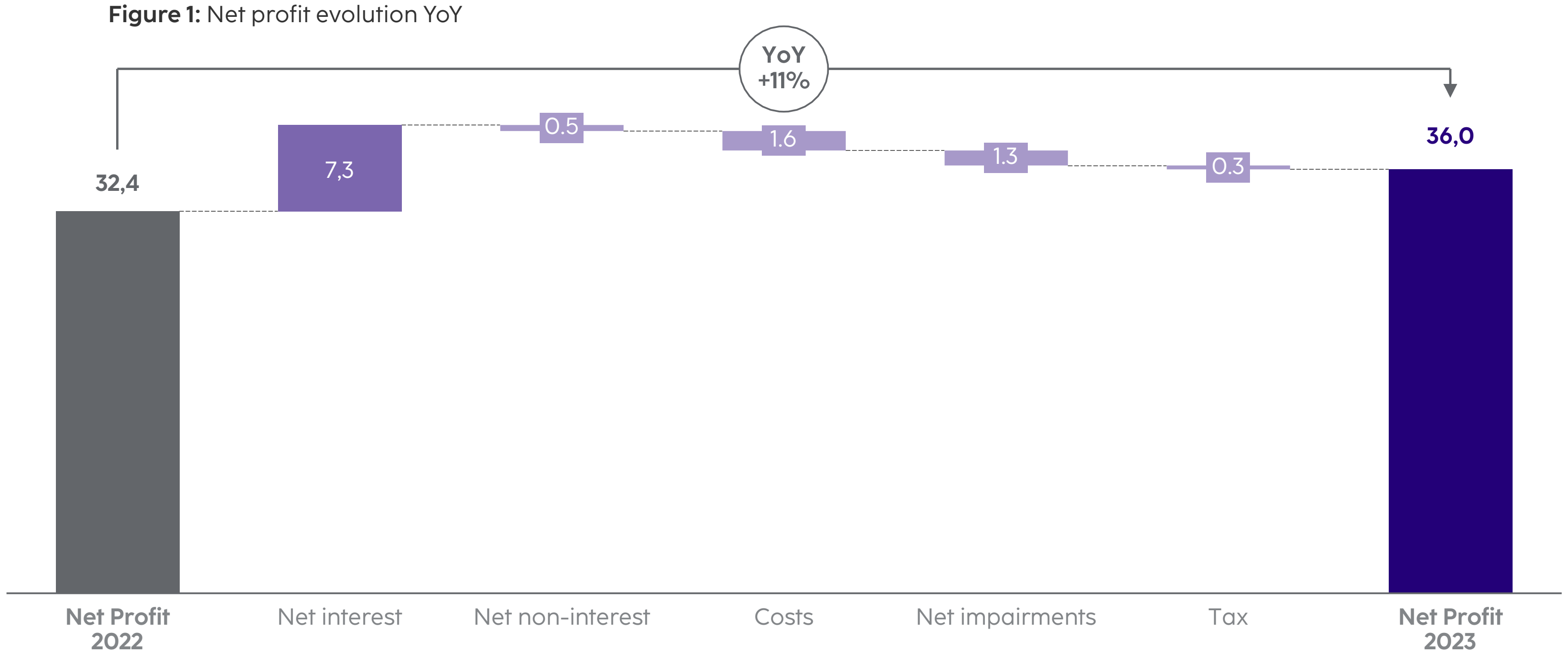


Figure 2: Net profit

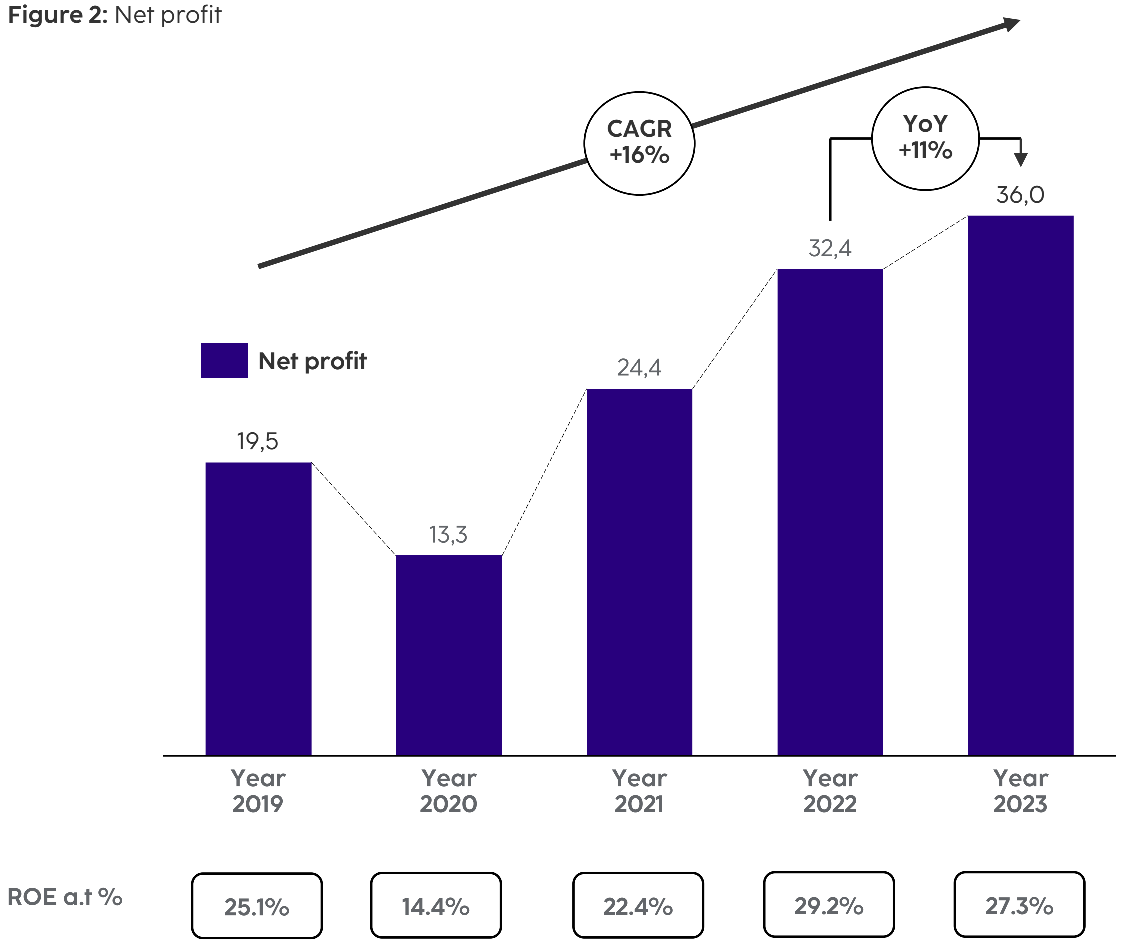
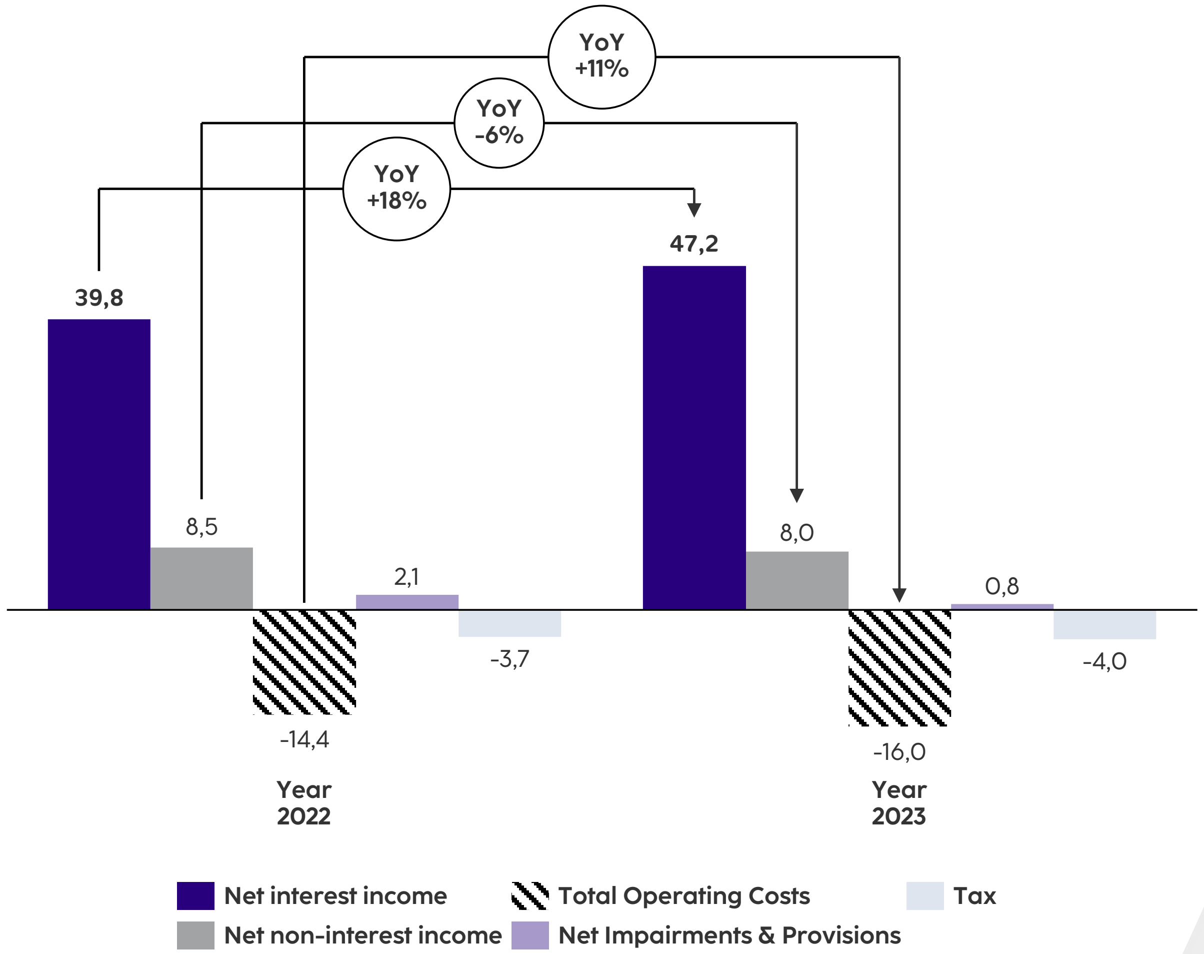


Figure 3: Main income statement items



Net interest income

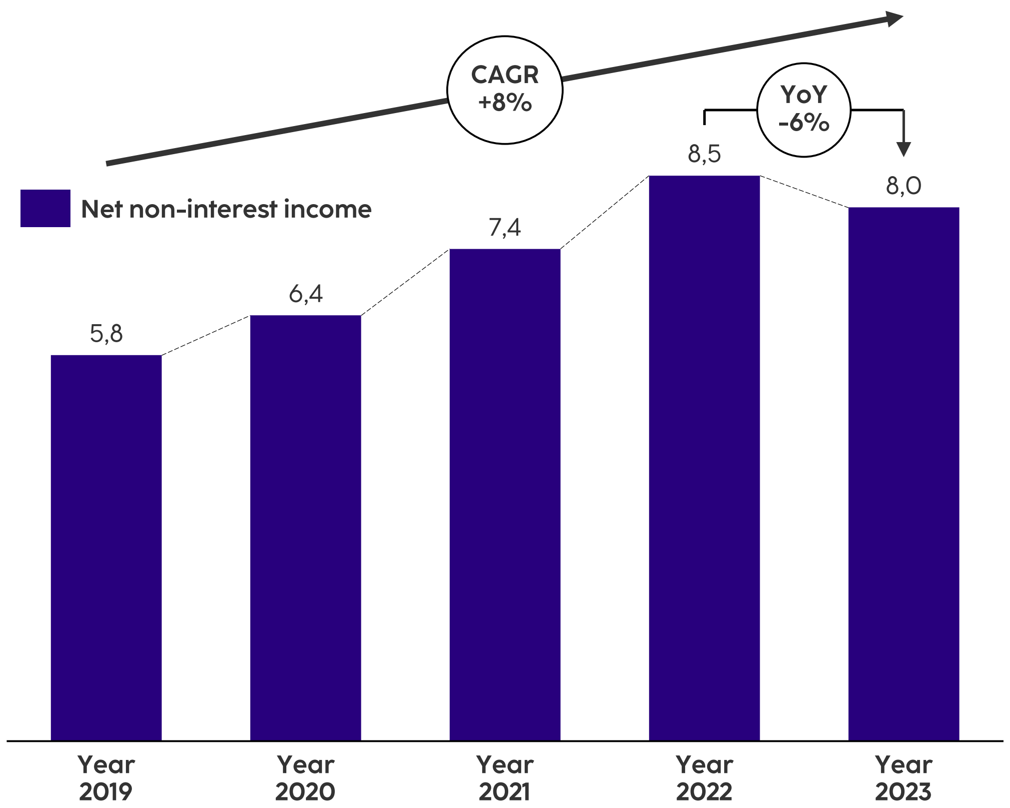
Net interest income reached EUR 47.2M, compared to YoY increased by EUR 7.3M or 18%. This growth can be attributed to the expansion of loan volumes, also elevated interest rate environment, as well as continues repricing of deposits. There is increase in our net interest margin from 3.9% in year 2022 to 4.2% in year 2023 (YoY increase of 3 basis points).

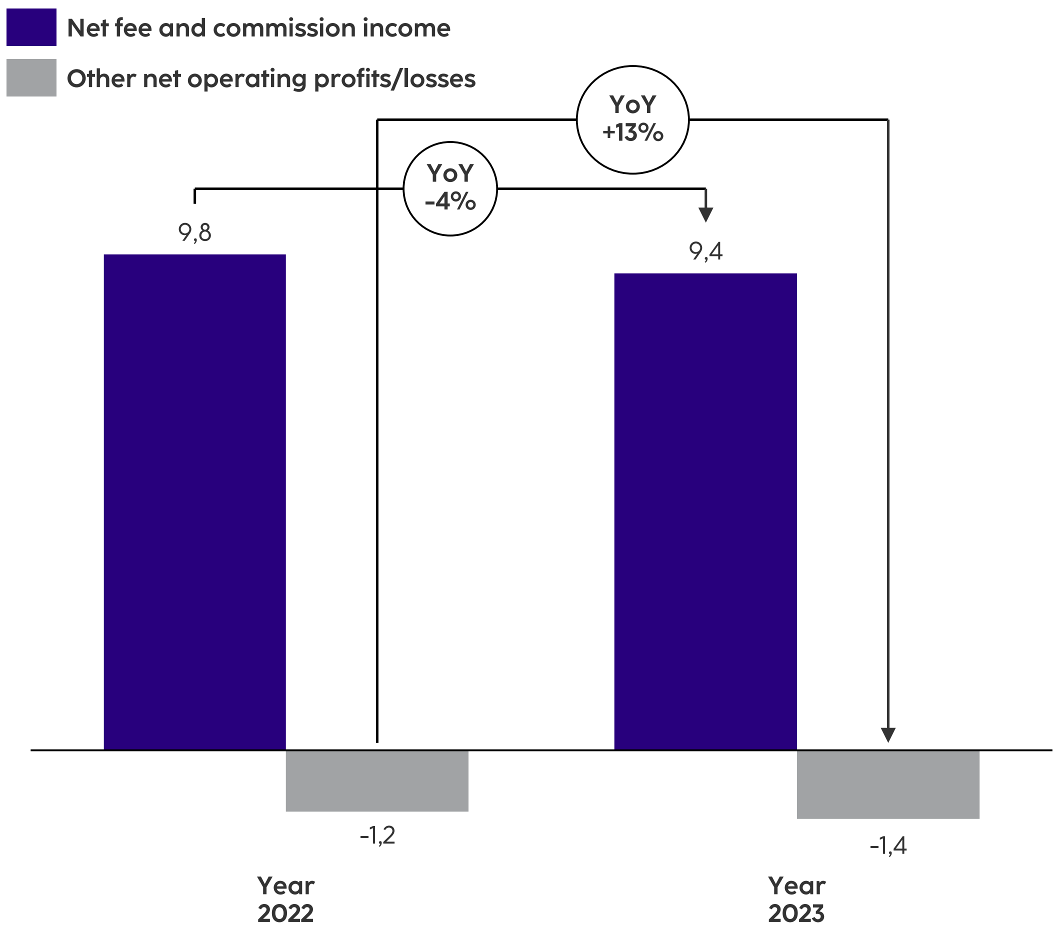
Net Non-interest income

Net noninterest income had a declining trend YoY for 6% or 0.5M deriving from unfavorable impact from interchange regulation (decrease of chargeable fee) and transfer of accounts to dormant accounts (EUR 50k monthly impact from March).
The bank has reviewed the price list and has determined new prices, followed by an action plan to mitigate such decrease of non-interest income.
Net non – interest income composes of:

- Net fee and commission income.
- Net foreign exchange differences.
- Other net noninterest income/expenses.

Figure 5: Net non - interest income

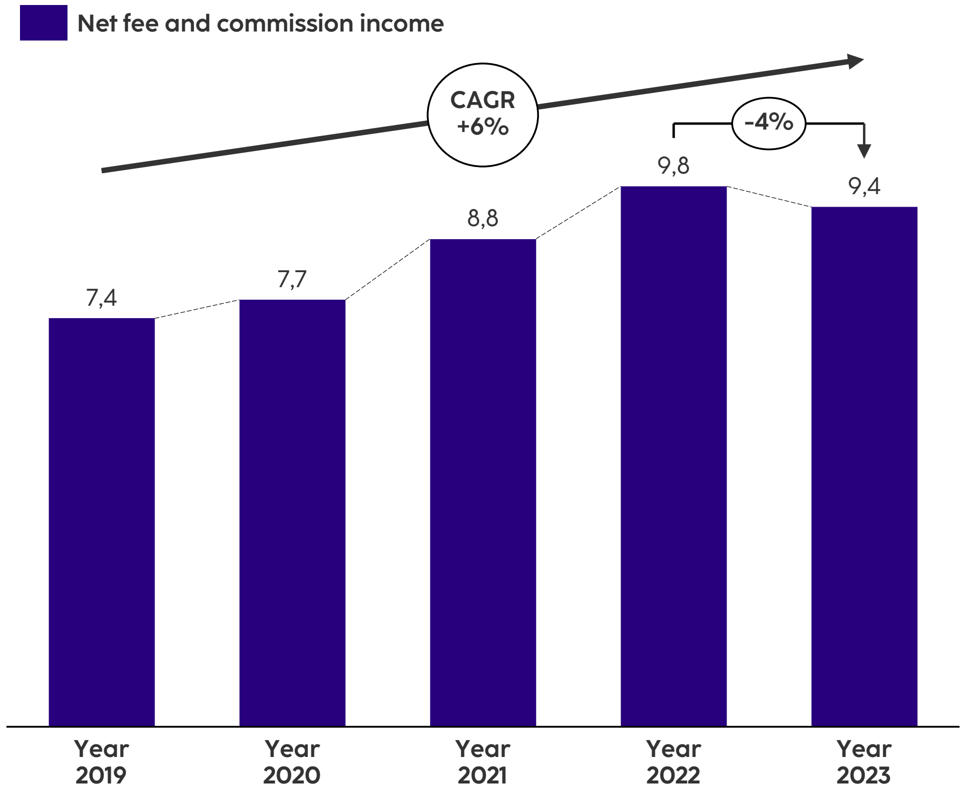


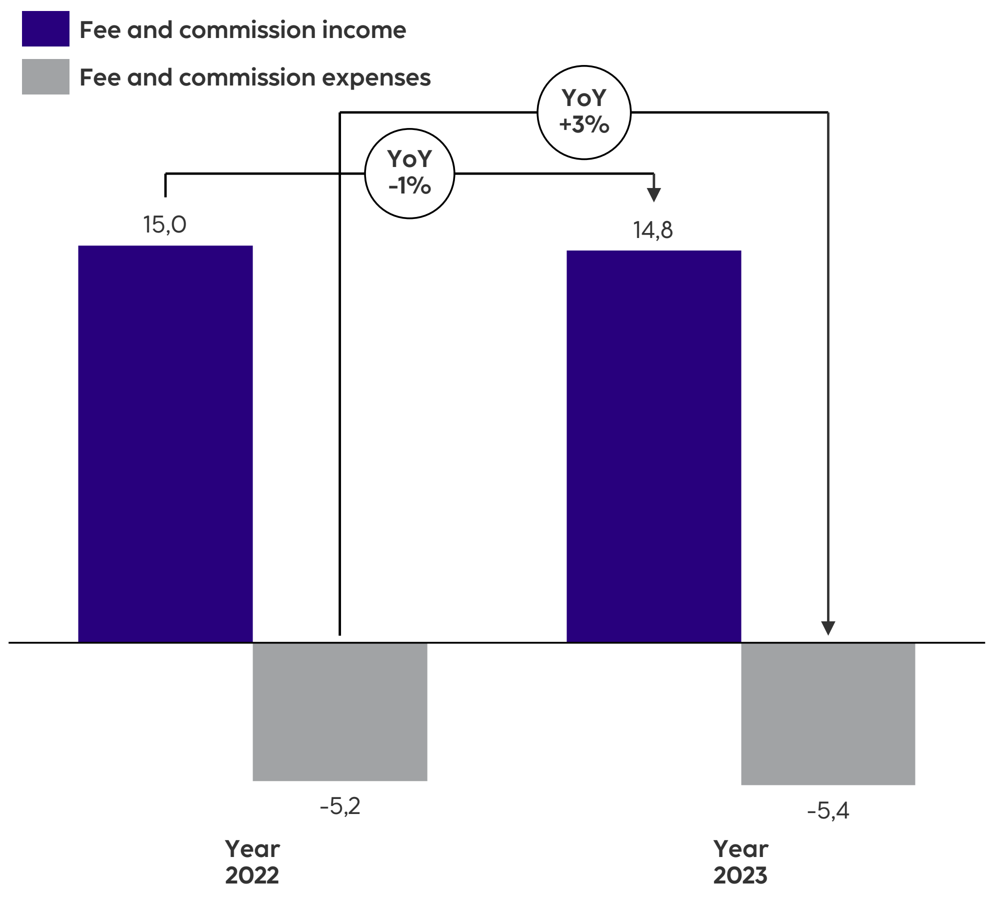


Net fees and commission's income

Net fees and commissions income for the fiscal year amounted to EUR 9.4 million, falling flat of EUR 0.4M or 4%, compared with the previous year as above-mentioned reasons.

Figure 6: Net fee & commission income





Costs

Total costs reached the amount of EUR 16M which are more compared to YoY for EUR 1.6M or 11%. The increase was impacted by constant increase of prices and increase o business volume.

As a structure total cost consist of 54% staff costs, 33% general and administrative costs and 13% depreciation and amortization costs.

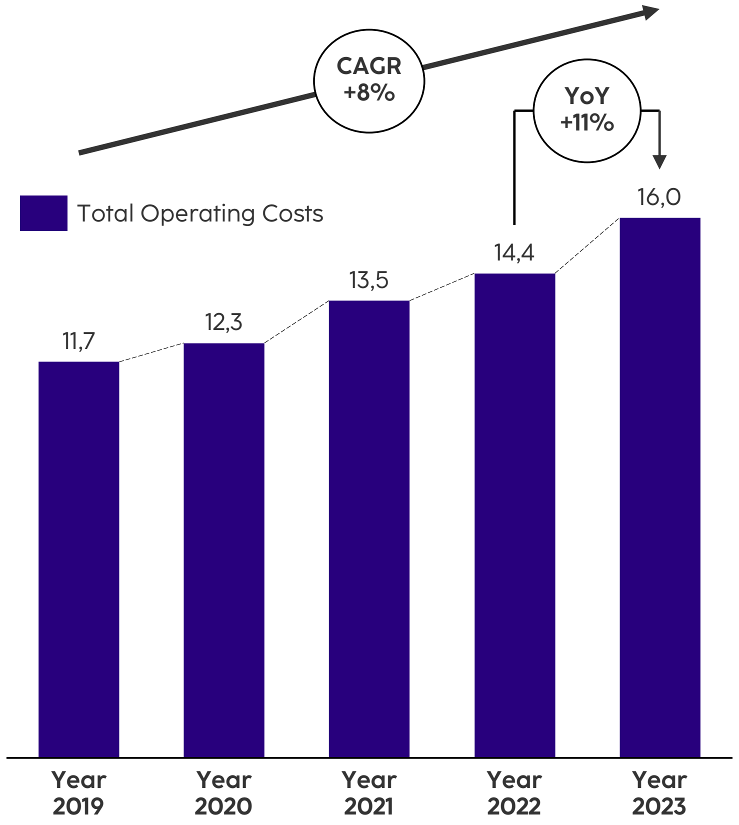
Total costs resulted with an impressive CIR ratio of 29%, which is the lowest in banking sector. The bank remains committed to delivering exceptional value to its stakeholders while ensuring efficient management of costs.

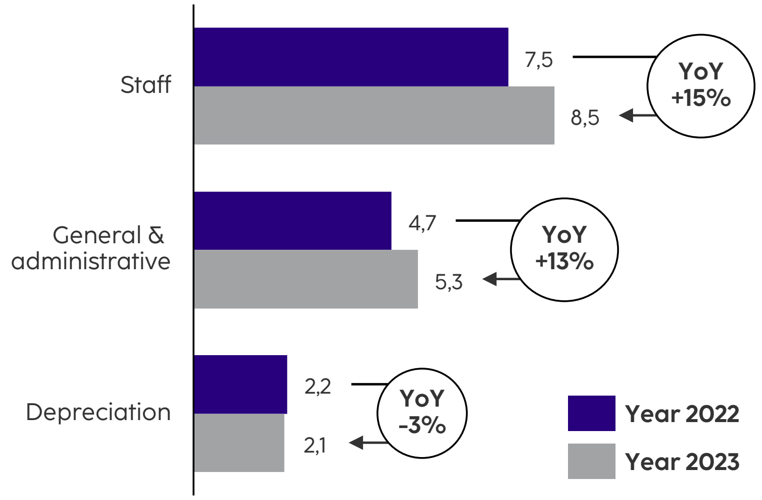
Staff expenses amounted to EUR 8.5M which are higher compared to YoY for EUR 1.1M million or 15%.

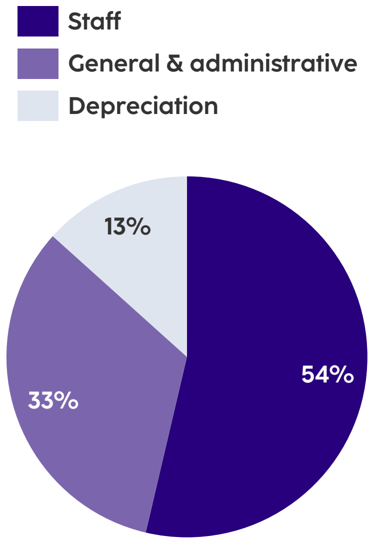
General and administrative expenses amounted to EUR 5.3M, representing an increase of EUR 0.6M or 13% compared to the previous year.

Depreciation amounted to EUR 2.1M, which are lower compared to the previous year by 3% or 0.1M.

Figure 7: Costs





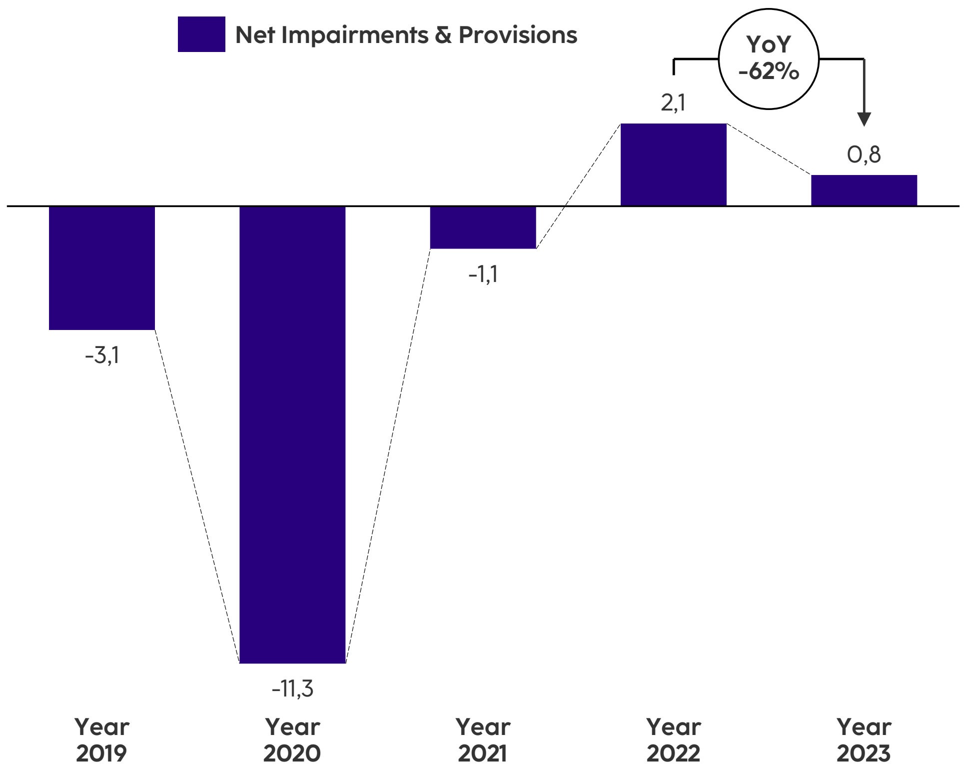


Provisions and Impairments

Provisions and Impairments for the year ended December 2023, amounted release of EUR 0.8M. This figure reflects sound structure of asset quality and consistent increase of our client's performance.

Despite the growth of portfolio, the CoR continued to be with negative trends (release) impacted from positive client performance and continuous review of risk parameters tending to mirror the actual macroeconomic environment. The net cost CoR was -25bps.
The bank has achieved to have sound quality structure of portfolio with NPL ratio of 1.9% (1bps less YoY).

Figure 8: Provisions



Statement of financial position

Balance Sheet (000EUR)	2023	2022	Index 2023/2022
Total Assets	**1,229,757**	**1,083,638**	**13%**
Cash and balances with central banks	137,074	140,850	-3%
Placements to banks (net)	68,245	50,944	34%
Loans to non-banking sector (NBS)- gross	866,730	777,203	12%
Loan impairments to NBS	-35,397	-36,427	-3%
Loans to non-banking sector (net)	**831,333**	**740,776**	**12%**
Loans to corporate (net)	*481,099*	*440,296*	*9%*
Loans to retail (net)	*350,192*	*300,454*	*17%*
Loans to state (net)	*42*	*26*	61%
Securities	175,373	133,777	31%
Fixed assets	13,278	13,592	-2%
Other assets	4,453	3,699	20%
Total Liabilities and shareholders' equity	**1,229,757**	**1,083,638**	**13%**
Total Liabilities	**1,080,088**	**969,794**	**11%**
Deposits from banks	21,281	40,425	-47%
Borrowings	9,910	0	
Deposits from NBS	**1,008,264**	**894,242**	**13%**
Deposits from retail	*702,665*	*648,401*	*8%*
Deposits from corporate & state	*305,599*	*245,841*	*24%*
Subordinated debt	15,010	15,010	0%
Other liabilities	25,623	20,117	27%
Total equity	**149,669**	**113,844**	**31%**
Issued capital	51,287	51,287	0%
Retained earnings	61,423	25,457	141%
Other	992	1,134	-13%
Profit/loss for the period	35,967	35,967	0%
Off balance sheet main items	**40,079**	**43,551**	**-8%**
Guarantees and letters of credit	21,975	25,013	-12%
Written-off loans in off balance	18,104	18,538	-2%

Total assets increased by 13% from EUR 1,083.6M to EUR 1,229.8M in 2023. This increase can be attributed to increases in the loans to non-banking sector (NBS), securities and placements to banks.
The structure of total assets of the bank consists of:

- 68% NBS loan portfolio,
- 31% liquid assets
  - Cash and balances with CBK of 11%
  - Securities 14%
  - Term deposits with banks 6%
- 1% other assets

Structure of financial position

Figure 9: Main balance sheet items

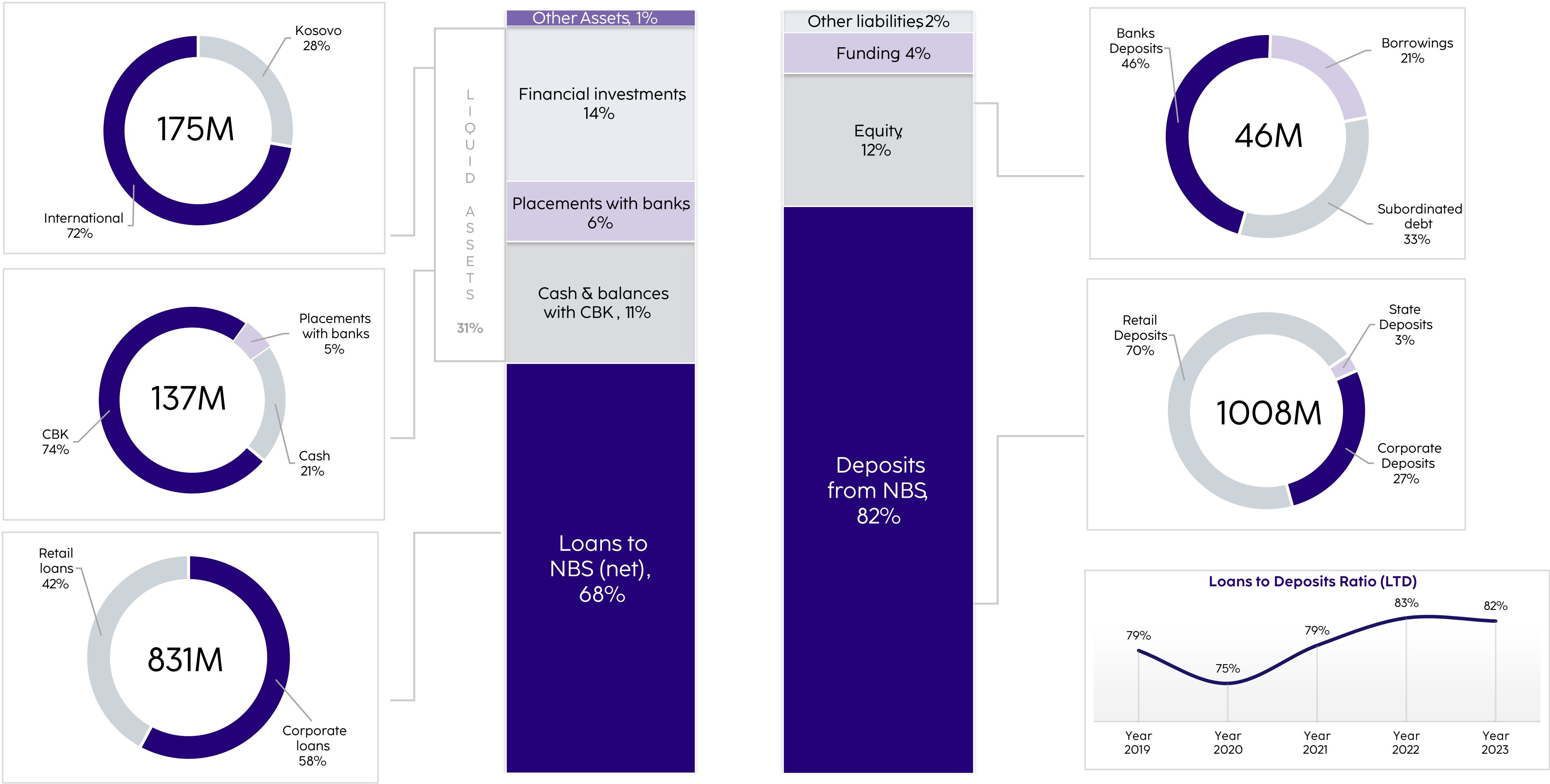
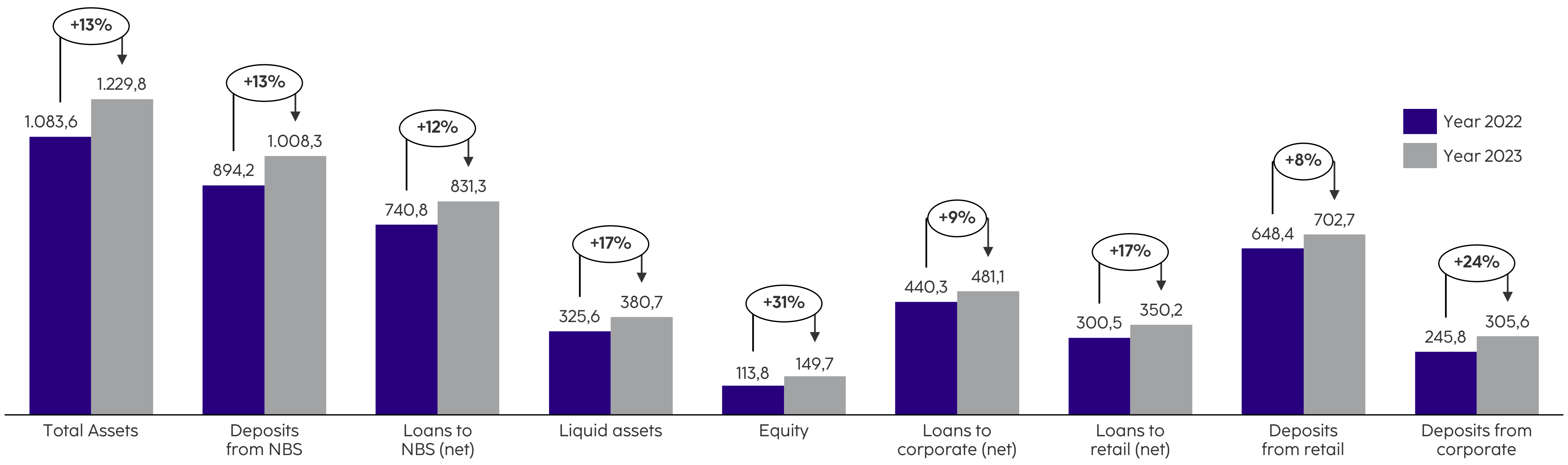


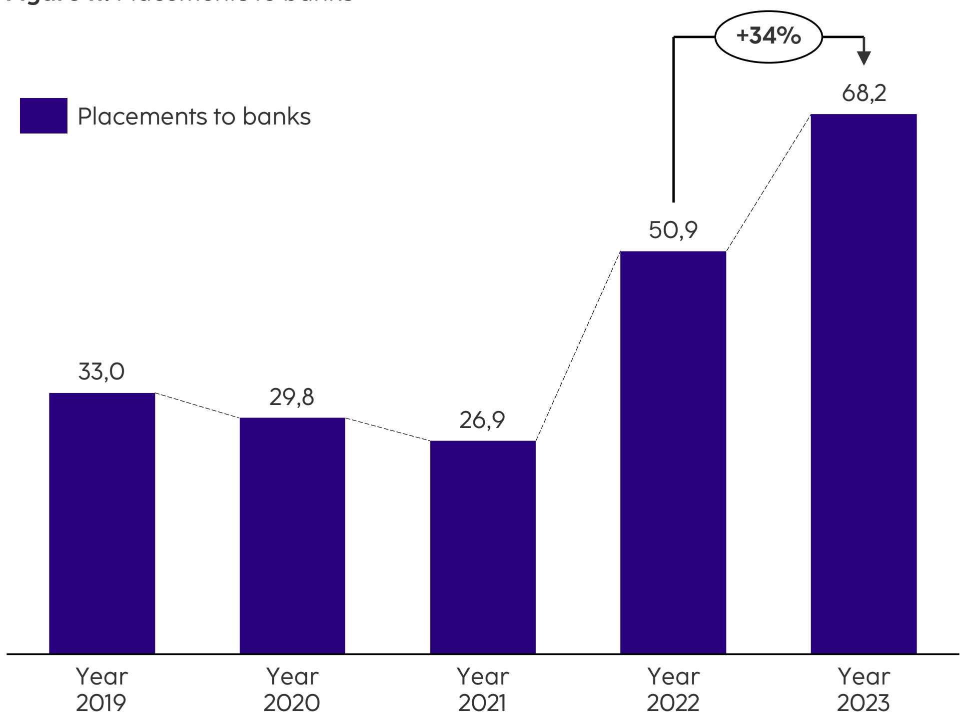
Figure 10: Main balance sheet items

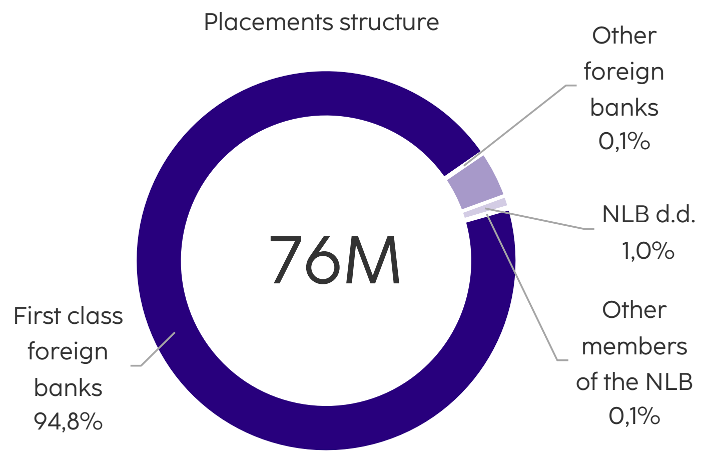


Cash and cash equivalents amounted EUR 137.1M an decrease of 3% or EUR 3.8M YoY, and mainly consist of:
· CBK balances EUR 101M or 74% (o/w: obligatory reserve EUR 80.3M, cash EUR 20.7M).
· Cash EUR 28.6M or 21%.
· Sight deposits/placements to banks EUR 7.4M or 5%.
Liquid assets compared to previous month increased by 35.5M.

Placements to banks - amounted to EUR 68.2M. Compared to end of the year 2022, the balance decreased by EUR 17.3M or 34% due to investment on more profitable assets.

Figure 11: Placements to banks

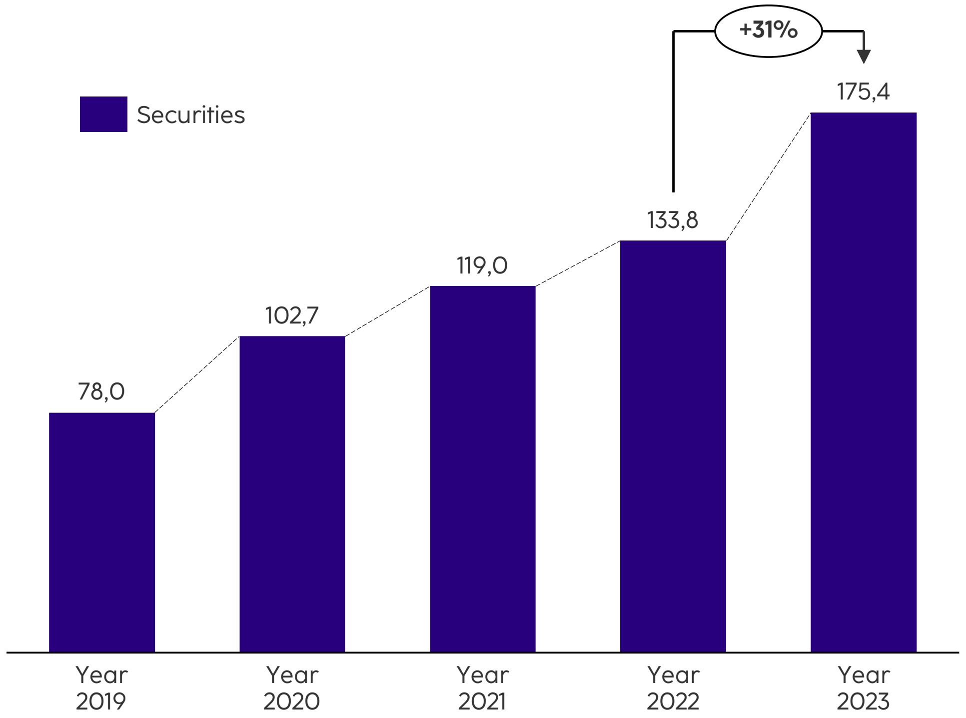


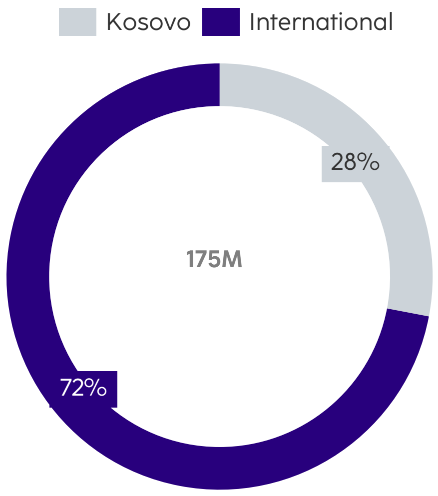


Investments on Securities amounted to EUR 175.4M, compared to end of 2022 increased by EUR 41.6M or 31.1%.
The structure of securities consists of 72% international securities, while 28% Kosovo.

In addition, the bank has held the Visa shares in amount of EUR 158k.

Figure 12: Securities

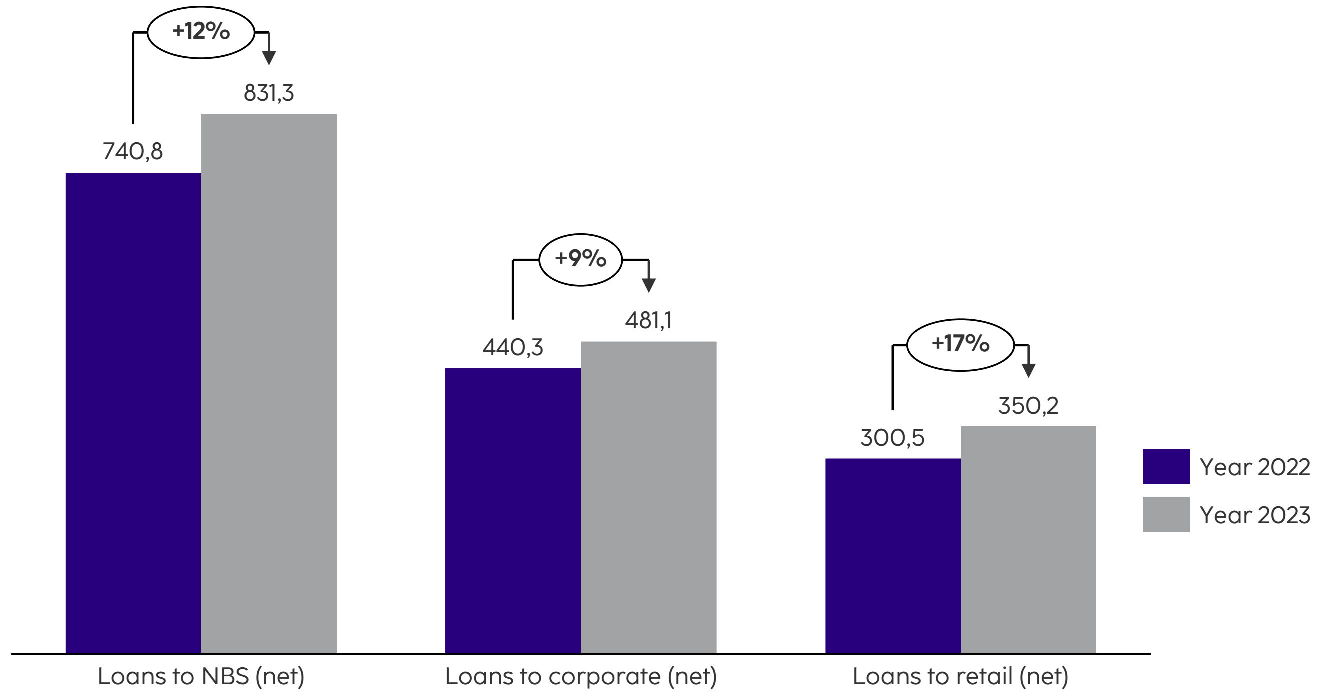


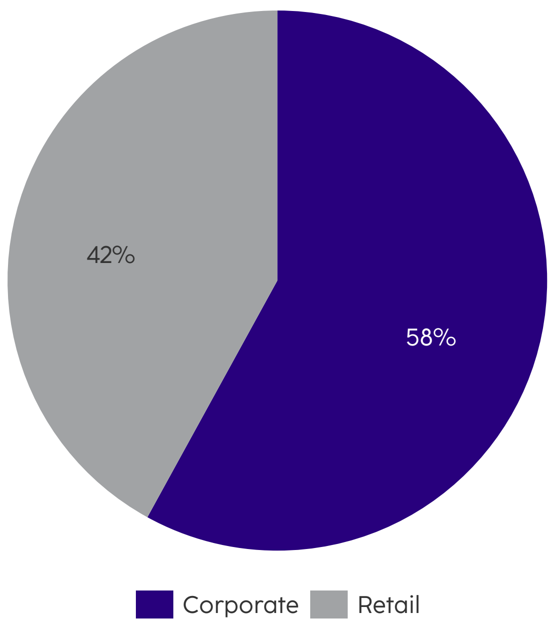


Total Gross NBS loans portfolio amounted EUR 866.7M and compared to end of the year 2022 it increased by EUR 89.5M or 11.5%. On segment basis compared to YoY, corporate loan portfolio increased by EUR 33.6M or 7.1%, while retail portfolio increased for EUR 55.9M or 18.3%. Despite being a retail-oriented bank, the composition of the portfolio comprises of 58% corporate vs 42% retail, which remains to further work on balancing the structure. Even though the growth on portfolio, the bank has achieved to have the sound structure of quality portfolio with NPL of 2% (last year 2%). The structure of portfolio consists of: Stage 1: 90%, Stage 2: 8%, Stage 3: 1.9%.

The total increase of NBS portfolio absorbs the increase of total deposits, and the remining part was financing through structuring of balance sheet and utilization of liquid assets.
Besides the growth in NBS sector and on deposit side, the net LTD ratio has risen to 82.5% (last year 82.8%). Nonetheless, the structure of balance sheet remains optimal in terms of capital consumption on the group level.

Figure 13: Loans to NBS





Deposits from banks amounted EUR 21.3M, compared to end of the year 2022 decreased by EUR 19.1M. For purpose of liquidity and in order to support the loan growth the bank has borrowed funds from NLB d.d. in amount of EUR 20M with five-year maturity.
Total Deposits amounted to EUR 1,008.3M, with increase of EUR 114M or 12.8% compared to end of year 2022. The budget for total deposits to NBS was exceeded by 14.7% and on segment basis retail 5.6% while for corporate for 38.4%.

The structure of deposits consists of:

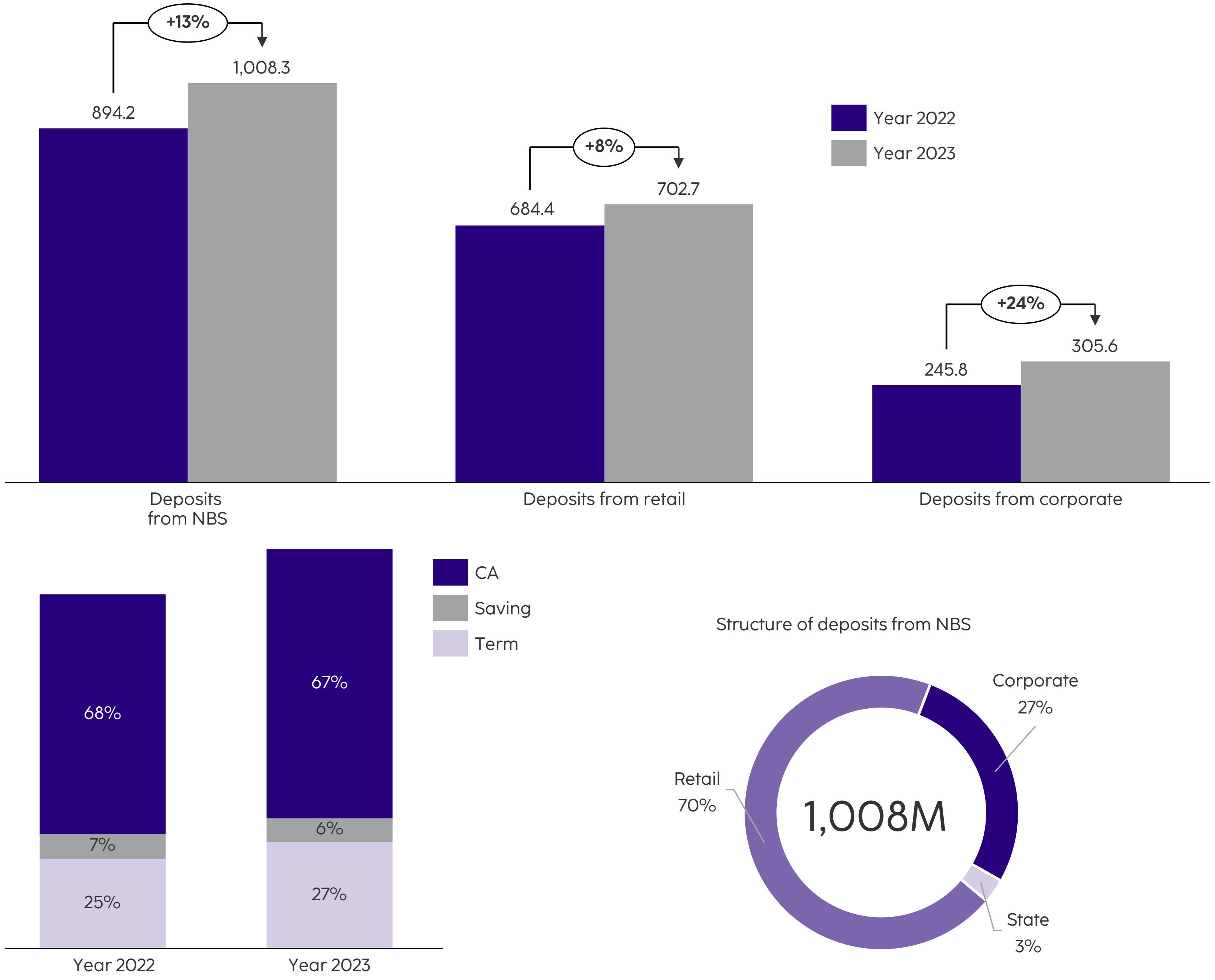
- 70% retail deposits or EUR 702.7M, o/w:
  - current accounts 64%
  - savings deposit 9%
  - term deposits 27%
- 27% corporate deposits or EUR 276.7M, o/w:
  - current accounts 74%
  - term deposits 26%
- 3% deposits from government or EUR 28.8M, o/w:
  - current accounts 75%
  - term deposits 25%

Subordinated debt remains at same level as in 2022 in amount of EUR 15M represents the loan used for purpose of additional Tier II capital.

Shareholders` equity

The total equity remains steadfastly consistent YoY, approximately EUR 149.7M, representing a fulfillment of capital requirements internally and for regulatory purpose. Such consistency is achieved by increase of current year net profit and other equity instruments.
The capital structure remains stable with CAR ratio (as per CBK) at 15.8%. The indicator is above regulatory limit (12.5%) and internal risk appetite (14.5%). Nevertheless, dividend pay-out practices and overall capital management process should be reconsidered to maintain Tier 1 capital adequacy ratio above 12.5%. The CBK has approved external auditors on January 10, 2024, and subsequently the bank will capitalize the net profit for the period up to September 2023 and then the dividend pay-out from 2023 net profit is planned to take place in March 2024, after approval of dividend pay-out from CBK.

Figure 14: Deposits to NBS



Activities by business segments

Corporate Banking

The bank offers a comprehensive range of financial solutions tailored to the distinct needs of legal entities, catering to Corporate, SMEs, Micro, and institutional clients. Corporate banking, a pivotal and central facet on the global banking stage, plays a profound role in shaping and influencing the economies to which banks contribute. Notably, our bank holds a prominent position as one of the leading institutions in the Kosovo market, boasting a significant market share in the realm of Corporate banking. This underscores our commitment to excellence and our substantial impact on the financial landscape.

On a broader scale, the global economy in 2023 has witnessed a complex interplay of trends. The geopolitical tensions resulting from the ongoing Russian invasion of Ukraine have rippled through various sectors, affecting not only regional stability but also global economic sentiments. Against the backdrop of anti-inflationary measures implemented worldwide aimed at addressing rising prices but have inadvertently led to challenges such as increased borrowing costs, coupled with uncertainties in international trade and geopolitical affairs, have shaped the economic environment, influencing investment decisions and business strategies on a global scale. The tightening labor market and reduced consumer spending have forced organizations to recalibrate their operations and rethink their approach to sustaining growth in this challenging environment.

Central to our strategy is a relentless focus on customers, placing them at the forefront of every decision we make. By prioritizing customer-centricity, we are not only enhancing our current offerings but also improving the overall customer satisfaction. Through strategic partnerships in the open market and collaboration across all sectors of our institution, we aim to unlock additional value for our customers and businesses. Leveraging our size and scale, we are dedicated to delivering innovative solutions that cater to the diverse needs of our clientele, ensuring their success both now and in the years to come. We remain steadfast in our commitment to evolving alongside customer needs.

With a forward-looking approach, we are dedicated to meeting and exceeding customer expectations for seamless, personalized experiences.

As customer expectations undergo continuous evolution, an increasing number of interactions are migrating towards digital and virtual channels. Simultaneously, there is a growing demand among customers for expert guidance tailored to their unique financial circumstances. The changing landscape is evident in the decreased use of our branch infrastructure, accompanied by a noteworthy shift from traditional cash transactions towards the prevalence of contactless payments.

Recognizing these dynamics, we are committed to a strategic reshaping of our footprint to align with the preferences of our customers. This involves a proactive approach to support our clientele in the ways they prefer to be serviced, embracing the digital era and adapting to the changing patterns in financial behavior. Notably, our e-banking and mobile banking user base has experienced a substantial 17% increase, reflecting the success of our efforts to meet the evolving needs of our tech-savvy customers.

481,099

Net corporate loan portfolio representing a 9% increase compared to 2022

18,837

debit and credit cards to legal entities or 4% more than 2022.

19,489

e-banking and m-banking users in the segment of legal entities or 17,47% more than 2022.

2,811

POS-es or 16.45% more than 2022.

Looking ahead, our strategic focus involves continued investment in digital platforms. We are dedicated to streamlining processes, eliminating unnecessary costs, and ensuring a seamless self-service experience for our customers. The ongoing commitment to digitalization and automation is not only geared towards enhanced efficiency but also serves to reduce costs and create additional capacity for our colleagues to provide dedicated support to our valued customers. This proactive approach underscores our commitment to staying at the forefront of technological advancements, providing our clientele with a banking experience that is not only advanced but also tailored to their evolving preferences.

Guided by our foundational principles, we remain steadfast in our commitment to being a cornerstone among banks catering to corporate clients of all sizes in Kosovo. Currently, we serve approximately 19 thousand clients across 33 branches and sub-branches, offering a diverse range of products and financial services. These encompass lending solutions, payment services, and trade finance, underlining our dedication to meeting the varied needs of our clients.

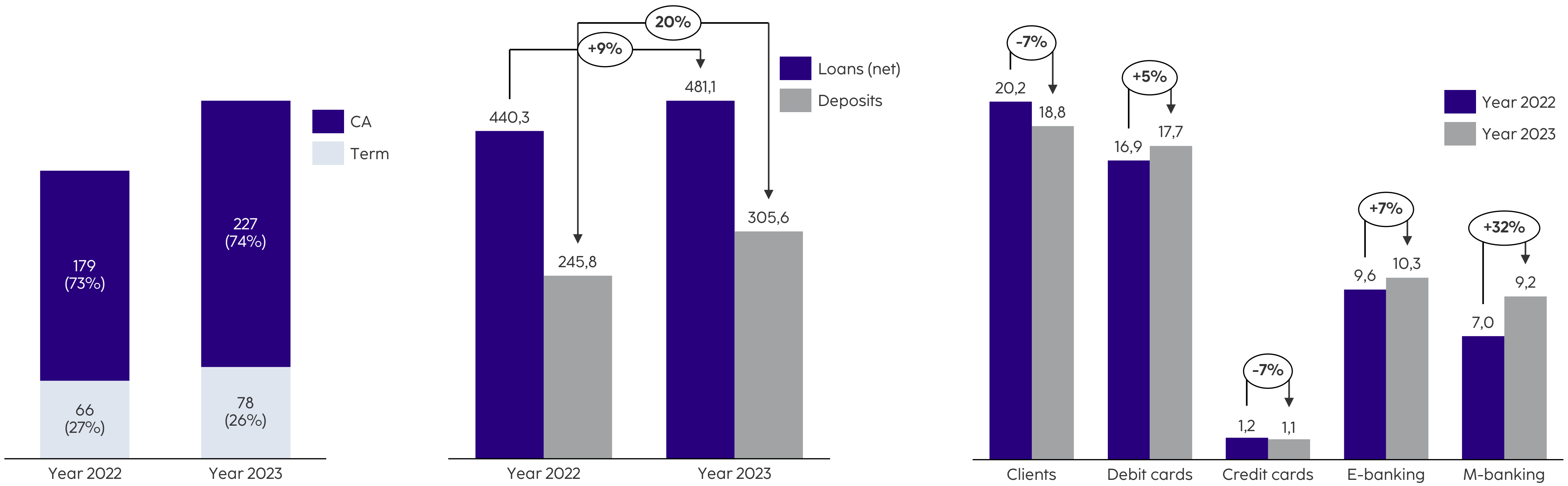
Our position as a reliable partner extends across all segments of enterprises, with a strategic emphasis on increasing support for SMEs. Recognizing their vital role in the economic landscape, we are channeling efforts to bolster their growth and development.

Business activities with legal entities continue to dominate our operational landscape, constituting the largest share of our endeavors. This encompasses a comprehensive suite of services, including short-term loans for immediate needs, credit lines, overdrafts, long-term loans for investment projects, financing for the construction of business facilities, letters of credit and guarantees, as well as depositary operations. Furthermore, our commitment extends to providing seamless domestic and international payment transaction services. Through this diverse array of offerings, we reaffirm our commitment to being a dynamic and comprehensive financial partner for businesses at every stage of their journey.

The main/key data on operations with corporate banking

000 EUR	2023	2022	Index 2023/2022
Amount of corporate & state loans (net)	481,140	440,322	9%
Amount of corporate & state deposits	305,598	245,841	24%
Number of clients	18,806	20,194	-7%
Number of cards (debit)	17,691	16,870	5%
Number of cards (credit)	1,147	1,234	-7%
Number of E-banking	10,263	9,603	7%
Number of M-banking	9,206	6,970	32%

Figure 15: Corporate segment

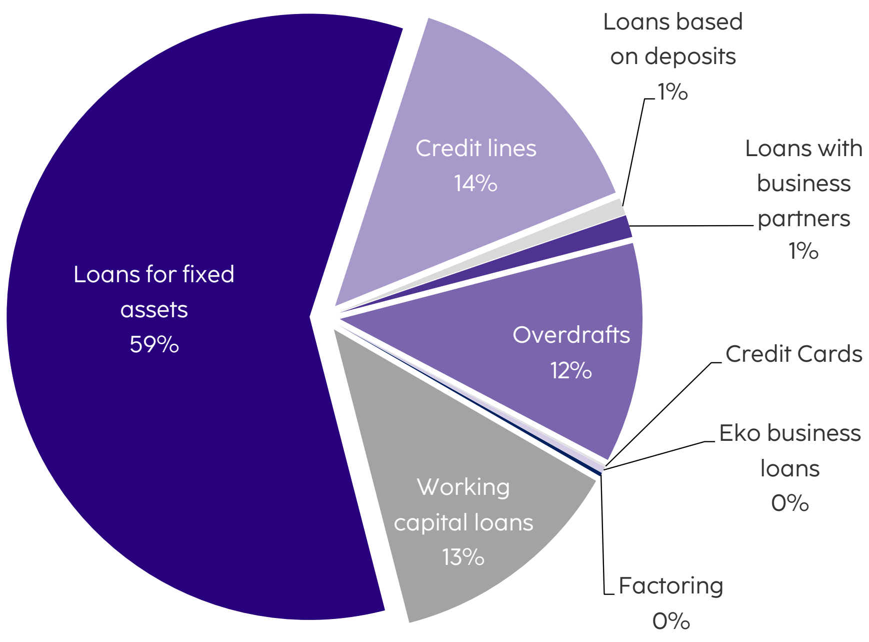


Our dedicated efforts have not only resonated positively with our clients but have translated into remarkable achievements in 2023. A significant highlight is the substantial growth of our loan portfolio by an impressive 9%, reaching a total of €481 million in net loans. Furthermore, strategic adjustments in our deposit-focused business strategy resulted in an outstanding 24% increase in corporate and state deposits compared to the end of 2022.

In tandem with these achievements, the Bank has maintained a vigilant approach to optimizing our risk profile. This includes close monitoring of our loan portfolio with a central focus on sustaining a qualitative portfolio and identifying optimal solutions for our clients. Our success is deeply rooted in key strengths that define our institution, such as:

- Talented, experienced, and dedicated employee base
- A proactive approach to client relationships ensuring a deep understanding of their needs and aspirations.
- Our user-friendly e-banking platform ensures constant availability, providing customers seamless access whenever and wherever they need our services.
- We offer an extensive array of financing products, supported by flexible, tailor-made solutions, and professional service.
- Our robust position in corporate loans underlines our strength and growth in this crucial segment.

These achievements are indicative of our clients confidence in our people and capabilities. Looking ahead, we firmly believe that we are well-positioned for the future, prepared to navigate and address the challenges that may arise in the times ahead.



Retail Banking

Despite the challenges encountered in 2023, our retail banking sector remained committed to its developmental trajectory, operating systematically in accordance with the bank's acquisition strategy and the NLB Group's highest standards. As a result, we secured our position as the second-largest bank in Kosovo and maintained our status as one of the top retail banks in the country, boasting an impressive 19.1% market share.

Apart from the customary sales activities associated with retail banking operations, our emphasis remains on executing our digitalization strategy and advancing various projects towards this objective. We enabled customer migration to digital channels by creating attractive packages that incentivize sales efficiency and enhance the customer experience. Moreover, financial advisory is a crucial component in supporting healthy growth and fostering long-term relationships.

As a result of our persistent efforts and ongoing initiatives, we managed to maintain our retail client base throughout 2023, which was a crucial prerequisite for expanding our retail loan portfolio and supporting the investment plans of our retail customers. By doing so, we facilitated our retail clients' ability to purchase homes and increase their family assets. Furthermore, we implemented additional measures to improve the lending processes and support the growth of our consumer lending sector. Through streamlining our retail operations, we achieved heightened levels of client satisfaction, as confirmed by an independent client satisfaction survey conducted by an outsourcing company. Automated process in loan origination for consumer lending as MVP has positive impact on sales efficiency and improved customer satisfaction. Automated consumer loan process has supported process of loan application more efficiently resulted in faster loan approvals and disbursals.

In 2023 Retail has intensified sustainable behaviour through special approach towards Eco Loan for private individuals and supporting environmentally friendly needs of customers for financing eco-friendly home investment and energy-efficient appliances.

322,567

Individual Clients, or 0.4% increase compared to 2022, due to prudent approach focused on maintaining our existing customer base and targeting new clients.

332,717

Debit and Credit cards, used by private individuals or 9.5% increase compared to 2022, due to proactive sales approach and increase of number of active clients.

94,966

E-click and M-click individual users, or 21.2% growth of digital users, compared to 2022.

33

Branches/sub-branches, covering the most populated towns in Kosovo.

Branch network

NLB Banka sh.a. maintains a physical presence in 9 major cities, strategically establishing 33 organization units to effectively reach a broad customer base. The branch network offers a convenient and accessible avenue for customers to access a range of products, services, and financial advice. Personalized support is a hallmark of our branches, catering to the unique financial needs of each customer.

The branch network plays a strategic role by not only providing valuable market insights based on customer preferences but also continuously leveraging this information at the Head Office level. The supportive Retail team utilizes these insights for the ongoing development and improvement of products and services. Additionally, the bank's presence is augmented by 99 ATMs, offering cash deposit options in over 65% of the network as a 24/7 service.

In 2023, the branch network transitioned to paperless activities, resulting in a positive impact on environmental sustainability, operational efficiency, and an enhanced customer experience. The cost reduction associated with paper-based processes reflects our commitment to implementing measures in compliance with regulations and as a consequence increasing operational excellence. Integral to our sales efforts are marketing campaigns that not only elevate brand visibility but also serve an educational purpose, particularly in terms of digital channels and bancassurance products. These marketing initiatives utilize appropriate channels to penetrate the market, contributing to the enhancement of corporate values and the brand image of NLB Banka.

New products and services – main activities:

Throughout 2023, the Bank primarily concentrated on analyzing its current products and services. The objective was to identify and enhance features, optimize internal processes, and consequently, improve overall operational efficiency and time management in daily tasks. Notably, the Bank introduced new services during this period, including:

- ATM Contactless Withdrawal Feature
- Master Deposit Card for Agents – a specialized deposit-only card for agents. This innovation aims to redirect cash deposits from branches to ATMs, thereby reducing the workload on tellers.

The main data on operations with retail banking

000 EUR	2023	2022	Index 2023/2022
Amount of retail loans (net)	350,192	300,454	17%
Amount of retail deposits	702,664	648,401	8%
Number of clients	322,567	321,178	0%
Number of cards (debit)	309,225	281,746	10%
Number of cards (credit)	23,492	21,946	7%
Number of E-banking	18,293	19,062	-4%
Number of M-banking	76,673	59,302	29%

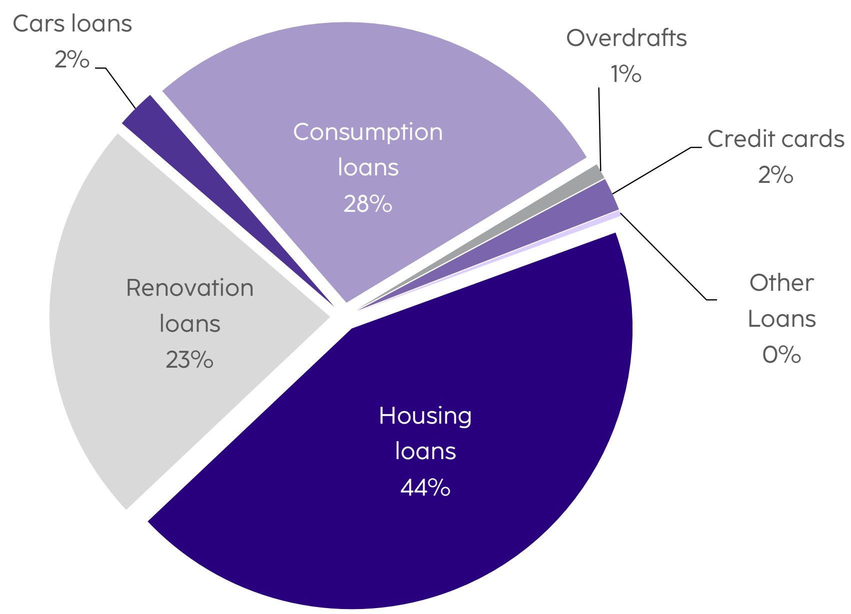
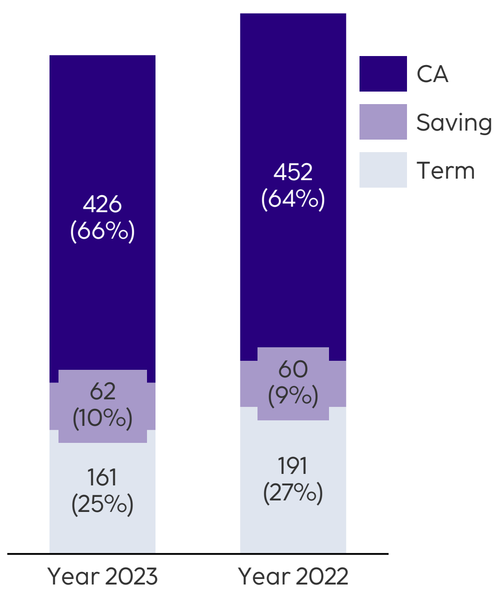
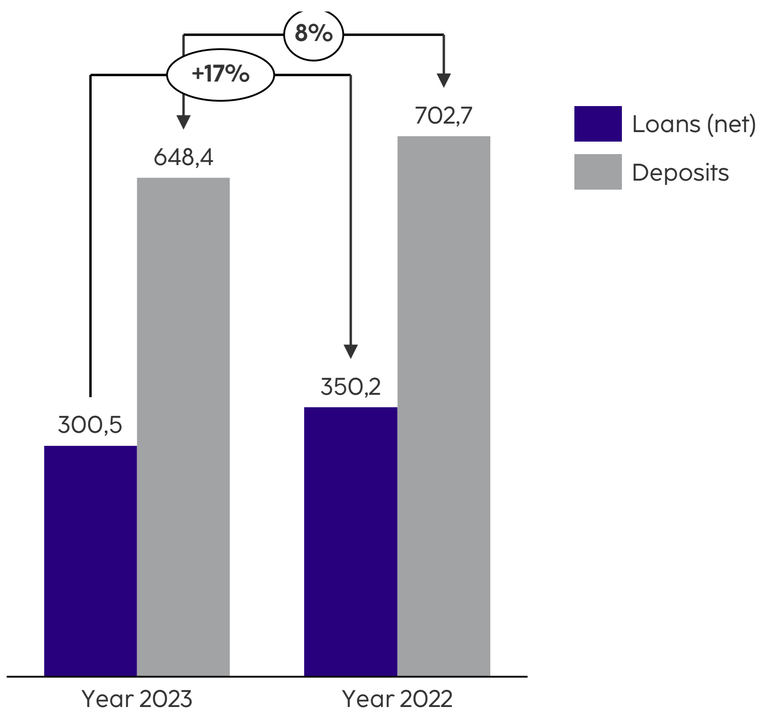
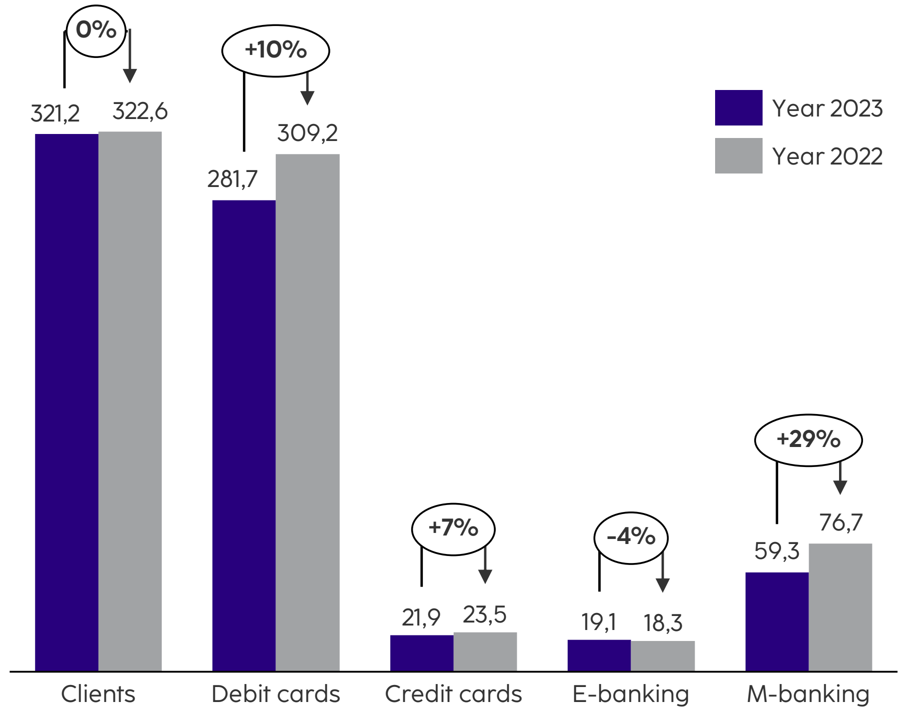


Figure 16: Retail segment







Modern distribution channels

- In 2023, the Bank prioritized leveraging its user base to promote modern payment channel products and services, aiming to transition as many cash and non-cash transactions as possible from physical branches to electronic channels.
- The continuous development of electronic channels has led to a significant increase in the number of transactions and turnover from clients utilizing modern distribution channels
    - **ATM Withdrawal** - have an increase of 1.3 % in volume and 3.4 % in number of transactions.
    - **ATM deposit** - also have an increase of in usage with following figures: 14.3 % in number of deposit transaction and increase by 8.7 % in volume of deposit transaction.
    - **POS payments** – have decrease in usage with following figures: -3.2 % increase in number of transactions and -0.3 % increase in volume of transactions.
    - **POS cash withdrawals** – have increase in usage with following figures: 16.9 % increase in number of transactions and 15.5 % increase in volume of transactions.
    - **e-Banking** - platform has decrease of -2.88 % in number of transactions also a decrease of 4 % in the volume of transactions.
    - **m-Banking** – platform has increase which is 44.5 % in number of transactions and 46.61 % in volume of transactions.
    - **Number of digital users** – has an increase which is 29.3 %.
    - **Number of active digital users** - platform has an increase which is 41.65 %.

We actively support a wide range of sports.

Football Club FC Prishtina

When it comes to Prishtina, nothing but the sky above.

Financial Markets and Payments Operations

Assets and Liabilities Management

In 2023, NLB Bank remained committed to robust Asset Liability Management practices, aligning strategies with our overarching goal of financial stability. Despite the challenges posed by changes in the interest rate environment, lower GDP growth, our ALM framework proved resilient, allowing us to navigate uncertainties while optimizing our balance sheet.

Asset Liability Management at NLB Banka plays a pivotal role in maintaining financial health and aligning our operations with strategic objectives. We adhere to stringent principles and employ a comprehensive framework to manage risks and ensure the bank's long-term sustainability.

Our ALM framework is structured to integrate seamlessly with the overall strategic goals of the bank. The Treasury department oversee ALM processes, ensuring a cohesive approach to risk management and balance sheet optimization. The bank remains vigilant in managing various risks associated with ALM, including interest rate risk, liquidity risk, and market risk. Rigorous risk assessments, stress testing, and the use of financial instruments are integral components of our risk management strategy. Our assets and liabilities exhibit a well-balanced mix, diversity in our portfolio, coupled with prudent maturity profiles, positions us to adapt to market dynamics and regulatory requirements.

NLB Banka employs advanced models and rigorous stress testing scenarios to assess and manage interest rate risk. Our proactive strategies, including, ensure resilience against interest rate fluctuations.

Ensuring liquidity adequacy is a top priority. Our approach encompasses maintaining ample high-quality liquid assets and robust stress testing. Our contingency funding plans provide additional layers of protection against unexpected liquidity events. Key performance indicators for 2023 reflect our commitment to sound financial practices. We maintained a net Ltd of 83% showcasing our resilience and efficiency in managing assets and liabilities. Throughout 2023, NLB Banka remained fully compliant with all relevant regulatory guidelines pertaining to ALM. We continue to adapt our practices to evolving regulatory landscapes, ensuring transparency and accountability.

In conclusion, the ALM section underscores NLB Banka commitment to prudent risk management and financial stability. As we move forward, our focus on resilience, adaptability, and strategic alignment will continue to drive success.

Liquidity Risk

In 2023, NLB Banka remained steadfast in its commitment to maintaining a strong liquidity position, navigating uncertainties with a proactive and strategic approach to liquidity risk management.

Liquidity risk is a critical aspect of our risk management framework. At NLB Banka we recognize the importance of ensuring that we have sufficient liquidity to meet our financial obligations, both in normal operating conditions and during periods of stress or disruption.

Our approach to liquidity risk management is founded on comprehensive assessments, stress testing, and the establishment of robust processes to monitor and address liquidity challenges. We prioritize the maintenance of ample high-quality liquid assets to safeguard against unforeseen events. We maintain a diversified portfolio of HQLA, consisting of cash, central bank balances and securities to ensure quick access to funds when needed. This portfolio aligns with regulatory requirements and serves as a crucial element of our liquidity risk mitigation strategy. Our stress testing scenarios encompass a range of adverse conditions, allowing us to evaluate the resilience of our liquidity position under various economic and market stressors. The results of these tests inform our contingency planning and risk mitigation strategies. NLB Banka has in place robust Contingency Funding Plans that outline clear steps and procedures to address potential liquidity shortfalls. These plans are regularly reviewed, updated, and tested to ensure their effectiveness in different stress scenarios. Key performance indicators related to liquidity provide insights into our liquidity position. Notable metrics include the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), which consistently exceed regulatory requirements.

Throughout 2023, NLB Banka continued to adhere to all regulatory guidelines related to liquidity risk management. Our commitment to compliance ensures that our liquidity risk practices align with evolving regulatory standards and expectations.

NLB Banka commitment to proactive risk management practices will continue as we navigate an ever-changing financial environment, our focus on liquidity adequacy, stress testing, and contingency planning will remain integral to our success.

Foreign Currency Risk

Exchange rate risk, the potential impact of currency fluctuations on a bank's assets, liabilities, and earnings, is a key consideration in our risk management strategy. This risk stems from exposure to foreign currency-denominated assets, liabilities, and transactions.

Our bank diligently monitors currency risk by assessing foreign exchange open positions on a daily basis. Robust internal and regulatory limits are established for each currency, and compliance with these limits is closely monitored and reported to the management weekly.

Currency risk arises from the fluctuation in the value of one currency relative to another. To mitigate this risk, our bank closely observes foreign exchange rates and implements measures to limit potential FX losses. It's noteworthy that NLB Bank maintains a very low FX risk due to the minimal exposure of open positions. Effectively managing foreign currency risk has allowed NLB Bank to minimize the impact of exchange rate fluctuations on its financial performance. This proactive approach instills confidence in our stakeholders. NLB Bank stands out as the sole provider of a range eight currencies, including USD, CHF, GBP, NOK, SEK, AUD, CAD and DKK.

Payments systems

In 2023, NLB Banka demonstrated unwavering resilience and innovation in the ever-evolving landscape of payment systems. A pivotal year for operational excellence, during 2023 we have implemented the STP for incoming international payments which resulted in automating processes impacting positively clients and processing faster payments we also have STP payments in national outgoing payments where we increased the amount at the same time, we also have STP payments for outgoing national payments -RTGS up to a certain amount.

We also expanded the Uniform Tariff to Retail clients for incoming and outgoing international payments with 5 EUR fixed fees for NLB group payments which actually resulted in garnered widespread acclaim, contributing positively to overall transaction volumes.

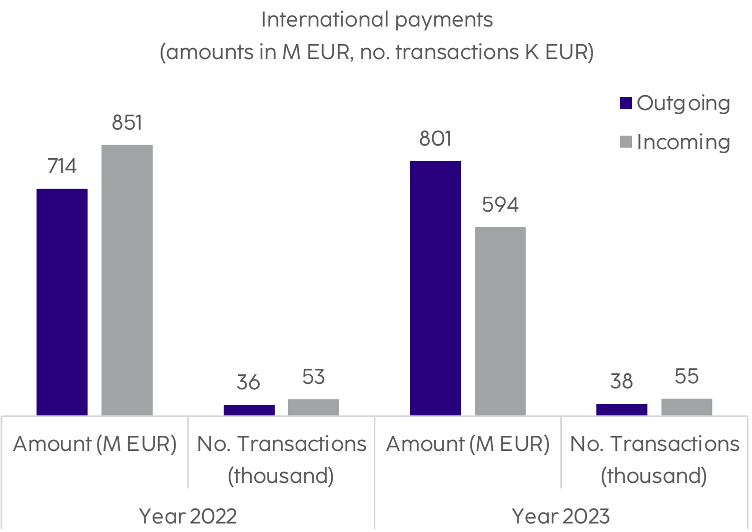
NLB Bank is a member of SWIFT GPI which is a new standard for international payments, through this service we were able to transform this experience to be beneficial also for our clients. through development of

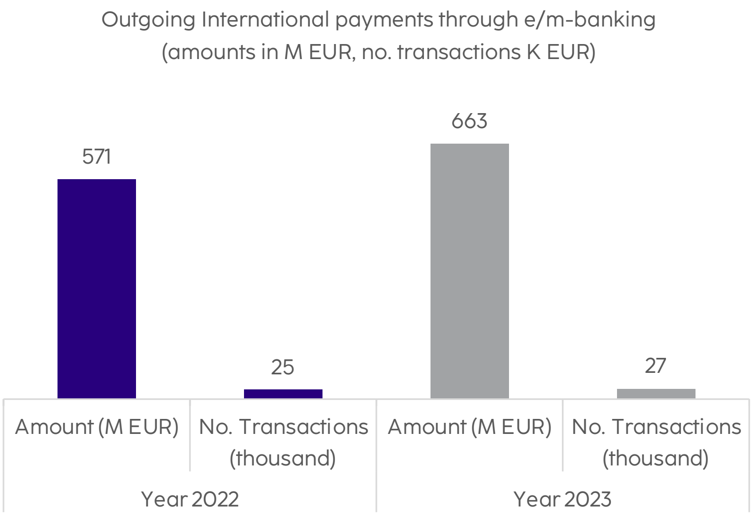
GPI credit confirmation through e-mail notification for incoming international payments they are able to receive the information for confirmation of credit as soon as the payment has been credited to their bank account.
Electronic payments are at the epicenter of this transition, considering the central role digitalization plays in the financial life of an increasing number of people throughout the world.
Since the digital banking industry is evolving rapidly, the Bank is striving to stay ahead of the curve to remain competitive and enrich the customer experience.
The bank made all the efforts to be in line with developments of new initiatives set by the Central Bank of Kosovo, SWIFT, new projects regarding international to be accomplished in the near future.
During 2023 there has been indicated a slight increase of national electronic payments comparing to 2022, while higher increase in terms of outgoing electronic international payments, and we expect that this number will further increase during 2024 which will have an impact of growth in terms of net non- interest income.
Regarding international payments, if we compare the data of 2022vs2023, we have an increasing trend for outgoing payments, where in the number of payments we have an increase by 7%, whereas in the number of incoming payments we have an increase by 3%.

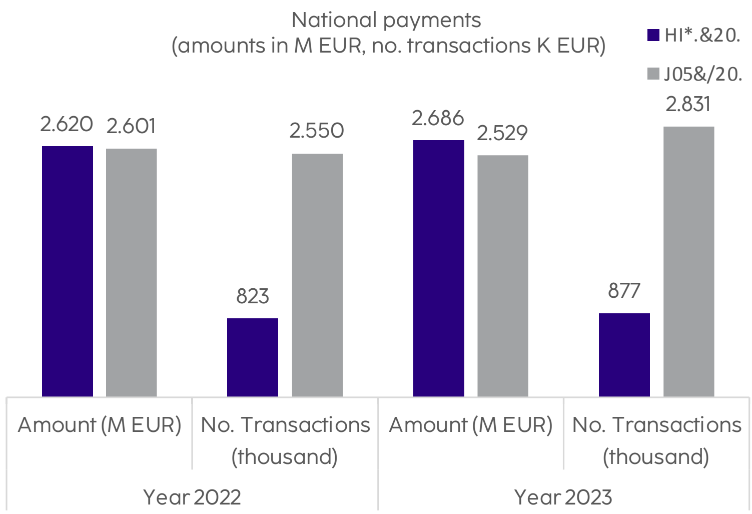
Furthermore, we see an increasing trend in e/m-baking in international outgoing payments, if we compare the data of 2023vs2022, we have an increase of number of international outgoing payments though e/m-banking by 8% while an increase of volume for 16%.

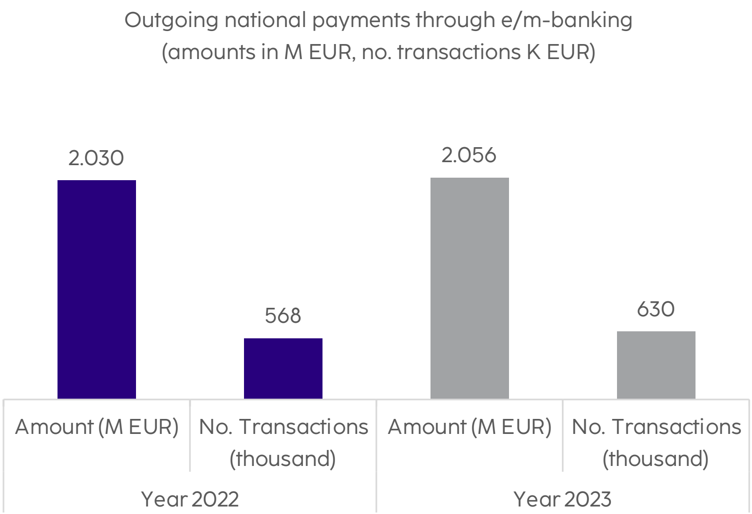
Regarding national payments, if we compare the data of 2022vs2023, we have an increasing trend for outgoing payments, where in the number of payments we have an increase by 7%, whereas in the number of incoming payments we have an increase by 11%.

Figure 17: Payments









There is an increasing trend in e/m-banking in national payments as well, if we compare the data of 2023vs.2023, we have an increase of national payments, in number by 11% compared to 2022.

Trade Finance

NLB Banka, in the dynamic environment of international trade, offers trade finance solutions tailored to the needs of businesses as they engage in cross-border trade, with a strong import and export focus.
The widespread use of trade finance has contributed to international trade growth; trade finance facilitates its advancement.
Traditional instruments such as letters of credit, guarantees and documentary collections still bring trading partners an additional level of security. For this reason, many companies still use them, despite the associated complexity. Consequently, NLB Banka offers specific trade finance products, the most prominent being **letters of credit** (LCs) and guarantees, to help corporates overcome the obstacles that they may encounter when using these methods and to reduce the risk of international commerce.
Being a part of NLB Group, as the leading banking and financial group in the region and thanks to our close relationship with international correspondence banks, we can offer our clients financial instruments to suit a significant share of their international business management needs – trade finance and international payments.
Furthermore, being part of the EBRD TFP the bank is better able to provide trade financing to the clients, in turn giving entrepreneurs across the EBRD regions the support they need to increase their access to the import and export trade.
NLB Banka in the year 2023 was awarded for the seventh time, by European Bank for Reconstruction and Development - EBRD as the "Most Active Issuing Bank in Kosovo for 2022" for using the TFP (Trade Facilitation Program) of EBRD.
In 2023 the Bank supported local and international trade for its clients by issuing trade finance instruments for 27.5 million euros. The Bank also kept supporting its clients in the role of exporters by acting as the intermediary and advising bank of the received transactions in their favor and as an agent in the concluded escrow agreements.
For helping the companies improve their liquidity NLB Banka also offers the factoring service as the solution for its clients to optimize their balance sheet and instant liquidity while minimizing credit risk, and the first national factoring transactions have been executed in 2023.

Information technology

During 2023 IT continued implementation of its strategy, aimed at optimisation of IT services and operations and strong support for efficient business operations.
Several IT infrastructure and application projects have been implemented in IT field to ensure proper IT support for business processes and development initiatives that increase productivity, performance, improve the customer experience, streamline communications, and enhance managerial decision-making.
In 2023, the bank has completed upgrade of primary datacenter core network using Cisco Nexus technology as a logical choice when considering transition to densely virtualized servers with rapid access to shared storage that the bank has undergone in recent years supporting high bandwidth ports on servers.
After successful implementation of new datacenter firewalls during 2022, in 2023 the bank has upgraded Internet Edge Firewalls at both datacenters offering higher level of protection at perimeter network from today's threat landscape which consists of modern generation V cyberattacks that are sophisticated and organized, automated attacks using advanced tactics and techniques to gain access to corporate environments.
In order to detect data-level security threats and provide data protection and vulnerability protection capabilities, the bank has further improved its security operations by integrating continues monitoring of structured and unstructured data with Security Information and Event Management (SIEM) solution. It is used as a database security tool (DST) to monitor active users and their activities and generating reports and alerts in case of suspicious activities. Another important project in the security areas was implementation of an industry leader solution for Network Detection and Response (NDR) which has increased our capabilities to detect suspicious or malicious activity on the network and respond to cyber threats.
As part of the "Cloud First" strategy, the bank completed creation of Azure Landing Zone and deployed first servers in the cloud. The first service implemented as some non-critical service which are part of a centralized infrastructure in close collaboration with NLB Group.

We have continued our plan for education of bank staff and our clients through several security awareness campaigns. These materials include knowledge on different social engineering attacks and identification of phishing emails. Bank staff is regularly tested for their knowledge on security awareness in collaboration with Bank Security department.
The bank has upgraded its anti-malware solution with the purpose of having a more effective tool to help prevent, detect, investigate, and respond to multi-stage threats, across all key attack vectors, in the shortest time.
Controlling, monitoring, and securing access to privileged accounts to mitigate the risk of unauthorized access, data breaches, or misuse of sensitive information is an important part of IT Security strategy of the bank. This has been achieved by implementing a new Access Management (PAM) solution. It enforces least privilege principles, ensuring users have access only to the resources necessary for their roles. By limiting access rights and credentials to privileged accounts, PAM reduces the attack surface for potential cyber threats and insider attacks.
To prevent data leakage and unauthorized access to critical production personal data and information of clients in a non-production environment (development, testing), bank has successfully implemented data masking/data anonymization solution of its key systems. The new solution makes data masking/ data anonymization simple, by cloning production or extracting only a subset of data and mask it on the way, achieving GDPR compliance easier.

As usually, the bank performed BCP testing of end-user applications with production data in order to validate disaster recovery procedures and to ensure that business operations can run without interruptions even if the primary datacenter would have been unavailable in case of Disasters. To test recoverability of data and business operations in disaster scenarios that cannot be compensated by switching over to Disaster Recovery Site, full recovery of applications and data from tape backups was tested successfully. In 2023, the bank has simulated DDoS attack on internet exposed services and has successfully routed traffic through scrubbing center for DDoS protection in order to ensure that clients can continue to use these services if the bank is experiencing DDoS attack.
During 2023, IT provided full support to business developments and projects through development of tools, applications, interfaces and cooperation with third parties in development activities and projects like Loan Origination Application (Overdraft product), AML, Robotics Process Automation (RPA) through automation of additional processes (Importing reconciliation card files, Merchant payments calculations), eSignature, new Contact Center Solution and delivery of new versions of core banking modules.
In order to improve the performance and efficiency of our Core Banking System (CBS) and service toward our clients during 2023 we performed data archiving of transactions before a specified date. This process allowed archiving of significant amount of data in our CBS database while still allowing our end user to access archived data in the most transparent way without any additional effort or new steps. Another important development implemented in our systems was GPI email notification for incoming international payments. When the clients receive any international transactions, in real time is notified through email for the availability of his funds in his account.

Risk Management

As a financial institution the Bank is inherently exposed to various types of risks as part of its business activities. Thus, responsible and efficient risk management enables healthy and sustainable growth of our bank. Having a sound risk management system underpins efficiently meeting our client needs while delivering value for our shareholder and stakeholders.
We take a comprehensive approach towards risk management, which is articulated through our risk strategy and risk appetite. Robust risk management practices are integrated within day-to-day activities of the Bank, through a well -established organizational structure supported and led by a sound risk management strategy ensuring appropriate overview and accountability within the Bank.
Therefore, the main role of the risk management is reflection and implementation of the risk appetite of NLB Banka sh.a, in integrated and consistent manner, which begins with understanding the specifics of the bank and market specifics, with a sole objective of maintaining and contributing on the effective and efficient risk management.
A well-established risk management function employing a structure of non-executive and executive directors enables independent and efficient risk governance. Employment of a three lines of defense model is the backbone of the risk governance structure of the Bank. Lending activities as one of the core business activities of the bank exposures the bank towards the credit risk, which is also the key driver of credit risk exposure. Therefore, in order to establish a prudent approach towards risk management, the Bank has employed practices aligned with NLB Group risk management strategy and CBK regulations acknowledging local specifics and differences of business environment prevailing in the Kosovo market. Such an approach enabled installment of an efficient and effective credit risk management system.
Environmental and Social Governance (ESG) represents one of the key important topics for the Bank during and is one of several risks management realms. The Bank has established an appropriate Environment and Social Management System (ESMS) which enables us to have a better understanding of our customers' activities, addressing issues/concerns, and minimize/mitigate risks related to ESG as well managing our stakeholder's expectations.

Operational Risk - Purpose of risk management is to manage the exposure towards the operational risk and mitigate the potential loss that may occur as a result of inappropriate internal systems, process of control, weaknesses and failures during the process of work, illegal activities and external events which may cause losses to the Bank. In order to enable a sound system of operational risk management, the Bank has established appropriate structures (operational risk management committee) and assigned responsibility and accountability through a decentralized approach within the organizational structure of the Bank, in order to ensure efficient risk identification, recording, mitigating and monitoring of operational risk. The loss events arising from operational risk were followed on monthly basis, actively monitored and reported to internal bodies of the Bank.
Details on Risk Management including credit risk, liquidity risk, interest rate risk, capital management risk, etc. are disclosed in note (31) in risk management section of the audited financial statements.

Sustainability

The year end 2020 brough a new era in the NLB Group by aligning its business model and strategy with ESG standards, with the adoption of the NLB Group sustainability programme, the Bank has moved from the raising awareness phase to the phase of actively implementing sustainability elements into the business model. The goal of this strategic, organization-wide initiative is to ensure sustainable financial performance of the bank by considering social and environmental risks and opportunities in its operations, and to actively contribute to a more balanced and inclusive economic and social system.

Environmental and Social Governance (ESG) represents one of the key aspects for the Bank and is one of several risks management realms. The Bank has established an appropriate Environment and Social Management System (ESMS) which enables us to have a better understanding of our customers' activities, addressing issues/concerns, and minimize/mitigate risks related to ESG as well managing our stakeholder's expectations.

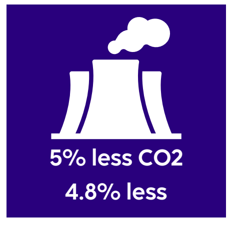
Three pillars of NLB Group sustainability

Sustainable Operations

Sustainable Finance

Corporate Social Responsibility

As 2022 marked the year when the NLB has obtained its first ESG Rating (17.7 acc. to Sustainalytics), 2023 was the year when the efforts and commitment from the bank resulted in a revised ESG score, a new ESG Risk Rating of 16.0 was assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors, this shows an improvement compared to last year's rating by 1.7 points, and the improved rating ranks NLB among the 13 percent of the best banks among all companies assessed by the Sustainalytics.



During 2023 the NLB Banka has completed its fifth consecutive year of measuring and reporting the CO2 emission deriving form its own operations. The carbon footprint measurement is carried out based on the three scopes:
Scope 1: Direct GHG Emissions
Scope 2: Electricity indirect GHG Emissions
Scope 3: Other indirect GHG Emissions.
The Bank has successfully, manage to decrease its CO2 emission by 5.3% during 2023, of which direct emission deriving from electricity decreased by 5.7%. Bank's commitment on further decreasing CO2 emission from its operations were fostered by taking different actions such as, fleet replacement, limiting driving speed, AC adjustments, mounting solar panels, promoting cycling on employee commute and so forth, the bank will continue its dedication toward environment and social matters.

In June 2023, NLB successfully concluded the issuance process for its envisaged green senior preferred 4NC3 notes in the benchmark size of EUR 500 million. Transaction was well received with over EUR 1.8 billion of investor interest. Orders came from reputable fund managers, international financial institutions, banks, insurance companies and other investors.
NLB intends to use the collected funds to support projects in the field of renewable energy, energy efficiency, green buildings, clean transport, sustainable water and wastewater management and pollution prevention and control.

Corporate social responsibility

NLB Banka views its responsibility towards clients, employees, and society not just as a duty but as a mission, actively working to bolster its credibility, image, and brand through a variety of initiatives.

NLB Group has integrated sustainability into its banking operations to improve the region for future generations. As part of the largest banking and financial group in South-Eastern Europe, NLB Banka aims to improve the quality of life through socially responsible projects aligned with UN Sustainable Development Goals. The bank prioritizes employee care, compliance and integrity, entrepreneurship promotion, mentorship, sports support, humanitarian activities, and environmental protection as the key pillars of socially responsible operations.
In 2023, NLB Banka upheld its dedication to advancing broader socio-economic development by actively participating in Corporate Social Responsibility endeavors. The company supported initiatives aimed at fostering good health and education, mitigating inequalities and poverty, promoting decent work and economic growth, and safeguarding the environment. These efforts were entirely in accordance with the UN Principles for Responsible Banking.

Activities undertaken in supporting of clients/citizens

As advancements in digital banking, investment, and insurance services persist, the Bank is striving to cultivate stronger connections with its clients. This involves delivering customized digital services that seamlessly integrate with their lifestyles. The Bank is actively broadening its array of products and services to address the intricate needs of its clients. Furthermore, its employees possess extensive knowledge and experience, enabling them to recommend services that precisely align with the financial requirements of the clients.

After two successful #HelpFrame projects aiding companies during the pandemic, NLB Group initiated the third phase in September 2022, focusing on sustainability. The project aimed to encourage companies to prioritize sustainable ideas. NLB Banka recognized 10 finalists with the best sustainable entrepreneurial ideas, providing them with bank benefits and communication support. During 2023, the finalists in the Kosovo market from the third edition of #HelpFrame received advantageous deals on Eco loans, business accounts, POS terminals, and e-commerce terms. Alongside banking benefits, they also received media communication support, enhancing their visibility and outreach.

Social

Throughout 2023, the Bank extended support to social and humanitarian initiatives through the following means:

- NGO for the blind “Shoqata Ndërkomunale e të Verbërve Prishtinë” to complete monthly activities of the organization.
- Humanitarian aid to four municipalities in the Republic of Kosovo affected by floods.
- Donation for individuals impacted by the earthquake in Turkey and Syria.
- AMC – “Action for mothers and Children” – donation to support and provide medical equipment for mothers and premature babies.
- NGO NFK “Ndihmë fëmijëve me kancer” – supported the treatment of children with cancer at the Oncology Clinic of the University Clinical Center in Kosovo (QKUK).
- NGO “Hanidkos Podujeva” – A vehicle has been donated to facilitate the transportation of children with disabilities from home to school and vice versa
- NGO “Autizmi” – financial support in providing professional therapeutic services for children diagnosed with autism
- Center for the elderly in Prishtina – Donation for the care and housing center for elderly individuals without family support. This center has been assisted with kitchen equipment and other medical devices to enhance living conditions for elders.
- SOS Fshatrat e fëmijëve -
- Fund for Employees at NLB Banka - designed for employees diagnosed with a serious illness or in case of any natural disasters (such as floods, earthquakes, etc.). The fund will exclusively support bank employees.
- “American Chamber of Commerce in Kosovo” - the annual Charity Gala received a donation from the Bank, which was aimed at raising funds for three causes: Scholarship Fund for the Roma, Ashkali, and Egyptian communities (50% of the net funds collected), Scholarship Fund for SOS Children’s Village and “Adopt a Village” School Library Project.

Environmental

NLB Banka actively participates in various activities and projects aimed at improving the environmental conditions of our living and working spaces.
The Bank prioritizes the digitization of its services, contributing positively to the reduction of paper usage and fostering environmental protection. Through the adoption of digital platforms like e-banking and m-banking, customers gain access to electronic services, resulting in decreased paper consumption and, consequently, preservation of trees. The bank has continued its “To Love and Protect Nature” initiative by planting trees on two elementary schools in Prishtina this year. Employees of the Bank, along with students carefully planted trees, symbolizing hope for a greener future. After the tree planting, a brief session was held for the students, where they learned about the importance of environment and the benefits of a green world. This event not only enriched the schoolyard but also provided crucial lessons on sustainability, nurturing a sense of responsibility for the well-being of our planet.
Through “To Love and Protect Nature” initiative the Bank promotes the importance of saving the existing trees by conducting paperless banking operations and at the same time donating to the greening of public spaces.
The Bank has indirectly reduced our carbon footprint through our lending and investment practices, which involve abstaining from coal-related businesses and financing projects that promote a low-carbon economy.

Employees

In the year 2023, the Bank has established the NLB Employees Fund, a compassionate initiative designed to provide support to any bank employee facing health challenges or for consequences caused by natural disasters. This fund embodies our commitment to the well-being of our team, ensuring that they receive assistance during challenging times.
The bank organized lots of engaging activities aimed at fostering employee involvement and enjoyment, one of which was an unforgettable hiking adventure with

Flutura Ibrahimi, where employees, along with their children, embarked on an exhilarating journey. Yet, beyond the sheer enjoyment of trekking through the mountains, the experience was imbued with a deeper purpose — a commitment to environmental stewardship. In the spirit of preserving our planet, our team united to clean up litter along the trail, embodying our collective responsibility towards a greener future. These activities not only fostered camaraderie and team spirit but also underscored the bank's dedication to community engagement and environmental sustainability.

Culture

Culture plays a vital role in shaping a nation's identity, fostering a sense of belonging among its citizens, and contributing significantly to its economic and social development. It serves as a crucial component of a country's collective heritage and global standing. Throughout 2023, the Bank has actively endorsed various activities in the realms of music and film, exemplified by its sponsorship of the concert for the "Children's Orchestra Amadeus" in Kosovo. This sponsorship underscores the Bank's dedication to promoting cultural inclusion and nurturing the talents of children.
Moreover, the bank has extended its support to the Gastronomy Festival, featuring performances by renowned musicians who hadn't performed live in years. The festival also served as a platform for raising awareness about cashless transactions.
In addition, the Bank has contributed to the production of the documentary film "The Golden Girls of Kosovo," showcasing the remarkable achievements of female athletes who have made history in Kosovo and globally with their successful sports careers. This documentary aims to break barriers and challenge traditional mindsets regarding girls' participation in sports.

Sport

In the field of sports, the Bank remained among the main supporters of all sports, continuously supporting:
- The Bank maintained their long-standing support for FC Prishtina as traditional sponsor, the oldest football club in Kosovo.
- Sponsorship for the handball club "KHF Istog".
- Sponsorship for Judo Federation of Kosovo.
- Sponsorship Handball Federation of Kosovo – National Handball Girls' team.
- Sponsorship for Olympic Art Taekwondo club.
- Sponsorship for KB Bashkimi - basketball club.
- Sponsorship for Prishtina Chess Club.
- Sponsorship for Flutura Ibrahimi, ambitious athlete and UNSDG Ambassador for climbing the 14 highest peaks in the Himalayas.
- Sponsorship for Chess Club "Drejtesia" - chess memorial tournament dedicated to the former employee of the Bank "Mustafë Ibrahimi".
- NLB Sport for Youth - Started in 2023 with four sports clubs for children under 13 years old.
    1. Football club "Ulpiana".
    2. Football club "Ardhmeria".
    3. Basketball club " KB Grapeland".
    4. Volleyball Club "KV Kaçaniku".

Our commitment extends particularly to empowering female athletes.

Uta Ibrahimi –
14 peaks of the Himalayas.

For people. For Kosovo!

Human Resources Management

Strategy of Management and Development of Human Resources and Organization

Given that the Strategy of Management and Development of Human Resources and Organization is based on today's needs and especially those of the future, and since it derives from the business strategy together with the vision, mission, goals, culture, values and planned development, the human resources section is a strategic function and as such a partner important member of the Bank's Management Board.

The HR strategy for 2023 has been in harmony with the Bank's overall strategy and with NLB Group's initiatives for the transformation of human resources [HR].

The goal for 2023 is directly related to the HR Transformation, which was executed through continuous improvement and development of:

- Entrepreneurial culture and growth mindset.
- Management of requests for new jobs.
- Listening to employees.
- Employee segmentation.
- Sustainable management of human resources.

NLB Banka sh.a. – EMPLOYER OF THE YEAR 2023

Kosovo Chamber of Commerce, on December 14, 2023, organized a Gala Evening with the main players of the development processes, where NLB Banka accepted the award; Taxpayer and Employer of 2023.

Employment at NLB Banka represents a world of opportunities for all of us who are not satisfied with the routine and are not afraid of new challenges. For all of us who understand the importance of cooperation and are willing to learn. For all of us who want to be part of great stories and know we can't write them ourselves.

YEAR 2023 - YEAR OF LIVING VALUES

In the framework of the campaign [ONE VALUE, ONE MONTH] with the aim of better understanding our values and placing them in our organizational culture through various initiatives and the exchange of personal experiences, on the Bank's intranet (throughout the year), we have published video messages from the Bank's Management Board Members, about the values: growing people; encourage entrepreneurship and improving lives.

Training and development

In this era of rapid change and continuous innovation, one of the most precious treasures that we as a Bank can offer is the investment in the professional and personal development of each employee.

In the second half of 2023, the bank has continued the agreement with the prestigious American company Udemy.inc, for following online training courses until 2027. Udemy for business offers the opportunity to follow 7000 online courses, which are updated on a regular weekly basis with new courses. The courses are mainly in English and for the year 2023-2027 it has concluded agreements for 300 licenses; for 300 employees,

1. Report in tabular form - number of participations

Training and Education	1.1.2023 - 31.12.2023
Internal trainings	3,738
External trainings	479
Trainings at NLB Group	108
KBA	23
The average of attended training hours per employee	**40 hours**

Greenline Conversations©

It is a methodology which through a combination of neuro-science and a simple set of red and green cards show the do's and don'ts to achieve the best possible result in any conversation.
During 2023, two human resources meetings were held at the NLB Group level where two human resources employees were certified.
Workshops - Trainings with the Management Board and B-1 were held at the Bank's Head Office with physical presence, by the external professional company, contracted by NLB d.d..

Talent management

Acting in accordance with the provisions of the Bank's talent management strategy, during 2023 the mandate of the talent pool continued. Based on the Action Plan for the year 20023, activities such as; Book club, focus groups, various workshops, participation in projects, shadowing has been conducted. On 31.12.2023, the talents have completed the two-year program.

Agreements for practice in the Bank; 45 students and recent graduates during the year 2023 held the lesson - practical work in the Bank, with a minimum duration of two weeks and a maximum of six months.
In addition to the activities that the Human Resources and Organization Section deals with every day, during 2023 the following main activities were also carried out:

- Evaluation of employee engagement with the external company "Interpretacija" from Slovenia.
- Continuation of voluntary health insurance for Bank employees.
- Performance appraisal and distribution of bonuses.
- "Open Door" Program with the Bank's Management Board Members
- Organization of various activities with the Talent group, [mentoring, shadowing, training, project work, book club, focus groups, etc.
- The 23rd edition of the NLB Group Summer Sports Games in Moravske Toplice, Slovenia
- Enriching the book corner with new titles.

Structure by age:

Category	31.12.2020	31.12.2021	31.12.2022	31.12.2023
up to 30 years old	50	45	45	45
from 31 to 40 years old	182	174	159	145
from 41 to 50 years old	137	149	165	181
from 51 to 60 years old	67	67	68	67
more than 60 years old	27	28	30	30
Total	**463**	**463**	**467**	**468**

Structure by gender:

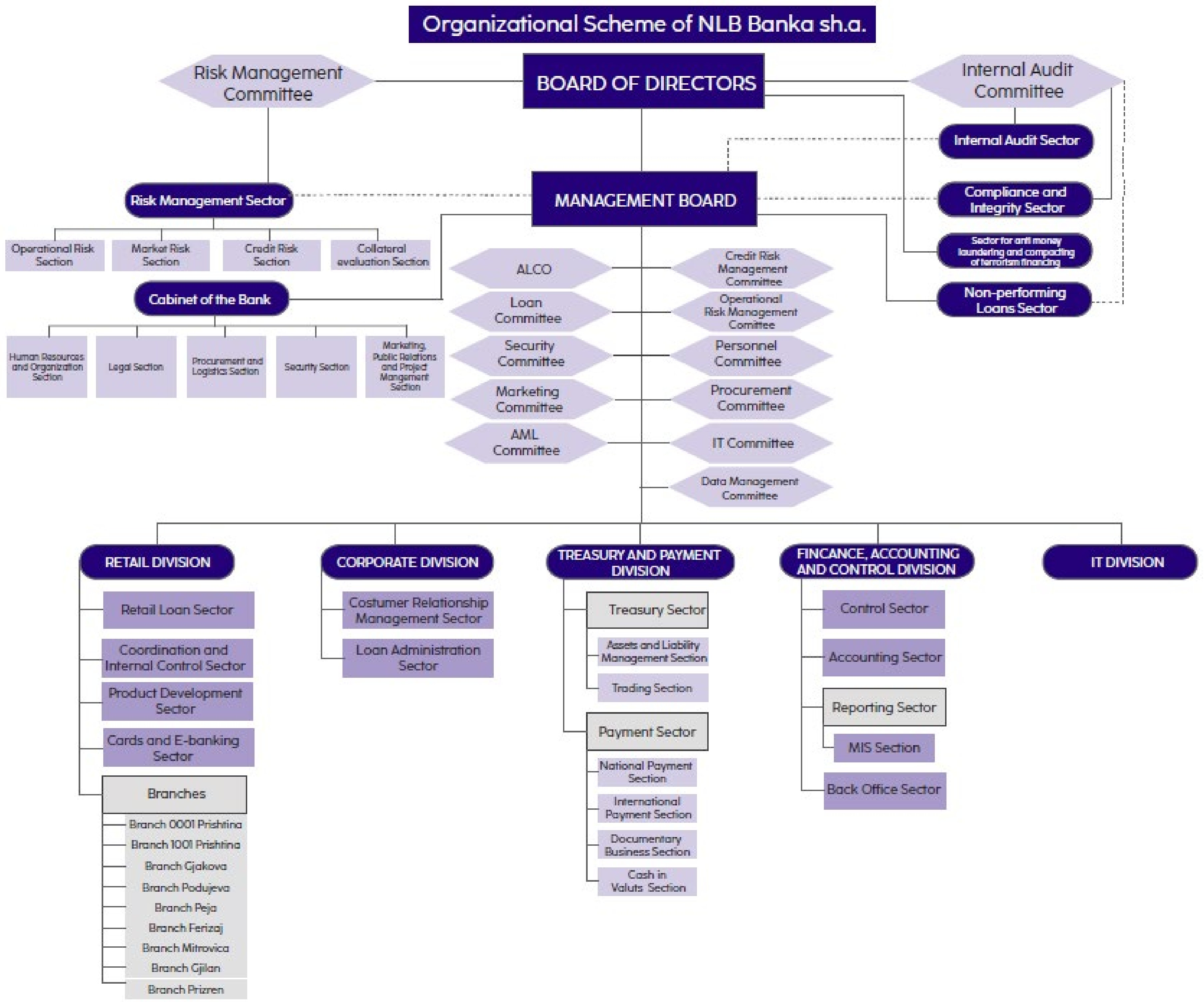
Category	31.12.2020	31.12.2021	31.12.2022	31.12.2023
Male	193	194	193	192
Female	270	269	274	276
Total	**463**	**463**	**467**	**468**

Corporate Governance

Corporate Governance and Management Bodies

The Bank has a clear organizational structure that precisely defines the rights and responsibilities of the members of the Boards of Directors, Management Board, other management bodies, and the employees, as well as the lines of control in the performance of daily duties.

The organizational structure of NLB Banka in 2023 was as follows:



The Bank's main bodies are:

- General Meeting of Shareholders
- Board of Directors
- Audit Committee
- Risk Committee
- Management Board

General Meeting of Shareholders

The General Meeting of Shareholders of NLB Banka meets and makes decisions at regular and extraordinary meetings, where it adopts resolutions in accordance with the law. The nominal shares assign the owner the right on dividend payment and voting right at the General meeting of Shareholders.

The responsibilities of the General Meeting of Shareholders of NLB Banka j.s.c. are stipulated by NLB Banka Statute, which are also in compliance with the requirements set from the regulatory.

During 2023, General Meeting of Shareholders had one regular meeting. The regular meeting was held on March 30, 2023 whereas several documents have been approved, among which the following: External Auditors report for 2022, Business plan for the period 2023-2027, appointment of external auditor for the year 2023, supplements and amendments of the Statute and dividend distribution for the year 2022.

Composition of Board of Directors

Board of Directors is elected by the shareholders of the Bank at the General Meeting of Shareholders, and they are responsible for the establishment of Bank policies, including the Policies for risk management and supervision of its implementation. The BoD conducts its activities in accordance with the provisions of the laws on governing banks and the Statute of the Bank.

The Board of Directors during the year 2023 had 6 meetings, 4 regular meetings and 2 extraordinary.

The structure of BoD of NLB Banka j.s.c. Prishtina as of December 31, 2023, was as follow:

- Mr. Blaž Brodnjak, chairman
- Mr. Peter Zelen, vice chairman
- Mrs. Mateja Treven, member
- Mr. Abdylmenaf Bexheti, member
- Mrs. Ardiana Bunjaku, member
- Mr. Gazmend Kadriu, member – President of MB of NLB Banka as per function with no voting right.

Audit Committee

The Audit Committee members as of December 31, 2023 were:

- Mrs. Mateja Treven, President of Audit Committee
- Mr. Peter Zelen, member of the Audit Committee
- Mr. Goce Hristov, member of Audit Committee

The Audit Committee has been established based on the law for banks and activities are defined in the Rules of Procedure of the Audit Committee. Audit Committee is held on quarterly basis in the Bank. During 2023, in total five (5) Audit Committee sessions were held, 4 regular and one extraordinary by correspondence.

Areas covered by Audit Committee are: approval of all internal audit reports, assessment of audit procedures, assessment of internal controls, review of the compliance report, AML and CISO report, review of the bank's controlling functions KPIs (Key Performance Indicators), review of the bank's financial performance, review of the external auditor's management letter and final audited financial statements and recommends the external auditors. Audit committee also reviews the CBK recommendations and mitigation actions taken from the bank. In addition, audit committee also performs acknowledgment, assessment and adoption of recommendations and resolutions regarding documents of external regulators.

Risk Committee

As of December 31, 2023, the members of Risk Committee were as follows:

- Mr. Peter Zelen, chairman
- Mrs. Ardiana Bunjaku, member
- Mr. Abdylmenaf Bexheti, member

Risk Management Committee has been established based on the law for banks and operates based on the internal Rules of Procedure for the Risk Management Committee.

Risk Management Committee is the extended arm of the Board of Directors with a specialized focus on the area of risk management. The Committee is employed by three non-executive directors.

Risk Management Committee meets on quarterly basis in order to monitor the risk exposure and risk management of the Bank. During 2023 in total four (4) Audit Committee sessions were held. As such the Risk Committee supervises the area of credit risk, market risk and operational risk, with the aim of efficient and effective implementation of risk management appetite and risk strategy of NLB Banka.

Composition of the Management Board

NLB Banka Management Board governs, represents and acts on behalf of the Bank, independently and on its own responsibility, as provided for by the Statute of Bank. The president and members are appointed for a term of four years and may be reappointed or recalled before their term expires in accordance with Law and Bank's Statute. As of December 31, 2023, the Management Board of NLB Banka consisted of two members:

- Mr. Gazmend Kadriu as President of the Management Board
- Mr. Gem Maloku as Member of the Management Board and

In addition, Board of Directors took the decision to extend the Management Board Members with:

- Mr. Mirsad Haskaj as Member of the Management Board effective from January 01, 2024 and
- Mr. Ardian Hasa as Member of the Management Board effective from February 01, 2024.

In order to ensure the proper function of the Bank's business and monitor the regular activities of the Bank, the following operational committees also operate within the Bank:

- ALCO Committee (Within ALCO Committee is established a sub-committee called Pricing Committee)
- Credit Committee
- Credit Risk Management Committee
- Security Committee
- Operational Risk Management Committee
- IT Committee
- Personnel Committee
- Procurement Committee
- Marketing Committee
- AML Committee
- Data management Committee.

Internal Audit

Internal Audit function of the NLB Banka is carried out by Internal Audit Sector. Internal Audit Sector is independent function in the Bank that functionally reports directly to the Audit Committee of the Board of Directors of the Bank, whereas administratively reports to a member of Management Board of the Bank. The main objective of the Internal Audit Sector is to provide assurance and advice with the aim of adding value and improving operations in the Bank. This is achieved by using a systematic and professional approach to assess and improve the risk management, system of internal control, governance, and the efficiency of operations of the bank. Internal audit gives a significant contribution for the bank to meet its strategic and business objectives and applying best banking practices.

The Internal Audit's work methodology, its competencies and responsibilities are defined in Charter for Internal Audit in NLB Banka Prishtina and Internal Auditing Methodology, which are prepared in accordance with standards of Internal Audit in NLB d.d, international best practices and audit related laws and regulations of Kosovo.

Internal Audit function complies with International Standards for the Professional Practice of Internal Auditing, Code of Ethics of internal auditing and Kosovo rules and regulations.

Internal Audit Sector consists of five employees. The internal audit activities are carried out in line with the Internal Audit Plan, which is prepared on annual basis using a risk-based approach consistent with the Internal Audit Methodology, best practices, Bank's goals, and objectives. The risk-based approach is used also in definition of the audit scope of each audit engagement of the plan, including the timing and the resource allocation. Every Internal Audit Plan is approved by the Audit Committee of the Bank. The Internal Audit Plan is updated regularly to reflect the relevant changes that address the key risks of the bank at the certain point of time.

During 2023, Internal Audit Sector performed 27 audit engagements in line with the audit plan 2023 and three (3) irregular audit, the productivity of our sector has increased for 8% in comparison with 2022 with the same number of staff. The internal audit reports mainly consist of the internal auditors' opinion, findings, causes, risks and recommendations as well as actions agreed to be taken from process owner for implementing the given recommendations. The reports are approved by Audit Committee of the Bank on quarterly basis. The given recommendations in the audit reports are regularly followed up and reported to Management Board as well as to Audit Committee of the Bank. After, the Board of Directors of the Bank is also informed on key observations on quarterly basis.

Internal Audit continuously cooperates with Internal Audit of NLB d.d regarding joint audits, audits performed in group level as well as methodology of the audit work. Additionally, monthly one to one (121) meeting is held with management of Competence Line-Audit Ljubljana and in quarterly basis a reporting takes place to Internal Audit of NLB d.d regarding key observations, overdue recommendations as well as key recommendations given from the regulators. Internal Audit provides internal audit reports to external auditors and external parties (police, insurance companies, and the regulator) upon their request.

Compliance and Integrity Sector

Compliance and Integrity sector is independent organizational unit in the Bank that informs and advice the senior management and report to the Board of Directors (Audit Committee). Legal and integrity framework of compliance sector is established in accordance with requirements of NLB Group Minimum Standards of Compliance and Integrity, and local CBK Regulation on Corporate Government of Banks. The sector is consisting of three employees – Head of Sector and two senior compliance officers.

In general, performed compliance and integrity activities cover the implementation of tasks according to the annual working plan 2023, implementation of recommendations issued by Compliance Competence Line NLB d.d. and Internal Audit, implementation of Enterprise Compliance Risk Assessment recommendations, regular review and updating of Compliance and Integrity Sector internal acts related to the implementation of Standards (Compliance and Integrity Standards in the NLB Group), conducting regular and extraordinary compliance review in banks processes, and monitoring implementation of issued measures.

Compliance and Integrity sector cooperates closely with Compliance Competence Line in NLB dd, related to implementation of Compliance and Integrity Standards of NLB Group, regarding the methodology of work in compliance issues, preparation of Compliance Report on quarterly basis etc.

In following, are listed the most important activities performed by Compliance and Integrity Sector during 2022:

- Enterprise compliance risk assessment (ECRA) – update for 2023, based on the Instructions for the Implementation of the Enterprise compliance risk assessment (August 2023).
- Compliance reviews on areas and processes – FATCA regulatory compliance; Corporate Governance; Intensive Care List (annual monitoring) etc.
- Research (survey) on ethics and compliance 20S23, with the purpose of establishing the employees' view (perception) on the situation in the Bank concerning compliance and ethics, their observations, experience, and attitude towards specific practices.
- Identification and monitoring of legal/regulatory changes with effects on the bank's operations; information of bank employees related regarding legal/regulatory changes (periodic e-bulletin) and other awareness activities on compliance and integrity.
- Regular annual e-learning and other education and awareness activities on Compliance & Integrity topics - Ethics, Integrity and Code of Conduct, Prevention of conflict of interest and corruption, gifts, Prevention of misconduct and harmful behavior, Prevention of abuse on financial instruments market.
- Supporting OU's by giving opinions, advises and proposals in solving different banking issues.
- Investigation of suspected cases of harmful conduct.
- Investor relations activities based on Rules on Inside Information - communication with employees regarding closed period (period during which certain identified persons are prohibited from engaging in transactions involving shares and other financial instruments of NLB d.d., Ljubljana).

Prevention of Money Laundry and Financing Terrorism Sector (PMLFT):

The Bank is fully aware of AML/CFT requirements both locally and internationally and understands the ML/FT risks. Thus, it implements zero tolerance policy toward the use of our bank products and services for illicit purposes. The AML sector continued with further adaption of policies and procedures in line with new AML/CFT legal requirements and Group standards, during 2023 the focus was on KYC Automatization Project, Customer Risk Rating Project (Siron KYC) and Client KYC Review. Besides daily activities such as monitoring and reporting of suspicious activity and sharing of information with law enforcement institutions, other important activities are:

- Central Bank Examination and implementation of recommendations.
- Transaction Monitoring Assessment and Enhancement Project performed by PwC.
- Group AML thematic review.
- Quantitative and Qualitative AML Risk Assessment – Group methodology.
- Implementation of Customer Risk Rating Project Plan - Siron KYC (CRR part still in process).
- Approval of Money Laundering and Terrorist Financing Prevention Policy, 8th version.
- Approval of Policy on the implementation of restrictive measures (financial sanctions and embargo), 3rd version.
- Coordination and communication with AML Group regarding new sanctions as result of Russian invasion in Ukraine.
- Performance of second level controls on KYC data.
- Performance of second level controls on financial sanctions.
- Coordinating the KYC Review for high and medium risk clients and monthly reporting to Group AML.
- Implementation of Group e-learning methodology.
- E-learning training on sanctions and restrictive measures.
- Training for the new staff and front office on the data quality during onboarding and KYC review.
- Attendance of AML staff to trainings, business line meeting and AML conferences.
- Prepared and issued numerous instruction and memos for front office.

Disclaimer on Events after balance sheet date

After approval of dividend pay-out from CBK for net profit of 2022, the Bank will procced with payments of dividend in amount of EUR 22,680 thousand.
No other material events subsequent to the date of the statement of financial position have occurred which require correction or disclosure in the financial statements.

NLB Group

NLB BANKA SH.A.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE
WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEAR ENDED 31 DECEMBER 2023

WITH INDEPENDENT AUDITOR'S REPORT THEREON

Content

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

To the Shareholders and Board of Directors of NLB Banka Sh.a.

The Management Board hereby confirms its responsibility for the preparation of the financial statements of the Bank for the year ended December 31, 2023, and for the accompanying accounting policies and notes to the financial statements.

The Management Board hereby acknowledges its responsibility for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and that these financial statements present fairly, in all material respects the financial position of the Bank as at December 31, 2023 and its financial results and cash flows for the year then ended.

The Management Board also confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates used were prepared according to the principles of prudence and good management. The Management Board further confirms that the financial statements of the Bank, together with the notes, have been prepared on a going-concern basis and in compliance with the International Financial Reporting Standards.

The Management Board is also responsible for applying appropriate accounting practices, for the adoption of appropriate measures for the safeguarding of assets, and for the prevention and identification of fraud and other irregularities or illegal acts.

Prishtina, Kosovo
February 26, 2024

Management Board

Gem Maloku

Gazmend Kadriu

President of the Management Board

INDEPENDENT AUDITOR'S REPORT

Grant Thornton

Independent Auditor's Report

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To the Shareholders of

NLB Banka Sh.a.

Opinion

We have audited the financial statements of NLB Banka Sh.a. ("the Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 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 Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Annual Report

Management is responsible for the other information presented in the annual report as of and for the year ended 31 December 2023. The other information comprises the information included in the Annual report but does not include the financial statements and our Independent Auditor's report on them.

Our opinion on financial statements does not include other information and, except to the extent otherwise explicitly stated in our report, we do not express any kind of assurance conclusion with on them.

In relation with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. In this sense, we do not have anything to report.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Grant Thornton

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of NLB Banka Sh.a. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLC
Prishtina,
28 February 2024

Suzana Stavrikj
Statutory Auditor

GRANT THORNTON L.L.C. KOSOVO

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents and balances with the Central Bank	4	137,074	140,850
Loans and advances to banks	5	68,245	50,944
Loans and advances to customers	6	831,333	740,776
Financial assets at fair value through OCI	7	175,373	133,777
Other assets	8	3,850	3,018
Repossessed assets	8.1	83	321
Prepaid current income tax	25	-	-
Property and equipment	9	9,773	10,068
Right of use assets	9.1	2,412	2,384
Intangible assets	10	1,094	1,140
Deferred tax asset	25	520	360
Total assets		**1,229,757**	**1,083,638**
LIABILITIES			
Due to banks	11	21,281	40,425
Due to customers	12	1,008,264	894,242
Other financial liabilities	13	18,917	13,540
Other financial liabilities at fair value through profit and loss	13.1	122	43
Provisions and other liabilities	14	5,965	5,493
Corporate tax payable	25	619	1,041
Borrowings and Subordinated debts	16	24,920	15,010
Total liabilities		**1,080,088**	**969,794**
SHAREHOLDERS' EQUITY			
Share capital	17	51,287	51,287
Revaluation reserve on FVOCI securities	26	992	1,134
Retained earnings		97,390	61,423
Total shareholders' equity		**149,669**	**113,844**
Total liabilities and shareholders' equity		**1,229,757**	**1,083,638**

These financial statements have been approved by the Management Board on February 26, 2024 and signed on their behalf by:

Mr. Gazmnd Kadriu	Mr. Gem Maloku	Mr. Visar Kabashi
CEO	Deputy CEO/CFO	Director of Finance Division

The accompanying notes from page 10 to 85 form an integral part of these financial statements.

(All amounts expressed in EUR thousand, unless otherwise stated)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31, 2023	Year ended December 31, 2022
Interest and similar income	18	53,699	43,333
Interest and similar expense	19	(6,534)	(3,487)
Net interest income		**47,165**	**39,846**
Fee and commission income	20	14,769	14,963
Fee and commission expense	21	(5,387)	(5,209)
Net fee and commission income		**9,382**	**9,754**
Impairment losses on financial assets, net	22	1,203	1,286
Net Operating Income		**57,750**	**50,886**
Other operating income	23	783	695
Other operating expenses	23	(2,149)	(1,903)
Other provisions	15	(428)	765
Personnel expenses	24	(8,538)	(7,450)
Depreciation and amortization	9,10	(2,147)	(2,216)
Administrative and other operating expenses	25	(5,310)	(4,684)
Profit before tax		**39,961**	**36,093**
Income tax expense	26	(3,994)	(3,693)
Net profit for the year		**35,967**	**32,400**
Other comprehensive income / (loss):			
Other comprehensive income that will not be reclassified to profit and loss statement			
Net (loss) / gain on equity instruments at fair value of FVOCI		240	(43)
Total items that will not be reclassified to the profit and loss statement		**240**	**(43)**
Other comprehensive income that will be reclassified to profit and loss statement			
Net (loss) on debt instruments at fair value of FVOCI		(382)	(265)
Total items that will be reclassified to the profit and loss statement			
Other comprehensive (loss)/income for the year	27	**(142)**	**(308)**
Total comprehensive income for the year		**35,825**	**32,092**
Basic and diluted earnings per share (EUR\share)	28	842	759

The accompanying notes from page 10 to 85 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve for FVOCI securities	Retained earnings	Total
Balance as at January 1, 2022	**51,287**	**1,442**	**46,128**	**98,857**
Net profit for the year	-	-	32,400	32,400
Net change in fair value and ECL of financial assts at FVOCI (Note 27)	-	(308)	-	(308)
Total comprehensive income loss for the year	**-**	**(308)**	**32,400**	**32,092**
Dividend paid	-	-	**(17,105)**	**(17,105)**
Balance as at December 31, 2022 / January 01, 2023	**51,287**	**1,134**	**61,423**	**113,844**
Net profit for the period	-	-	35,967	**35,967**
Net change in fair value and ECL of financial assts at FVOCI (Note 27)	-	(142)	-	**(142)**
Total comprehensive income loss for the period	**-**	**(142)**	**35,967**	**35,825**
Dividend paid	-	-	-	-
Balance as at December 31, 2023	**51,287**	**992**	**97,390**	**149,669**

STATEMENT OF CASH FLOWS

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities			
Profit for the year before taxation		**39,961**	**36,093**
Depreciation and amortization	9,10	2,147	2,216
Release of impairment on financial assets	22	(1,203)	(1,286)
Other impairment release/(losses) and provisions	15	428	(765)
Interest income	18	(53,699)	(43,333)
Interest expense	19	6,534	3,487
		(5,832)	**(3,588)**
Increase in mandatory reserve with CBK	4.1	(7,519)	(2,058)
Increase/(Decrease) in loans and advances to banks	5	(412)	1,032
Increase in loans and advances to customers	6	(89,527)	(105,191)
Increase in other assets	8	(1,519)	(2,560)
(Decrease)/Increase in due to banks	11	(19,144)	39,867
Increase in due to customers	12	114,022	95,449
Increase/ in other financial liabilities	13	5,456	3,205
Increase/(Decrease) in other liabilities	14	127	(27)
		(4,348)	**26,129**
Interest received		53,321	43,257
Interest paid		(5,907)	(3,154)
Income tax paid		(4,601)	(3,393)
Cash inflows generated from / (used in) operating activities		**38,465**	**62,839**
Cash flows from investing activities			
Purchases of property and equipment	9	(962)	(936)
Proceeds from sale of PPE		546	45
Purchases of intangible assets	10	(298)	(221)
Purchases of financial assets at FVOCI	7	(560,860)	(170,067)
Proceeds from maturity of financial assets at FVOCI		518,711	155,232
Net cash used in investing activities		**(42,863)**	**(15,947)**
Cash flows used in financing activities			
Proceeds from borrowings	16	10,000	-
Payment of dividend		-	(17,105)
Cash inflows used in financing activities		**10,000**	**(17,105)**
Increase in cash and cash equivalents		**5,602**	**29,787**
Cash and cash equivalents of January 1	4.1	116,369	86,583
Cash and cash equivalents of December 31	**4.1**	**121,971**	**116,370**

NOTES TO THE IFRS FINANCIAL STATEMENTS

1. General

NLB Banka sh.a. is a commercial bank (the "Bank") registered with the Kosovo Registry under Certificate of Registration no. 70053484 dated December 18, 2007. The Bank was established by the merger of two banks, NLB Kasabank and NLB New Bank of Kosova (during 2007 both banks were in control of Nova Ljubljanska Banka d.d.) and it obtained the license for banking activities on December 19, 2007 from Central Bank of Kosovo ("CBK").
The Bank is controlled by Nova Ljubljanska Banka d.d. Ljubljana incorporated in Slovenia (Ultimate Parent), which owns 82.38% of the ordinary shares as at December 31, 2023 (2022: 82.38% ordinary shares). Nova Ljubljanska Banka d.d. Ljubljana was privatized in the year 2018 and listed in London Stock Exchange and Ljubljana Stock Exchange. As of December 31, 2023, 75% minus one share of the Bank, is owned by private international investors each owning not more than 10% of shares, while the Republic of Slovenia remains the major shareholder with 25% plus one share equity stake.
The Bank's registered head office is located at Str. Ukshin Hoti, no.124, Prishtina, Kosovo. The Bank operates as a commercial bank to all categories of customers, through its network of 9 branches in Prishtina, Gjakova, Peja, Ferizaj, Mitrovica, Gjilan, Besiana, Prizren, 24 sub-branches.
The Bank as of December 31, 2023 had 468 employees. (December 31, 2022: 467).
The financial statements of the Bank for the year ended December 31, 2023 were approved by the Management Board on February 26, 2024.

2. Summary of significant accounting policies

2.1 Statement of compliance

The Bank prepares its financial statements according to International Financial Reporting Standards (IFRS).
The Bank's financial statements for the year ended December 31, 2023 are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and its predecessor body. Additionally, the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRSIC) and its predecessor body have been applied.
The Bank's IFRS financial statements comprise the statement of financial position, statement of profit or loss and comprehensive income, the statement of changes in equity, the statement of cash flows, significant accounting policies and the notes to the financial statements. These financial statements cover the individual entity as the Bank is not a parent.

2.2 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of Financial assets through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss, if any. The principal accounting policies are set out below.

2.2.1 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.
The market demand for new loans and banking services has proven strong. The Bank managed to realize a satisfactory level of profit and it has sufficient capital and liquidity buffers to stand resilient towards any shocks from the pandemic, which in Kosovo seems to be subsiding and restrictive measures lifted.
Therefore, the financial statements continue to be prepared on the going concern basis.

2.2.2 Estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual results may ultimately differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Significant estimates are disclosed in more detail in Note 2.27, 2.28, 2.30, 2.31and 2.33. Revision to estimates is recognized prospectively.

2.3 Comparative amounts

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative amounts. Where applicable, comparative figures have been reclassified to conform to changes in presentation in the current year.

2.4 Functional Currency

The financial statements are presented in EUR which is also the Bank's functional currency.

2.5 Interest income and expense

Interest income and expenses for all financial instruments measured at amortised cost, and financial assets measured at fair value through other comprehensive income are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest rate method. Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is recognised using the contractual interest rate.
The effective interest rate method is used to calculate the amortized cost of a financial asset or financial liability, and to allocate the interest income or interest expense over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash payments or receipts over the expected life of the financial instrument, or a shorter period (when appropriate) on the net carrying amount of the financial asset or financial liability. Interest income includes coupons earned on fixed-yield investments and trading securities, and accrued discounts and premiums on securities. The calculation of the effective interest rate includes all fees and points paid or received by parties to the contract and all transaction costs, but excludes future credit risk losses.
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets, in which case is applied over the net carrying amount.

2.6 Fee and commission

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. fee and commission income is recognized at an amount that reflects the consideration to the Bank expects to be entitled in exchange for providing the service, and expenses services are used.
Loan management fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.
Fee and commission income and expenses also include fees from letters of guarantees and letters of credit issued by the Bank in favor of the clients, fees arising from domestic and international bank charges, and other services provided by the Bank.

2.7 Financial instruments

a) Classification and measurement

From a classification and measurement perspective, IFRS 9 requires all debt financial assets to be assessed based on Bank's business model for managing the assets and the instruments' contractual cash flow characteristics.
Measurement categories of financial assets are as follows:
- Financial assets, measured at amortised costs (AC);
- Financial assets at fair value through other comprehensive income (FVOCI);
- Financial assets held for trading (FVTPL); and
- Non-trading financial assets, mandatorily at fair value through profit or loss (FVTPL).

Financial assets are measured at AC if they are held within a business model for the purpose of collecting contractual cash flows ('held to collect'), and if cash flows are solely payments of principal and interest on the principal amount outstanding.
Debt financial assets are measured at FVOCI if they are held within a business model for the purpose of both collecting contractual cash flows and selling ('held to collect and sell'), and if cash flows are solely payments of principal and interest on the principal amount outstanding. FVOCI results in the debt instruments being recognised at fair value in the statement of financial position and at AC in the income statement. Gains and losses, except for expected credit losses and foreign currency translations, are recognised in other comprehensive income until the instrument is derecognised. At derecognition of the debt financial assets, the cumulative gains and losses previously recognised in other comprehensive income are reclassified to the income statement.
Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement, except for dividends that are recognised in the income statement.
All other financial assets are mandatorily measured at FVTPL, including financial assets within other business models such as financial assets managed at fair value or held for trading and financial assets with contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.
IFRS 9 includes an option to designate financial assets at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.
Financial liabilities are measured at amortized cost, except for the treatment of gains or losses arising from bank's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.
Assessment of Bank's business model
The Bank has determined its business model separately for each reporting unit and is based on observable factors for different portfolios that best reflect how the Bank manages groups of financial assets to achieve its business objective, such as:
– how the performance of the business model and the financial assets held within that business model are evaluated and reported to key management personnel;
– the risks that affect the performance of the business model and, in particular, the way those risks are managed;
– how the managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets or on collection of contractual cash flows); and
– the expected frequency, value, and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking worst-case and stress case scenarios into account. In general, the business model assessment of the Bank can be summarised as follows:
- loans and deposits given are included in a business model 'held to collect' since the primary purpose of NLB Group for the loan portfolio is to collect the contractual cash flows.
- debt securities are divided into three business models:
- the first group of debt securities presents 'held for trading' category
- the second group of debt securities are held under a

business model 'held to collect and sale' with the aim to collect the contractual cash flows and sale of financial assets, and forms part of the Bank's liquidity reserves;
- the third part of debt securities is held within the business model for holding them in order to collect contractual cash flows.

With regard to debt securities within the 'held to collect' business model, the sales which are related to the increase of the issuers' credit risk, concentrations risk, sales made close to the final maturity, or sales in order to meet liquidity needs in a stress case scenario are permitted. Other sales, which are not due to an increase in credit risk may still be consistent with a held to collect business model if such sales are incidental to the overall business model and;
- are insignificant in value both individually and in aggregate, even when such sales are frequent;
- are infrequent even when they are significant in value.

A review of instruments' contractual cash flow characteristics (the SPPI test – solely payment of principal and interest on the principal amount outstanding)

The second step in the classification of the financial assets in portfolios being 'held to collect' and 'held to collect and sell' relates to the assessment of whether the contractual cash flows are consistent with the SPPI test. The principal amount reflects the fair value at initial recognition less any subsequent changes, e.g. due to repayment. The interest must represent only the consideration for the time value of money, credit risk, other basic lending risks, and a profit margin consistent with basic lending features. If the cash flows introduce more than *de minimis* exposure to risk or volatility that is not consistent with basic lending features, the financial asset is mandatorily recognised at FVTPL.

The Bank reviewed the portfolio within 'held to collect' and 'held to collect and sale' for standardised products on a level of a product and for non-standardised products on a single exposure level. The Bank established a procedure for SPPI identification as part of regular investment process with defined responsibilities for primary and secondary controls. Special emphasis is put on new and non-standardised characteristics of the loan agreements.

Accounting policy for modified financial assets

Modified financial assets are those assets that contractual terms were changed during their lifetime. Contractual terms may be changed by the bank and the debtor entering into an agreement to exchange the original financial asset for a new financial asset or by the bank and the debtor "renegotiating" the original contract. Investments in the Bank, contractual characteristics of a loan may be modified as follows:
-loan renewal or extension, which is possible only for clients not in financial difficulties;
-restructuring of financial assets, which is possible only for clients in financial difficulties.

If the modified contractual terms are significantly different from the original ones, the original financial asset is derecognised and new financial asset for the purpose of accounting treatment in accordance with IFRS 9 is recognised. Accordingly, a date of modification should be treated as the date of initial recognition of that financial asset. Qualitative test is to be performed to assess whether a change of contractual characteristics is significant.

Accounting policy for modified financial assets

Possible changes of contractual characteristics and the performance of qualitative tests are: Modification of contractual cash flows that is in bank's commercial interests (loan renewal and extension); Restructured financial assets for clients in financial difficulties.

When contractual cash flows of a financial asset are modified, the Bank assesses if the terms and conditions have been modified to the extent that, substantially, it becomes a new financial asset. The following factors are, amongst others, considered when making such assessment:
- reason for modification of cash flows (commercial or client's financial difficulties);
- change in currency of the loan;
- introduction of an equity feature;
- replacement of initially agreed debtor with a new debtor that is not related party to initial debtor; and
- if the modification is such that it changes the result of the SPPI test.

If the modification results in derecognition of a financial asset, the new financial asset is initially recognised at fair value, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. If the derecognised asset was classified in Stage 3 as defaulted, the new asset recognised is classified as POCI (Purchased or Originated Credit Impaired).

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

b) Reclassification

Financial assets can be reclassified when and only when Bank's business model for managing those assets changes. The reclassification takes place from the start of the reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period. Financial liabilities are never reclassified.

c) Day one gains or losses

The best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by a comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or based on a valuation technique whose variables only include data from observable markets.

If the transaction price on a non-active market is different than the fair value from other observable current market transactions in the same instrument or is based on a valuation technique whose variables only include data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement ('day one gains or losses').

In cases where the data used for valuation are not fully observable in financial markets, day one gains or losses are not recognised immediately in the income statement. The timing of recognition of deferred day one gains or losses is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

d) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset is transferred, and the transfer qualifies for derecognition.

A financial liability is derecognised only when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled, or expires.

e) Write-offs

The Bank writes off financial assets in their entirety or a portion thereof when it has exhausted all practical recovery efforts and has no reasonable expectations of recovery. Criteria indicating that that there is no reasonable expectation of recovery include default period, quality of collateral and different stages of enforcement procedures. The Bank may write-off financial assets that are still subject to enforcement activities, but this does not affect its rights in the enforcement's procedures. The Bank still seeks to recover all amounts it is legally entitled to in full. Write-off reduces the gross carrying amount of a financial asset and allowance for the impairment. Any subsequent recoveries are credited to credit loss expense.

f) Fair value measurement principles

The fair value of financial instruments traded on active markets is based on the price that would be received to sell the assets or transfer liability (exit price) being measured at the reporting date, excluding transaction costs. If there is no active market, the fair value of the instruments is estimated using discounted cash flow techniques or pricing models.

If discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates; and the discount rate is a market-based rate at the reporting date for an instrument with similar terms and conditions. If pricing models are used, inputs are based on market-based measurements at the reporting date. The methods used by the Bank in estimation of fair value are further detailed in Note 2.33.

2.8 Impairment of financial assets

a) Expected credit losses for collective allowances

IFRS 9 applies an expected credit loss model that provides an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. The expected loss model requires the Bank to recognise not only credit losses that have already occurred, but also losses that are expected to occur in the future. An allowance for expected credit losses (ECL) is required for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

The allowance is based on the expected credit losses associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since the initial recognition, in which case, the allowance is based on the probability of default over the life of the financial asset (LECL). When determining whether the risk of default increased significantly since the initial recognition, the Banks considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Bank's historical data, experience, expert credit assessment, and incorporation of forward-looking information.

Classification into stages

The Bank prepared a methodology for ECL defining the criteria for classification into stages, transition criteria between stages, risk indicators calculation, and the validation of models. The Bank classifies financial instruments into Stage 1, Stage 2, and Stage 3, based on the applied ECL allowance methodology as described below:

- Stage 1 – performing portfolio: no significant increase of credit risk since the initial recognition, the Bank recognises an allowance based on 12-month period,
- Stage 2 – underperforming portfolio: significant increase in credit risk since the initial recognition, the Bank recognises an allowance for lifetime period, and
- Stage 3 – impaired portfolio: Defaulted clients are rated D or E based on the bank's internal rating system and contain clients with material delays over 90 days, as well as clients that were assessed as unlikely to pay. The retail clients are rated on the facility level, however the rating can be deteriorated based on the rating of other credit facilities of the same client.

A significant increase in credit risk is assumed:

- SICR triggers for Stage 2 include:
- downgrade based on long credit rating for legal entities,
- delays material, delays over 30 days (days-past due are also included in the credit rating assessment),
- forbearance,
- inclusion on WL/ICL list.
- To allow for more precise detection of SICR in June 2021 additional rules have been upgraded, where Stage 2 would be triggered by 3 notch downgrades of credit rating.

The methodology of credit rating for banks and sovereign classification depends on the existence or non-existence of a rating from international credit rating agencies Fitch, Moody's, or S&P. Ratings are set on a basis of the average international credit rating. If there are no international credit ratings, the classification is based on the internal methodology of the Bank.

ECL for Stage 1 financial assets is calculated based on 12-month PDs (probability of default) or shorter period PDs, if the maturity of the financial asset is shorter than 1 year. The 12-month PD already includes a macroeconomic impact effect. Allowances in stage 1 are designed to reflect expected credit losses that had been incurred in the performing portfolio but have not been identified.

LECL for Stage 2 financial assets is calculated on the basis of lifetime PDs (LPD) because their credit risk has increased significantly since their initial recognition. This calculation is also based on a forward-looking assessment that takes into account the number of economic scenarios in order to recognise the probability of losses associated with the predicted macro-economic forecasts.

For financial instruments in Stage 3, the same treatment is applied as for those considered to be credit impaired. Exposures below the materiality threshold obtain collective allowances using PD of 100%. Financial instruments will be transferred out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period. Special treatment applies for purchased or originated credit-impaired financial instruments (POCI), where only the cumulative changes in the lifetime expected losses since initial recognition are recognised as a loss allowance.

The calculation of collective allowances is performed by multiplying the EAD (exposure at default) at the end of each month with an appropriate PD and LGD (loss-given default). The EAD is determined as the sum of on-balance exposure and off-balance exposure multiplied by the CCF (credit conversion factor). The obtained result for each month is discounted to the present time. For Stage 1 exposures, the ECL only takes a 12-month period into account, while for Stage 2 all potential losses until the maturity date are included.

For the purpose of estimating the LGD parameter, NLB uses collateral HC (hair-cut) at the level of each type of collateral, and URR (unsecured recovery rate) at the level of each client segment. Both parameters are calculated on the bank's historical repayment data.

Expected Life
When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Forward looking information
The Bank incorporates forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECL. The Bank considers forward-looking information such as macroeconomic factors (e.g., unemployment rate, GDP growth, interest rates, and housing prices) and economic forecasts. The baseline scenario represents the more likely outcome resulting from the Bank's normal budgeting process, while the better and worst-case scenarios represent more optimistic or pessimistic outcomes (similar as by ICAAP). Recalculation of all parameters is performed annually or more frequently if the macro environment changes more than it was incorporated in previous forecasts. In such a case all the parameters are recalculated according to new forecasts.

b) Individual assessment of allowances for impaired financial assets

Assets carried at an amortised cost
The Bank assesses the impairments of financial assets separately for all individually significant assets classified in Stage 3. All other financial assets obtain collective allowances. The materiality threshold is set at EUR 50 thousand.
The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, which are discounted to the estimation date at the original effective interest rate of the asset. The scenario of expected cash flows can be based on the 'going concern' assumption, where the cash flow from operations is taken into account along with the sale of collateral that is not crucial for future business. In the case of the 'gone concern' principle, the repayments are based on expected cash flows from the collateral sale. The expected payment from the collateral is calculated from the appraised market value of the collateral, the haircut used as defined in the Haircut Methodology, and discounted. Off-balance sheet liabilities are also assessed individually and, where necessary, related allowances are recognised as liabilities.
The carrying amount of financial assets measured at amortised cost is reduced through an allowance account and the loss is recognised in the income statement item 'Impairment of financial assets.' If the amount of allowances for ECL decreases subsequently due to an event occurring after the impairment was recognised (e.g. repayment in the collection process exceeds the assessed expected payment from collateral), the reversal of the loss is recognised as a reduction in the allowance account and gain is recognised in the same income statement item. For off-balance exposures, the amount of ECL is recognised in the statement of financial position in item 'Provisions' and in the income statement in item 'Provisions for credit losses.'
The ECLs for debt instruments measured at fair value through other comprehensive income do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit or loss upon derecognition of the assets or when the amount of allowances for ECL decreases due to an event occurring after the impairment was recognised.
If the amount of allowances for ECL decreases subsequently due to an event occurring after the impairment was recognised (e.g. repayment in the collection process exceeds the assessed expected payment from collateral), the reversal of the loss is recognised as a reduction in the allowance for loan impairment and the gain is recognised in the income statement.

2.9 Cash and cash equivalents

Cash equivalents are items which can be converted into cash at short notice (with less than three months original maturity). Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash equivalent are carried at amortized cost.

2.10 Mandatory liquidity reserve

In accordance with the CBK rules, the Bank should meet the minimum average liquidity requirement. The liquidity requirement is calculated on a weekly basis as 10% of the deposit base, defined as the average total deposit liabilities to the non-banking public in EUR and other currencies, over the business days of the maintenance period. The assets with which the Bank may satisfy its liquidity requirement are the EUR deposits 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. As the respective liquid assets are not available to finance the Bank's day to day operations, they have been excluded from cash and cash equivalents for the purposes of the cash flow statement.

2.11 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Foreign currencies

Transactions denominated in currencies other than Euro are translated in the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss (as foreign exchange translation gains and losses).
Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.13 Property and equipment

Property and equipment are accounted for under the cost model of IAS 16. They are stated at cost less accumulated depreciation and accumulated impairment loss, where required. Each year, the Bank assesses whether there are indications that assets may be impaired. If any such indication exists, the recoverable amounts are estimated. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the profit and loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the operating result for the period. Repairs and maintenance are charged to the profit or loss when the expenditures are incurred.

Depreciation is charged using the straight line method, over the estimated useful lives of each part of an item of property and equipment. For additions depreciation is charged subsequent to the month of purchase while for disposals up to the month of disposal. Depreciation does not begin until the assets are available for use.

The annual depreciation rates used for each category of property and equipment are as follows:

Category of assets	Depreciation rates used
Buildings	3%
Leasehold improvements	Lower of the lease term or 20%
Furniture, fixtures and equipment	20%
Computers and related equipment	20%
Motor vehicles	20%

2.14 Intangible assets

The Bank's intangible assets consist of computer software. Intangible assets acquired by the Bank are recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits will flow to the Bank. Intangible assets are accounted for under the cost model of IAS 38 and are stated at cost less accumulated amortization and impairment losses, when required. Amortization is provided on a straight-line basis at an annual rate of 20% or as per contractual period.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred. Amortization does not begin until the assets are available for use.

2.15 Seized assets

Seized assets represent financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in premises, other financial assets or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

2.16 Impairment of non-financial assets

An impairment loss is recognized whenever the carrying value of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. Value in use of an asset is the present value of estimated future cash flows expected from the continuing use of an asset and from its disposal.

2.17 Due to banks

Due to banks are recorded when money or other assets are advanced to the bank by counterparty banks. The non-derivative liability is carried at amortized cost.

2.18 Due to customers

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

2.19 Borrowings and subordinated debts

Borrowings and subordinated debts are recognized initially at fair value, net of transaction costs incurred. Borrowings and subordinated debts are subsequently stated at amortized cost. Any interest or fee related to the borrowed funds is expensed using the effective interest method and presented in the profit and loss for the period.

2.20 Share-based payment transactions

Cash-settled share-based payment transactions

If certain conditions are met, members of the Management Board and employees performing special work (i.e., those who can significantly impact the risk profile of the Bank in the scope of their tasks and activities) receive part of their variable remuneration in the form of financial instruments, whose value is linked to the value of NLB d.d. Ljubljana share. Upon expiration of legally prescribed period (up to five years), beneficiaries receive cash payments, depending on the value of NLB share.

In the statement of financial position, a liability is recognised in line 'Financial liabilities measured at fair value through profit or loss.' Its fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement line 'Gains less losses from financial liabilities measured at fair value through profit or loss'.

2.21 Share capital and revaluation reserves

Share capital represents the nominal value of issued shares.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by NLB Banka shareholders.

Equity reserves

Equity reserves are comprised of Fair value reserves and Retained earnings.

- The reserves recorded in OCI within the equity on the Bank's statement of financial position include: Fair value reserve which comprises changes in fair value of financial assets at fair value through other comprehensive income, and Reserves formed from ECL allocations of financial assets evaluated under fair value through OCI.
- Retained earnings include the cumulative non distributed earnings and are distributable according to Capital and Dividend Management policy of the Bank and upon approval of the Bank's General Shareholder Assembly and regulatory approval of the Central Bank.

2.22 Taxation

Current income tax is calculated based on the income tax regulations applicable in Kosovo, using tax rates enacted at the balance sheet date. The tax rate on corporate income is set at 10% in accordance with Kosovo tax regulations currently in force, Law no. 06/L-105 "On Corporate Income Tax".

The income tax charge in the profit and loss for the year comprises current tax and changes in deferred tax.
Current tax is calculated on the basis of the expected taxable profit for the year using the tax rates enforced or substantially enacted at the balance sheet date. Taxable profit differs from profit as reported in the profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxes other than income taxes are recorded within operating expenses.
Deferred income tax is accounted for using the balance sheet liability method for temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted on balance sheet date.
Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority.

2.23 Off-balance sheet commitments and contingencies

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. The provision for losses on commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.
Financial guarantees at the date of issue are recognized at fair value which is equal to the amount of the fee received. The fee is amortized to the profit and loss during the contract period using the straight line method. The Bank's liabilities under guarantees are subsequently measured at the greater of the initial measurement, less amortization calculated to recognize fee income over the period of guarantee or the best estimate of the expenditure required settling the obligation.
Guarantee for completion - are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to complete the work when due, in accordance with the terms of contract.
Guarantees at the date of issue are recognized at fair value which is equal to the amount of the fee received. The fee is amortized to the profit and loss during the contract period using the straight-line method. The Bank's liabilities under guarantees are subsequently measured at the greater of:

- The initial measurement, less amortization calculated to recognize fee income over the period of guarantee; or
- The best estimate of the expenditure required to settle the obligation

2.24 Provisions

Provisions are recorded when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

2.25 Employee benefits

The Bank pays contributions to the publicly administered pension plan (KPST) on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.26 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 9 Property, equipment and right-of-use assets.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. For the year ended December 31, 2023 the Bank does not have any contracts as lessor.

2.27 Critical judgements in applying the accounting policies and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in note 2, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.28 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades,
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment,
- The segmentation of financial assets when their ECL is assessed on a collective basis,
- Development of ECL models, including the various formulas and the choice of inputs,
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs,
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

2.29 Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in country and in other jurisdictions, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements.
Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

2.30 Effective interest rate

Interest income and expense are recognized in the profit and loss for all interest-bearing instruments on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. The effective interest rate differs from the contractual rate as a result of fees and commission that the Bank may charge, however, the Bank does not have any financial instruments where additional fees and commissions represent significant cash flows in comparison to the contractual rate. The most significant cash flows arise from lending fees that are applied on issuance of the loan. Due to information system constrains, the Bank does not use the effective interest rate to recognize overall interest income from loans, but defers lending fees separately over the life of each loan using a method that approximates the effective interest rate and management estimates that no material differences would arise.

2.31 Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term

if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

2.32 Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The rate used by bank is 2.4% which represent interest rate on 5 years deposits of customers. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

2.33 Taxation

Current tax expense

The Bank is subject to taxation laws in the Republic of Kosovo. Management uses its best estimate and judgment to fully comply with the relevant tax laws. Owing to use of judgment in complying with certain requirements of tax laws and depending on the tax authorities' assessment, tax liabilities may differ compared to the one reported in these financial statements, however Management is confident that no material differences can arise.

Deferred tax assets

Deferred tax assets are recognized in respect of temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used for a period of 4 years in Kosovo.

2.34 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Bank FVOCI assets are the only assets measured at fair value. For disclosure purpose of the fair value of other financial assets and liabilities, valuation models are used based on observable market data where possible, but if this is not available, judgement is required to establish fair values. The disclosure of fair value of financial instruments and the methods used are described in more detail in Note 26.

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3. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

i) **Initial application of new amendments to the existing standards effective for the current reporting period**

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (the Bank does not have any contracts that meet the definition of insurance contracts as set out in IFRS 17).
- Definition of Accounting Estimate (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 'Making Materiality Judgements').
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

Management has assessed the amendments and there is no significant impact on these financial statements.

ii) **Standards and interpretations issued but not yet effective and not early adopted**

At the date of authorization of these financial statements, the following new standards and amendments to existing standards were in issue, but not yet effective:

- IAS 1 Presentation of Financial Statements, (Amendments regarding the classification of liabilities, amendment to defer the effective date of the January 2020 amendments, amendments regarding the classification of debt with covenants), effective from 1 January 2024.
- IFRS 7 Financial Instruments: Disclosures (Amendments regarding supplier finance arrangements), effective from 1 January 2024.
- IFRS 16 Leases, (Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions), effective from 1 January 2024.
- IAS 7 Statement of Cash Flows (Amendments regarding supplier finance arrangements), effective from 1 January 2024.
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, effective from 1 January 2024.
- IFRS S2 Climate-related Disclosures, effective from 1 January 2024.

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

4. CASH AND CASH EQUIVALENTS AND BALANCES WITH THE CENTRAL BANK

	December 31, 2023	December 31, 2022
Cash on hand	28,623	28,677
Cash at banks–current accounts with correspondent banks	7,412	15,925
Amounts held at the CBK	-	-
Current account	21,275	24,016
Statutory reserve account	79,874	72,355
Allowance for ECL	(110)	(123)
Cash and cash equivalents and balances with the Central Bank	**137,074**	**140,850**

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

	December 31, 2023	December 31, 2022
Opening balances	123	116
Charge to profit and loss	(13)	7
Closing balance	**110**	**123**

During the year 2023, the corresponding banks in which we have nostro accounts do not apply any type of positive or negative interest rate to us, except RBI where the interest rate on the credit balance in EUR is 1.81%, while in USD 2.33% on a daily credit balance (very few over a certain threshold balance).

The minimum reserve base requirement increased during 2023 by EUR 7.5 million compared to 2022 as result of increase of liability base of the Bank. The high-quality liquid assets increased during the year, mainly due to increase of cash in vault, securities, and balances with the Central Bank.

During 2022, almost all correspondent banks applied negative interest rates until the end of Q3 2022 and then some of them started to apply more favorable rates, reducing the negative rates by 50BP. On a daily credit balance (very few over a certain threshold balance). The rates varied from -0.40% to 0.00% for the EUR currency, from -1.50% to -0.25% for the CHF and the avg.int. rates -0.35% for the other currencies (DKK, SEK), while for the USD we have the positive interest rate 0.0001%.

The minimum reserve base requirement increased during 2022 by EUR 2 million compared to 2021 as result of increase of liability base of the Bank. The high-quality liquid assets increased during the year, mainly due to increase of cash in vault, securities and balances with the Central Bank.

Balance and obligatory reserve with Central Bank of Kosovo (“CBK”) represents the mandatory liquidity reserve under the CBK regulations as discussed in note 2.10. The mandatory liquidity reserve is not available for day-to-day use by the bank. The mandatory liquidity reserves balance with CBK is excluded from cash and cash equivalents for the purpose of cash flow statement. The Central Bank of Kosovo does not possess external credit rating.

4.1 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise of:

	December 31, 2023	December 31, 2022
Cash and cash equivalents and balances with the Central Bank	137,074	140,850
Less: Mandatory liquidity reserve	(79,874)	(72,355)
Deposits with original maturity with less than 3 months (note 5)	64,771	47,875
Cash and cash equivalents	**121,971**	**116,370**

The movement in the allowance for ECL on cash and cash equivalents and balances with Central Bank for the year ended December 31, 2023, based on IFRS 9 requirements, is as follows:

December 31, 2023	Balance at January 1, 2023	Transfer	(Increases)/ Decreases	Written offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2023
Stage 1 - 12M expected credit losses	(123)	-	13	-	-	-	-	(110)
Cash and Cash equivalents`	(123)	-	13	-	-	-	-	(110)
Stage 2 – Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Cash and Cash equivalents								-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Cash and Cash equivalents								-
Total	**(123)**	**-**	**13**	**-**	**-**	**-**	**-**	**(110)**

December 31, 2022	Balance at January 1, 2022	Transfer	(Increases)/ Decreases	Written offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2022
Stage 1 - 12M expected credit losses	(116)	-	(7)	-	-	-	-	(123)
Cash and Cash equivalents	(116)	-	(7)	-	-	-	-	(123)
Stage 2 Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-
Total	**(116)**	**-**	**(7)**	**-**	**-**	**-**	**-**	**(123)**

5. LOANS AND ADVANCES TO BANKS

	December 31, 2023	December 31, 2022
Term deposits with maturity less than three months	64,771	47,875
Term deposits	3,463	3,057
Accrued interest	31	25
Allowance for ECL	(20)	(13)
Total loans and advances to banks	**68,245**	**50,944**

Current	**67,635**	**50,944**
Non-Current	**610**	**-**

As at December 31, 2023 included in the total term deposits are EUR 3,464 which are blocked funds for Trade Finance activities (2022: EUR 3,057).
Allowance for ECL movement for the years ended December 31, 2023 and 2023 is as following:

	December 31, 2023	December 31, 2022
Opening balances	13	11
Charge to profit and loss	7	2
Closing balance	**20**	**13**

The movement in the allowance for ECL on Loans and advances to Banks for the year ended December 31, 2023, based on IFRS 9 requirements, is as follows:

December 31, 2023	Balance at January1, 2023	Transfer	(Increases)/ Decreases	Write offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2023
Stage 1 - 12M expected credit losses	(13)	-	(7)	-	-	-	-	(20)
Placements	(13)	-	(7)	-	-	-	-	(20)
Stage 2 Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Placements	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Placements	-	-	-	-	-	-	-	-
Total	(13)	-	(7)	-	-	-	-	(20)

December 31, 2022	Balance at January 1, 2022	Transfer	(Increases)/ Decreases	Write offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2022
Stage 1 - 12M expected credit losses	(11)	-	(2)	-	-	-	-	(13)
Placements	(11)	-	(2)	-	-	-	-	(13)
Stage 2 Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Placements	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Placements	-	-	-	-	-	-	-	-
Total	(11)	-	(2)	-	-	-	-	(13)

6. LOANS AND ADVANCES TO CUSTOMERS

Analysis by class of advance

	December 31, 2023	December 31, 2022
Loans to customers	726,681	652,105
Overdrafts	132,649	118,509
Credit cards	7,400	6,589
	866,730	**777,203**
Allowance for ECL	(35,397)	(36,427)
Total loans to customers	**831,333**	**740,776**
Current	361,817	282,428
Non-current	469,516	458,348

Loans and advances to customers include accrued interest in the amount of EUR 1,977 thousand (2022: EUR 1,692 thousand). Loans and advances to customers include deferred disbursement fee that is part of the effective interest rate from loans to customers in the amount of EUR 2,083 thousand (2022: EUR 2,897 thousand). Overdraft facilities represent short term revolving facility and consumer loans.
The Current – Non-Current classification above is made based on contractual basis.
Analysis by sector is as follows:

Gross carrying amount	December 31, 2023	December 31, 2022
Loans to Corporate	504,848	470,726
Loans to Retail	361,511	305,579
Loans to Non-banking financial institutions	371	898
	866,730	**777,203**

Less: Allowance for ECL	December 31, 2023	December 31, 2022
Loans to Corporate	(24,074)	(31,289)
Loans to Retail	(11,319)	(5,125)
Loans to Non-banking financial institutions	(4)	(13)
	(35,397)	**(36,427)**

The table below shows the credit quality and the maximum exposure to loans and advances to costumers based on the Bank's internal credit rating system, 12 month Basel III PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

The table below shows the credit quality and the maximum exposure to loans and advances to costumers as of December 31, 2023.

December 31, 2023	12-month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.32%-4.28%	415,758	4,489	-	-	420,247
Standard grade	1.64%-42.7%	362,282	37,724	-	-	400,006
Sub-standard grade	6.08%-68.60%	310	29,933	-	-	30,243
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	6,098		6,098
Individually impaired	100.00%	-	-	10,136	-	10,136
Total		778,350	72,146	16,234	-	866,730

The table below shows the credit quality and the maximum exposure to loans and advances to costumers on segment level as of December 31, 2023.

Corporate Lending

December 31, 2023	12-month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.32%-4.28%	73,359	261	-	-	73,620
Standard grade	1.64%-15.98%	358,968	34,706	-	-	393,674
Sub-standard grade	6.08%-38.85%	126	25,372	-	-	25,498
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	2,488	-	2,488
Individually impaired	100.00%	-	-	9,568	-	9,568
Total		432,453	60,339	12,056	-	504,848

The table below shows the credit quality and the maximum exposure to loans and advances to finance lending as of December 31, 2023.

Finance Lending

31 December 2023	12-month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.32%-4.28%	7	-	-	-	7
Standard grade	1.64%-15.98%	359	1	-	-	360
Sub-standard grade	6.08%-38.85%	-	4	-	-	4
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	-	-	-
Individually impaired	100.00%	-	-	-	-	-
Total		366	5	-	-	371

The table below shows the credit quality and the maximum exposure to loans and advances to retail lending as of December 31, 2023.

Retail Lending

31 December 2023 Internal rating grade	12-month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.39%-3.4%	342,392	4,227	-	-	**346,619**
Standard grade	16.93%-42.7%	2,954	3,018	-	-	**5,972**
Sub-standard grade	19.27%-68.60%	184	4,557	-	-	**4,741**
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	3,610	-	**3,610**
Individually impaired	100.00%	-	-	569	-	**569**
Total		**345,530**	**11,802**	**4,179**	**-**	**361,511**

The table below shows the credit quality and the maximum exposure to loans and advances to costumers as of December 31, 2022.

December 31, 2022 Internal rating grade	12-month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.20% - 4.56%	359,185	2,856	-	-	**362,041**
Standard grade	3.33% - 26.22%	306,143	57,670	-	-	**363,813**
Sub-standard grade	14.41% - 50.90%	2,712	32,932	-	-	**35,644**
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	3,850		**3,850**
Individually impaired	100.00%	-	-	11,855	-	**11,855**
Total		**668,040**	**93,458**	**15,705**	**-**	**777,203**

The table below shows the credit quality and the maximum exposure to loans and advances to corporate lending as of December 31, 2022.

Corporate Lending

December 31, 2022 Internal rating grade	12-month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.62% - 4.56%	64,761	370	-	-	**65,131**
Standard grade	3.33% - 18.72%	302,483	56,111	-	-	**358,594**
Sub-standard grade	14.41% - 50.90%	2,434	31,794	-	-	**34,228**
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	1,424	-	**1,424**
Individually impaired	100.00%	-	-	11,349	-	**11,349**
Total		**369,678**	**88,275**	**12,773**	**-**	**470,726**

The table below shows the credit quality and the maximum exposure to loans and advances to finance lending as of December 31, 2022.

Finance Lending

31 December 2022 Internal rating grade	12-month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.62% - 4.56%	39	-	-	-	**39**
Standard grade	3.33% - 18.72%	853	1	-	-	**854**
Sub-standard grade	14.41% - 50.90%	-	5	-	-	**5**
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	-	-	-
Individually impaired	100.00%	-	-	-	-	-
Total		**892**	**6**	**-**	**-**	**898**

The table below shows the credit quality and the maximum exposure to loans and advances to retail lending as of December 31, 2022.

Retail Lending

31 December 2022 Internal rating grade	12-month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.20% - 1.63%	294,384	2,486	-	-	**296,870**
Standard grade	14.52% - 26.22%	2,806	1,559	-	-	**4,365**
Sub-standard grade	19.81% - 28.72%	279	1,133	-	-	**1,412**
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	2,426	-	**2,426**
Individually impaired	100.00%	-	-	506	-	**506**
Total		**297,469**	**5,178**	**2,932**	**-**	**305,579**

The tables below summarize the ageing of stage 2 and stage 3 as of December 31, 2023.
Stage 2 – loans less than 30 days past due (dpd) and loans greater than 30 dpd irrespective of the criteria that triggered their classification in Stage 2).
Stage 3 – loans less than 90 dpd and loans greater than 90 dpd, thus presenting the loans classified as stage 3 due to ageing and those identified at an earlier stage due to other criteria. Stage 3 exposures are further analyzed to indicate those which are no longer credit impaired but in cure period that precedes transfer to stage 2.

(in Eur '000)	Stage 2		Stage 3		Total	
December 31, 2023	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	**9,405**	**1,250**	**4,535**	**3,508**	**13,940**	**4,758**
30 dpd	9,405	1,250	1,888	1,315	11,293	2,565
90 dpd	-	-	2,647	2,193	2,647	2,193
More than:	**995**	**328**	**9,840**	**9,607**	**10,835**	**9,935**
30 dpd	995	328	-	-	995	328
90 dpd	-	-	9,840	9,607	9,840	9,607
Total	**10,400**	**1,578**	**14,375**	**13,115**	**24,775**	**14,693**

The tables below summaries the ageing of stage 2 and stage 3 as of December 31, 2023 for corporate lending:

Corporate Lending	Stage 2		Stage 3		Total	
December 31, 2023	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	**7,697**	**781**	**3,046**	**2,315**	**10,743**	**3,096**
30 dpd	7,697	781	1,276	786	8,973	1,567
90 dpd	-	-	1,770	1,529	1,770	1,529
More than:	**458**	**93**	**8,114**	**7,958**	**8,572**	**8,051**
30 dpd	458	93	-	-	458	93
90 dpd	-	-	8,114	7,958	8,114	7,958
Total	**8,155**	**874**	**11,160**	**10,273**	**19,315**	**11,147**

The tables below summaries the ageing of stage 2 and stage 3 as of December 31, 2023 for retail lending:

Retail Landing	Stage 2		Stage 3		Total	
December 31, 2023	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	**1,704**	**468**	**1,488**	**1,194**	**3,192**	**1,662**
30 dpd	1,704	468	612	530	2,316	998
90 dpd	-	-	876	664	876	664
More than:	**541**	**236**	**1,727**	**1,648**	**2,268**	**1,884**
30 dpd	541	236	-	-	541	236
90 dpd	-	0	1,727	1,648	1,727	1,648
Total	**2,245**	**704**	**3,215**	**2,842**	**5,460**	**3,546**

The tables below summarize the ageing of stage 2 and stage 3 as of December 31, 2022

(in Eur '000)	Stage 2		Stage 3		Total	
December 31, 2022	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	8,559	850	4,210	3,431	12,769	4,281
30 dpd	8,559	850	2,986	2,435	11,545	3,285
90 dpd	-	-	1,224	996	1,224	996
More than:	652	223	5,905	5,852	6,557	6,075
30 dpd	652	223	-	-	652	223
90 dpd	-	-	5,905	5,852	5,905	5,852
Total	9,211	1,073	10,115	9,283	19,326	10,356

The tables below summarize the ageing of stage 2 and stage 3 as of December 31, 2022 for corporate lending:

Corporate Lending	Stage 2		Stage 3		Total	
December 31, 2022	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	7,686	714	3,128	2,488	10,814	3,202
30 dpd	7,686	714	2,320	1,897	10,006	2,611
90 dpd	-	-	808	591	808	591
More than:	241	57	4,824	4,817	5,065	4,874
30 dpd	241	57	-	-	241	57
90 dpd	-	-	4,824	4,817	4,824	4,817
Total	7,927	771	7,952	7,305	15,879	8,076

The tables below summaries the ageing of stage 2 and stage 3 as of December 31, 2022 for retail lending:

Retail Landing	Stage 2		Stage 3		Total	
December 31, 2022	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	**867**	**133**	**1,081**	**944**	**1,948**	**1,077**
30 dpd	867	133	666	539	1,533	672
90 dpd	-	-	416	405	416	405
More than:	**410**	**166**	**1,081**	**1,035**	**1,491**	**1,201**
30 dpd	410	166	-	-	410	166
90 dpd	-	-	1,081	1,035	1,081	1,035
Total	**1,277**	**299**	**2,162**	**1,979**	**3,439**	**2,278**

Allowance for ECL for loans and advances to customers - Charge to profit or loss

	December 31, 2023	December 31, 2022
ECL (release) / charge for the year, net	(1,170)	(1,230)
Recovery of previously written of loans	(578)	(857)
Charge to profit and loss	**(1,748)**	**(2,087)**

Movement of allowance for ECL for loans and advances to customers

	December 31, 2023	December 31, 2022
Allowance for ECL for loans and advances to customers at January 1,	36,427	37,847
Charge during the year	24,288	22,143
Recoveries	(25,458)	(23,373)
ECL charge for the year, net	**(1,170)**	**(1,230)**
Written off loans	(82)	(365)
Accrued Interest for stage 3 loans	222	175
Provision for loan impairment at December 31,	**35,397**	**36,427**

The movement in the allowance for ECL on loans to customers for the year ended December 31, 2023 and 2022, based on IFRS 9 requirements, is as follows:

December 31, 2023	Balance at January 1, 2023	Transfer	(Increases)/ Decreases	Write offs	Change in model risk parameter	Foreign exchange and other movements	Balance at December 31, 2023
Stage 1 12 M expected credit losses	**(11,989)**	**(6,192)**	**2,214**	**-**	**4,129**	**-**	**(11,838)**
Loan and advances to individuals	(1,850)	(4,217)	2,255	-	(428)	-	(4,240)
Loan and advances to legal entities	(10,139)	(1,975)	(41)	-	4,557	-	(7,598)
Stage 2 Lifetime ECL not credit impaired	**(10,660)**	**1,825**	**(1,173)**	**-**	**688**	**-**	**(9,320)**
Loan and advances to individuals	(697)	2,453	(4,848)	-	(411)	-	(3,503)
Loan and advances to legal entities	(9,963)	(628)	3,675	-	1,099	-	(5,817)
Stage 3 Lifetime ECL - credit impaired	**(13,778)**	**4,367**	**(5,088)**	**82**	**177**	**-**	**(14,240)**
Loan and advances to individuals	(2,582)	1,763	(2,918)	3	151	-	(3,583)
Loan and advances to legal entities	(11,196)	2,604	(2,170)	79	27	-	(10,656)
Total	**(36,427)**	**-**	**(4,047)**	**82**	**4,995**	**-**	**(35,397)**

December 31, 2022	Balance at January 1, 2022	Transfer	(Increases)/ Decreases	Write offs	Change in model risk parameter	Foreign exchange and other movements	Balance at December 31, 2022
Stage 1 12 M expected credit losses	**(10,682)**	**(4,671)**	**3,061**	**-**	**303**	**-**	**(11,989)**
Loan and advances to individuals	(1,141)	(1,032)	589	-	(266)	-	(1,850)
Loan and advances to legal entities	(9,541)	(3,639)	2,472	-	569	-	(10,139)
Stage 2 Lifetime ECL not credit impaired	**(12,857)**	**2,652**	**(172)**	**-**	**(283)**	**-**	**(10,660)**
Loan and advances to individuals	(417)	160	(361)	-	(79)	-	(697)
Loan and advances to legal entities	(12,440)	2,492	189	-	(204)	-	(9,963)
Stage 3 Lifetime ECL - credit impaired	**(14,308)**	**2,019**	**(1,898)**	**365**	**44**	**-**	**(13,778)**
Loan and advances to individuals	(2,744)	871	(849)	109	31	-	(2,582)
Loan and advances to legal entities	(11,564)	1,148	(1,049)	256	13	-	(11,196)
Total	**(37,847)**	**-**	**991**	**365**	**64**	**-**	**(36,427)**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for Corporate loans are as follows:

Corporate lending	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as 1 January 2023	369,678	88,275	12,773	-	470,726
New assets originated or purchased	162,513	3,642	140	-	166,295
Closed Assets derecognition	(62,278)	(10,265)	(2,321)	-	(74,864)
Transfer to Stage 1	18,140	(18,140)	-	-	-
Transfer to Stage 2	(12,599)	13,477	(878)	-	-
Transfer to Stage 3	(1,028)	(2,343)	3,371	-	-
Changes due to change in credit risk (net)	(47,873)	(8,268)	(1,165)	-	(57,306)
Amounts written off	-	-	(3)	-	(3)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2023	**426,553**	**66,378**	**11,917**	**-**	**504,848**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as 1 January 2023	10,139	9,965	11,198	-	31,302
New assets originated or purchased	2,995	134	239	-	3,368
Closed Assets derecognition	(980)	(3,180)	(748)	-	(4,908)
Transfer to Stage 1	345	(345)	-	-	-
Transfer to Stage 2	(1,594)	1,758	(164)	-	-
Transfer to Stage 3	(727)	(2,041)	2,768	-	-
Changes due to change in credit risk (net)	(4,557)	(1,098)	(30)	-	(5,685)
Amounts written off	-	-	(3)	-	(3)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2023	**5,621**	**5,193**	**13,260**	**-**	**24,074**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for Retail loans are as follows:

Retail lending	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as 1 January 2023	297,469	5,178	2,932	-	305,579
New assets originated or purchased	140,517	1,236	32	-	141,785
Closed Assets derecognition	(40,025)	(856)	(527)	-	(41,408)
Transfer to Stage 1	341	(340)	(1)	-	-
Transfer to Stage 2	(8,261)	8,262	(1)	-	-
Transfer to Stage 3	(1,478)	(696)	2,174	-	-
Changes due to change in credit risk (net)	(40,471)	(2,988)	(908)	-	(44,367)
Amounts written off	-	-	(78)	-	(78)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2023	**348,092**	**9,796**	**3,623**	**-**	**361,511**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as 1 January 2023	1,851	697	2,577	-	5,125
New assets originated or purchased	1,451	45	36	-	1,532
Closed Assets derecognition	510	2,349	1,195	-	4,054
Transfer to Stage 1	22	(22)	-	-	-
Transfer to Stage 2	(3,028)	3,028	-	-	-
Transfer to Stage 3	(1,210)	(553)	1,763	-	-
Changes due to change in credit risk (net)	429	411	(154)	-	686
Amounts written off	-	-	(78)	-	(78)
Foreign exchange adjustments	-	-	-	-	
At 31 December 2023	**25**	**5,955**	**5,339**	**-**	**11,319**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for Corporate loans are as follows:

Corporate lending	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as 1 January 2022	304,815	96,044	12,683	-	413,542
New assets originated or purchased	133,702	5,375	300	-	139,377
Closed Assets derecognition	(38,877)	(10,589)	(1,080)	-	(50,546)
Transfer to Stage 1	23,430	(23,430)	-	-	-
Transfer to Stage 2	(30,437)	30,437	-	-	-
Transfer to Stage 3	(1,015)	(784)	1,799	-	-
Changes due to change in credit risk (net)	(21,940)	(8,778)	(673)	-	(31,391)
Amounts written off	-	-	(256)	-	(256)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2022	369,678	88,275	12,773	-	470,726

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as 1 January 2022	9,540	12,443	11,565	-	33,548
New assets originated or purchased	3,753	331	162	-	4,246
Closed Assets derecognition	(2,599)	(3,013)	(260)	-	(5,872)
Transfer to Stage 1	632	(632)	-	-	-
Transfer to Stage 2	(3,702)	3,702	-	-	-
Transfer to Stage 3	(569)	(578)	1,147	-	-
Changes due to change in credit risk (net)	(568)	204	(13)	-	(377)
Amounts written off	-	-	(256)	-	(256)
Foreign exchange adjustments	-	-	-	-	
At 31 December 2022	**6,487**	**12,457**	**12,345**	**-**	**31,289**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for Retail loans are as follows:

Retail lending	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as 1 January 2022	253,276	2,627	2,929	-	258,832
New assets originated or purchased	129,240	1,207	52	-	130,499
Closed Assets derecognition	(42,286)	(690)	(647)	-	(43,623)
Transfer to Stage 1	209	(196)	(13)	-	-
Transfer to Stage 2	(2,806)	2,820	(13)	-	-
Transfer to Stage 3	(969)	(127)	1,095	-	-
Changes due to change in credit risk (net)	(39,195)	(463)	(362)	-	(40,020)
Amounts written off	-	-	(109)	-	(109)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2022	**297,469**	**5,178**	**2,932**	**-**	**305,579**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as 1 January 2022	1,140	417	2,742	-	4,299
New assets originated or purchased	610	8	-	-	618
Closed Assets derecognition	(166)	193	(25)	-	2
Transfer to Stage 1	3	(1)	(2)	-	-
Transfer to Stage 2	(282)	285	(3)	-	-
Transfer to Stage 3	(754)	(123)	877	-	-
Changes due to change in credit risk (net)	266	79	(31)	-	314
Amounts written off	-	-	(109)	-	(109)
Foreign exchange adjustments	-	-	-	-	
At 31 December 2022	**817**	**858**	**3,449**	**-**	**5,124**

7. Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Treasury bonds and bills	174,371	133,035
Investment in shares	1,002	742
Total financial assets at fair value through other comprehensive income	**175,373**	**133,777**

Current	147,093	87,303
Non-current	28,280	46,474

Financial assets at fair value through OCI amounted to EUR 175.3 million and compared to end of the year 2022 it increased by EUR 41.6 million or 31.1%. The increase was affected from new investments due to utilization of funds.
Structure of Financial assets at fair value through OCI are as follows:

- Kosovo Bonds EUR 48.6 million, (interest rates 1.10% to 4.5%) and maturity from 2- 6.5 years.
- US Bonds USD 9.5 million (EUR 8.597 million), (interest rate average 5.18%) and maturity up to 1 month.
- EU Bonds EUR 118,000 million (yield from 3.39% to 3.77%) maturity up to 11 months.

The international bonds portfolio in the total amount of 126.6 million is mainly concentrated in EU and US government securities. All financial assets are with fixed interest yield. As of December 31, 2023, there are no pledged debt securities to third parties.
Investment in shares are in amount of 158k and represents investments in shares in VISA Inc, Class C Common stock, quoted in active market. These equity instruments were granted by VISA inc to all of its members at no considerations.
Financial assets at fair value through OCI as of December 31, 2022 amounted to EUR 133.8 million. Structure of Financial assets at fair value through OCI are as follows:

- Kosovo Bonds EUR 58 million, (Interest rates 0.87% to 4.5%) and maturity from 1-6.5 years.
- US Bonds USD 7 million (EUR 6.563mio) (interest rate average of 3.56% and maturity of 1 month
- EU Bonds EUR 67.5 million , (interest rate average of 0.97%) maturity of 1-3 months.
- CHF Bonds CHF 1 million, (interest rate 0.80%) and maturity of 3 months.

The international bonds portfolio in the total amount of 75 million is mainly concentrated in US, CH and EU government securities.. All financial assets are with fixed interest yield. As of December 31, 2022, there are no pledged debt securities to third parties.
Investment in shares are in amount of 0.78 million and represents investments in shares in VISA Inc, Class C Common stock, quoted in active market. These equity instruments were granted by VISA inc to all of its members at no considerations.

The table below shows the credit quality and the maximum exposure financial assets at fair value through other comprehensive income as of:

December 31, 2023	12 month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.05% - 0.30%	125,758	-	-	-	125,758
Standard grade	0.60% - 2.40%	48,613	-	-	-	48,613
Sub-standard grade	4.80% - 19.20%	-	-	-	-	-
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	-	-	-
Individually impaired	100.00%	-	-	-	-	-
Total		174,371	-	-	-	174,371

December 31, 2022	12 month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.05% - 0.30%	75,001	-	-	-	75,001
Standard grade	0.60% - 2.40%	58,034	-	-	-	58,034
Sub-standard grade	4.80% - 19.20%	-	-	-	-	-
Low grade	100.00%	-	-	-	-	-
Non-performing						-
Group impaired	100.00%	-	-	-	-	-
Individually impaired	100.00%	-	-	-	-	-
Total		133,035	-	-	-	133,035

Movement in allowance for ECL for financial instruments FVOCI, charged to profit and loss and equity is as following:

	December 31, 2023	December 31, 2022
Opening balances	788	880
Charge to profit and loss	(361)	(92)
Closing balance	427	788

Debt Securities: December 31, 2023	Balance at January 1, 2023	Transfer	Increases/ Decreases	Write offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2023
Stage 1 - 12 M expected credit losses	(788)	-	267	-	-	94	-	(427)
Stage 2 Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Total	(788)	-	267	-	-	94	-	(427)

Debt Securities: December 31, 2022	Balance at January 1, 2022	Transfer	Increases/ Decreases	Write offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2022
Stage 1 - 12 M expected credit losses	(880)	-	58	-	-	34	-	(788)
Stage 2 Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Total	(880)	-	58	-	-	34	-	(788)

8. OTHER ASSETS

	December 31, 2023	December 31, 2022
Prepaid expenses	978	947
Receivables from cards business	2,727	1,933
Inventories	13	30
Other financial assets	132	108
Total other assets	**3,850**	**3,018**
Current	3,850	3,018

Other financial assets consist of receivables from maintenance of accounts fees, Receivables from insurance Companies, etc, and their expected credit losses are as follows:

	December 31, 2023			December 31, 2022		
	Gross amount	ECL	Net amount	Gross amount	ECL	Net amount
Other financial assets	5,075	(4,943)	132	4,126	(4,018)	108
Total	**5,075**	**(4,943)**	**132**	**4,126**	**(4,018)**	**108**

Allowance for ECL movement for the years ended December 31, 2023 and 2022 is as following:

	December 31, 2023	December 31, 2022
Opening balances	4,018	3,146
Charge for the year	925	872
Closing balance	**4,943**	**4,018**

8.1. REPOSSESSED ASSETS

	December 31, 2023	December 31, 2022
Repossessed assets	83	321
Total Repossessed assets	**83**	**321**

These assets are repossessed following the foreclosure on loans that are in default. As of December 31, 2023 the repossessed assets represents the fair value of property.

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9. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
Cost:						
As at December 31, 2021	10,648	959	3,242	5,255	775	20,879
Additions during the year	3	48	424	355	109	939
Write offs/disposals	(117)	-	-	-	(70)	(187)
As at December 31, 2022	**10,534**	**1,007**	**3,666**	**5,610**	**814**	**21,631**
Additions during the year	-	39	10	735	178	968
Write offs/disposals	(60)	-	(5)	(25)	-	(90)
As at December 31, 2023	**10,474**	**1,046**	**3,671**	**6,320**	**992**	**22,503**
As at December 31, 2021	**2,687**	**863**	**2,553**	**3,737**	**634**	**10,474**
Charge for the year	315	35	223	578	41	1,192
Write offs	(33)	-	-	-	(70)	(103)
As at December 31, 2022	**2,969**	**898**	**2,776**	**4,315**	**605**	**11,563**
Charge for the year	317	37	222	578	63	1,217
Write offs	(20)	-	(5)	(25)	-	(50)
As at December 31, 2023	**3,266**	**935**	**2,993**	**4,868**	**668**	**12,730**
Net book value:						
As at December 31, 2022	**7,565**	**109**	**890**	**1,295**	**209**	**10,068**
As at December 31, 2023	**7,208**	**111**	**678**	**1,452**	**324**	**9,773**

As at 31 December 2023 and 2022 there are no property and equipment encumbered or pledged to secure Bank's liabilities.

9.1. Right of use of assets

The bank has adopted IFRS 16 as of January 1, 2019 and the table below represents the details for 2023 and 2022.

	Land and buildings at cost-lease	Furniture and equipment at cost-lease	Total
Cost:			
As of January 01, 2022	3,248	711	3,959
Additions during the year	513	101	614
Write offs/disposals	-	-	-
As at December 31, 2022	**3,761**	**812**	**4,573**
Additions during the year	465	102	567
Write offs/disposals	47	-	47
As of December 31, 2023	**4,273**	**914**	**5,187**
Accumulated depreciation:			
As of January 01, 2022	1,285	305	1,590
Charge for the year	497	102	599
Write offs	-	-	
As of December 31, 2022	**1,782**	**407**	**2,189**
Charge for the year	484	102	586
Write offs	-	-	-
As of December 31, 2023	**2,266**	**509**	**2,775**
Net book value:			
As of December 31, 2022	**1,979**	**405**	**2,384**
As of December 31, 2023	**2,007**	**405**	**2,412**

9.1.1 Expenses recognized in Statement of Comprehensive Income

	December 31,2023	December 31,2022
Depreciation Expenses	585	599
Interest expense (included in finance cost)	55	59
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	98	84
Total cash outflow for leases	**738**	**742**

9.1.2 Lease Liability

	December 31, 2023	December 31, 2022
Lease Liability opening January 1,	2,435	2,384
Addition of Right of Use Assets	567	614
Write of/Disposal	(47)	-
-less Lease payment	(613)	(623)
Reversal of lease termination	39	-
Net interest on Lease Liabilities	55	60
Total Lease Liability	**2,435**	**2,435**

9.1.3 Maturity Lease Liability

The present value of lease liabilities as at 31 December 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
Up to 30 days	51	52
From 1 to 3 months	102	104
From 3 to 6 months	153	156
From 6 to 12 months	307	312
Over 12 months	1,821	1,811
Total	**2,435**	**2,435**

10. INTANGIBLE ASSETS

Cost:	Software
As at January 1, 2022	5,115
Additions	221
As at December 31, 2022	**5,336**
Additions	298
As at December 31, 2023	**5,634**
Accumulated amortization:	
As at January 1, 2022	3,771
Charge for the year	425
As at December 31, 2022	**4,196**
Charge for the year	344
As at December 31, 2023	**4,540**
Net book value:	
As at December 31, 2022	**1,140**
As at December 31, 2023	**1,094**

All intangible assets are acquired assets and are amortized during its useful life.

11. DUE TO BANKS

	December 31, 2023	December 31, 2022
Current accounts	21,281	40,425
Total due to banks	**21,281**	**40,425**
Current	21,281	40,425
Non-current	-	-

Due to banks represents deposits of local and foreign banks, which have accounts in the Bank.

12. DUE TO CUSTOMERS

	December 31, 2023	December 31, 2022
Enterprises	205,759	171,334
Citizens	511,703	487,628
Governments	21,530	8,008
	738,992	**666,970**
Term Deposits		
Enterprises	70,990	62,241
Citizens	190,963	160,773
Governments	7,319	4,259
	269,272	**227,272**
Total due to customers	**1,008,264**	**894,242**
Current	738,992	667,156
Non-Current	269,272	227,086

Due to customers include accrued interest in the amount of EUR 1,246 thousand (2022: EUR 968 thousand).
The Current – Non-Current classification is made on contractual basis.

Analysis by class of business for term deposits and current accounts is as follows:

	December 31, 2023	December 31, 2022
Sector	**% of total due to customers**	**% of total due to customers**
Citizens	70%	73%
Enterprises, governments and other legal entities	30%	27%
	100%	**100%**
	Amounts total due to customers	Amounts total due to customers
Citizens	702,666	648,401
Enterprises, governments and other legal entities	305,598	245,841
	1,008,264	**894,242**

13. OTHER FINANCIAL LIABILITIES

	December 31, 2023	December 31, 2022
Pending client's transfers	11,616	6,842
Accrued expenses	867	1,121
Due to suppliers	379	315
Liabilities for bonuses	1,077	900
Liabilities on transfers for POS and for Master and Visa cards	2,033	1,631
Lease liabilities	2,490	2,435
Others	455	296
Total other financial liabilities	**18,917**	**13,540**

Pending client's transfers represents the payments collected on behalf of third parties through the clearing system, which remained unpaid to the intended recipients at the year end. In this amount is included amount of EUR 6,682 thousand (2022: EUR 3,606 thousand) payable to Customs Authorities, which was transferred on January 03, 2024 (2022: January 03, 2023) to the customs authorities' bank account. The remaining balance represents amounts payable to other recipients.

13.1. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2023	December 31, 2022
Non-trading financial instruments at fair value though profit or loss	122	43
Total other financial liabilities	**122**	**43**

14. PROVISIONS AND OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Provisions for legal cases	4,575	4,135
Expected credit losses for guarantees	178	362
Expected credit losses for unused exposures	589	677
Other provisions	269	99
Total Provisions	**5,611**	**5,266**
Deferred income from guarantees	83	82
VAT and other tax payable	271	145
Total other liabilities	**354**	**227**
Total provisions and other liabilities	**5,965**	**5,493**

Movements on allowance for ECL on Guarantees and unused exposures as of December 31, 2023 and 2022 are as follows:

December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2023	**788**	**208**	**43**	**1,039**
Transfer	17	(3)	(14)	-
(Increases)/Decreases	161	(78)	20	103
Write offs	-	-	-	-
Changed in models/risk parameters	(340)	(31)	(4)	(375)
Foreign exchange and on movements	-	-	-	-
Balance at December 31, 2023	**626**	**96**	**45**	**767**

December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2022	1,504	253	37	1,794
Transfer	150	(135)	(16)	-
(Increases)/Decreases	(803)	66	22	(715)
Write offs	-	-	-	-
Changed in models/risk parameters	(63)	24	-	(39)
Foreign exchange and on movements	-	-	-	-
Balance at December 31, 2022	**788**	**208**	**43**	**1,039**

15. OTHER PROVISIONS

Provision expense for legal cases, guarantees and other are as follows:

	December 31, 2023	December 31, 2022
Provisions for legal cases	521	-
Provisions for fines and penalties	(22)	(10)
ECL for guarantees	(183)	(236)
ECL for unused exposures	(88)	(519)
Other provisions	200	-
Charge to profit and loss	**428**	**(765)**

Movement of Guarantees and unused exposures is presented on the Note 14 above, while movement of provisions for legal cases are as follows:

	December 31, 2023	December 31, 2022
Balance as at January 1, for legal cases	4,135	4,195
Charge of the year for provision for legal cases	521	-
Utilized during the year	(81)	(60)
Balance as at December 31, for legal cases	**4,575**	**4,135**

16. BORROWINGS AND SUBORDINATED DEBTS

	December 31, 2023	December 31, 2022
Current portion		
Interest payable in Borrowing	-	-
Interest payable in subordinated debt	10	10
Total current portion	**10**	**10**
Non-current portion		
Borrowing	9,910	-
Subordinated debt	15,000	15,000
Total non-current portion	**24,910**	**15,000**
Total borrowings	**24,920**	**15,010**

The subordinated debt represents the loan used for the purpose of additional Tier II capital. The agreement has been signed on June 19, 2019 with tenor of 10 years with fixed interest rate of 4.95%.
As of July 31, 2023 the bank has obtained a borrowing from EBRD in amount of EUR 10 million with maturity of five years, and floating interest rate. Borrowings are separated in two parts, one loan of EUR 7 million obtained for financing the portfolio of MSME and the other of 3 million for financing Women in Business. The Interest rate for both loans is 1.3% plus Euribor p.a. The bank is within all financial covenants of EBRD borrowing and Subordinated Loan.

17. SHARE CAPITAL

As at December 31, 2023, the share capital amounted to EUR 51,287 thousand (2022: EUR 51,287 thousand).

Authorised share capital		
42,739 Ordinary shares at par value of EUR 1,200 each	51,287	51,287

Paid up share capital		
42,739 Ordinary shares at par value of EUR 1,200 each	**51,287**	**51,287**

All shares have rights to dividends and carry equal voting rights. There are no restrictions attached to the shares. The equity of the Bank has been increasing organically during the years through capitalization of retained earnings.

A summary of share ownership of the Bank is as follows:

Shareholders	Percentage ownership	December 31, 2023	Percentage ownership	December 31, 2022
Nova Ljubljanska Banka d.d	82.38%	35,207	82.38%	35,207
Agjencioni I Turizmit „MCM“	4.71%	2,012	4.71%	2,012
Ms. Nalan Deshishku	2.48%	1,059	-	-
Mr. Hashim Deshishku	-	-	2.48%	1,059
Mr. Rizah Deshishku	1.24%	530	1.24%	530
Mr. Bashkim Deshishku	1.24%	530	1.24%	530
Mrs. Nerimane Ejupi	1.22%	521	1.22%	521
Mr. Naim Ejupi	1.21%	518	1.21%	518
Mr. Metush Deshishku	1.24%	530	0.90%	385
„Dardania“ - 2“ Sh.p.k.	0.63%	269	0.63%	269
Mr. Xhemajl Ismajli	0.60%	258	0.60%	258
Jehona IJT SH.P.K	0.60%	257	0.60%	257
Mrs. Blerina Ejupi	0.51%	216	0.51%	216
Mr. Elez Sylaj	0.44%	186	0.44%	186
Mr. Kadri Shalaku	-	-	0.34%	145
„Raf II“ sh.p.k.	0.24%	103	0.24%	103
Rudis d.d. Trbovlje	0.23%	97	0.23%	97
Others	1.04%	8,994	1.04%	8,994
Total	**100.00%**	**51,287**	**100.00%**	**51,287**

During 2023 Mr. Hashim Deshishku has transferred its shares to Ms. Nalan Deshishku, and Mr. Kadri Shalaku has sold its shares to Mr. Metush Deshishku.

18. INTEREST AND SIMILAR INCOME

Analysis by class of assets:

	Year ended December 31, 2023	Year ended December 31, 2022
Income from loans and advances to customers	48,531	42,139
Income from financial assets through OCI	3,420	1,021
Income on loans and advances to banks	1,748	173
Total interest income	**53,699**	**43,333**

19. INTEREST AND SIMILAR EXPENSES

Analysis by class of liabilities:

	Year ended December 31, 2023	Year ended December 31, 2022
Interest to customers	4,770	2,156
Interest on borrowings	991	753
Interest on due to banks	718	439
Negative interest on loans and advances to banks	-	80
Interest on right of use	55	59
Total interest expense	**6,534**	**3,487**

20. FEE AND COMMISSION INCOME

Analysis of fee and commission income relating to activities:

	Year ended December 31, 2023	Year ended December 31, 2022
Card and ATM operations	5,174	5,292
Payment transfers and transactions	2,787	2,661
Account maintenance fee	5,327	5,369
Guarantees and letters of credit	435	522
Payments -account maintenance fee for retirees	414	421
Fee for repayment of loan before maturity	122	200
Others	510	498
Total fee and commission income	**14,769**	**14,963**

Payments from account maintenance fee from retirees represents fee income paid by the Ministry of Labour of Kosovo for retirees based on the Memorandum of Understanding concluded between the bank and Ministry of Labour of Kosovo for all retirees having a bank account with the Bank. For each retiree an amount of EUR 5 is paid to the bank on an annual basis.

21. FEE AND COMMISSION EXPENSES

Analysis of fee and commission expenses relating to activities:

	Year ended December 31, 2023	Year ended December 31, 2022
Card and ATM operations	4,373	4,161
Payment transfers and transactions	335	317
Guarantees and Letters of Credit	53	62
Payments – CBK related fees	323	288
Other fees	303	381
Total fee and commission expenses	**5,387**	**5,209**

22. IMPAIREMENT LOSSES ON FINANCIAL ASSETS

The impairment charge for the year ended December 31, 2023 and December 31, 2022 is as follow:

	Year ended December 31, 2023	Year ended December 31, 2022
Cash and cash equivalents and balances with the Central Bank (Note 4)	(13)	(7)
Loans and advances to banks (Note 5)	7	(2)
Loans and advances to customers (Note 6)	1,170	1,230
Financial assets at fair value through OCI (Note 7)	361	92
Other assets (Note 8)	(925)	(872)
Other charges direct in P&L	25	(12)
Net Recovery of previously written of loans (Note 6)	578	857
Total impairment losses on financial assets	**1,203**	**1,286**

23. OTHER OPERATING INCOME/EXPENSES, NET

	Year ended December 31, 2023	Year ended December 31,2022
Licensing expense	(759)	(633)
Deposit insurance expenses	(1,369)	(1,295)
Other expense	(63)	(132)
Other Income	65	151
Net Gains-debt securities mandatory at FV through P&L	(23)	6
Other operating income/expenses, net	**(2,149)**	**(1,903)**
Foreign exchange translation (loss)/gain	**235**	**86**
Foreign exchange trading income	861	1,001
Foreign exchange trading expense	(312)	(392)
Foreign exchange trading income	**549**	**609**
Net foreign exchange gain	**783**	**695**
Other operating income/expenses, net	**(1,366)**	**(1,208)**

24. PERSONNEL EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Salaries and wages	6,612	5,657
Mandatory staff pension contributions	361	309
Staff health insurance costs	197	180
Employee's food costs	347	343
Other staff costs	1,021	961
Total staff costs	**8,538**	**7,450**

25. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Maintenance	1,964	1,661
Charge for professional services	742	722
Office supplies	518	466
Security and insurance costs	472	447
Telecommunications	304	268
Utilities	223	208
Marketing and sponsorship	301	255
Taxes and commissions	141	185
Operating lease expenses	201	173
Others	191	89
Cleaning expenses	85	74
Representation	84	66
Travel	84	70
Total Administrative and other operating expense	**5,310**	**4,684**

26. INCOME TAX EXPENSE

	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax expense	4,179	3,740
Deferred tax expense/(credit)	(184)	(47)
Tax expense	**3,994**	**3,693**

a) Detailed below is the calculation of current income tax expense.

	Year ended December 31, 2023	Year ended December 31, 2022
Profit for the year before taxation	**39,961**	**36,093**
Profit tax on profit at the rate of 10%	3,997	3,609
Net tax effect of adjustments for tax purposes	182	131
Tax expense	**4,179**	**3,740**

The tax rate on corporate income is set at 10% in accordance with Kosovo tax regulations currently in force, Law no. 06/L-105 “On Corporate Income Tax”. According to tax legislation in Kosovo, the tax authorities have the right to examine tax returns six years after their submission. Movement of current tax receivable is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax receivable at January 1,	(1,041)	(695)
Income tax expense	(4,179)	(3,740)
Income tax expense paid during the year	4,601	3,393
Transfer to prepaid tax for previous years	-	-
Current income tax payable/receivable	**(619)**	**(1,041)**

b) Deferred tax asset has been recognized as follows for the temporary differences:

	Year ended December 31, 2023	Year ended December 31, 2022
Loan and guarantees impairment provision	-	-
Property and equipment and intangible assets	(2,215)	(2,242)
Interest expense on deposits	2,341	1,277
Provision for legal and other	5,702	4,953
FVOCI revaluation reserve	(628)	(382)
Total deductible temporary difference	**5,200**	**3,605**
Total net deferred tax asset at 10%	**520**	**360**

The movement in the deferred tax asset account is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Deferred tax asset as at January 1,	360	290
Deferred tax income/ charge	184	47
FVOCI revaluation reserve (equity)	(24)	23
Deferred tax asset as at December 31,	**520**	**360**

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Judo Federation

Kosovo, a state of Judo

27. REVALUATION RESERVE FOR FVOCI SECURITIES

	Year ended December 31, 2023	Year ended December 31, 2022
Losses on change of fair value of FVOCI securities	565	344
Credit/Debit to other comprehensive income	**565**	**344**

The movement in revaluation reserve is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Market price as at January 1	344	561
Price change of financial instruments FVOCI	246	(241)
Deferred tax on FVOCI	(24)	24
Net as presented in other comprehensive income (a)	**222**	**(217)**
Market price as of December 31 (A)	**565**	**344**
Allowance for ECL of securities at FVOCI at January 1	(790)	(881)
Net as presented in profit or loss (b)	**364**	**91**
Allowance for ECL of securities at FVOCI at December 31 (B)	**(426)**	**(790)**
Revaluation Reserve as at December 31 (A-B)	**992**	**1,134**
Fair value and ECL through OCI change during the year (a-b)	**(142)**	**(308)**
Net losses on debt instruments at fair value of FVOCI securities	(382)	(264)
Net gain/losses on equity instruments at fair value of FVOCI securities	240	(44)
Net impact	**(142)**	**(308)**

28. EARNING PER SHARE

Earnings per share are calculated by dividing net profit attributable to the ordinary shareholders by the number of ordinary shares for the period.

	Year ended December 31, 2023	Year ended December 31, 2022
Net profit	35,967	32,400
Number of ordinary shares	42,739	42,739
Earnings per share (EUR\share)	**842.3**	**758.8**

Dividends

During 2023, the General Assembly of Shareholder's on its regular meeting held on March 30, 2023 approved the dividend distribution of net profit of 2022. The bank declared dividend per share of EUR 530.66 from net profit of 2022 totalling EUR 22,680 thousand, which represents 70% of realized of net profit of respective year. The dividend amount it is in retained earnings and it is expected to be paid in 2024 after approval from CBK.

During 2022, the General Assembly of Shareholder's on its regular meeting held on March 24, 2022 approved the dividend distribution of net profit of 2021. The bank declared and paid dividend per share of EUR 400.23 from net profit of 2021 totalling EUR 17,105 thousand, which represents 70% of realized of net profit of respective year. The dividend to minor shareholders has been paid during the month of October 2022, while the dividend to NLB d.d was paid on December 5, 2022.

29. RELATED PARTY DISCLOSURES

In determination of related parties, the Bank applies IAS 24 requirements. Related parties include:

- The parties which directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the entity,
- Parties in which the Bank has an interest that gives it significant influence or joint control over the entity,
- Private individuals who directly or indirectly have voting power in the Bank that gives them significant influence over the Bank, and entities controlled or jointly controlled by such individuals, members of the key management personnel, i.e. individuals with authority and responsibilities for planning, managing and controlling the Bank's operations, including directors,
- When taking into account each possible transaction with a related party, attention is focused on the substance of the relationship not just the legal form.

The Bank is controlled by Nova Ljubljanska Banka d.d. Ljubljana incorporated in Slovenia (Parent), which owns 82.38% of the ordinary shares as at December 31, 2023 (2022: 82.38% ordinary shares). The remaining shares are held by other small shareholders (17.62%).

The Bank performs a number of related party transactions in the course of its regular operations. The transactions include investments, deposits, borrowings, and foreign currency transactions. These transactions were carried out on normal commercial terms and market prices.

The following table summarizes the scope of related party transactions, balances of assets and liabilities at December 31, 2023 and related income and expenses for the year then ended. These transactions are on contractual terms.

December 31, 2023	Parent Company	Sister companies	Key management personnel	Total
Receivables				
Loans and advances to banks	748	113	-	861
Loans and advances to customers	-	-	171	171
Securities	-	-	-	-
Other receivables	-	-	-	-
Total Receivables	**748**	**113**	**171**	**1,032**
Liabilities				
Deposits	20,858	13	1,475	22,346
Borrowings	-	-	-	-
Subordinated debt	15,010	-	-	15,010
Other liabilities	78	160	-	238
Total Liabilities	**35,946**	**173**	**1,475**	**37,594**
Net Receivables/(Liabilities)	**(35,198)**	**(60)**	**(1,304)**	**(36,562)**
Confirmed guarantees	-	100	-	100
Income				
Interest income	190	-	4	194
Fee income	-	-	-	-
Foreign exchange loss	-	-	-	-
Foreign exchange gain	427	-	-	427
Total Income	617	0	4	621
Expenses				
Interest expenses	(1,471)	-	(5)	(1,476)
Fee expenses	(44)	-	-	(44)
Foreign exchange loss	(293)	-	-	(293)
Salaries rents and other expenses	(153)	(273)	-	(426)
Total Expenses	**(1,961)**	**(273)**	**(5)**	**(2,239)**
Net income/(expense)	**(1,344)**	**(273)**	**(1)**	**(1,618)**

The following table summarizes the scope of related party transactions, balances of assets and liabilities at December 31, 2022 and related income and expenses for the year then ended.

December 31, 2022	Parent Company	Sister companies	Key management personnel	Total
Receivables				
Loans and advances to banks	1,825	31	-	1,856
Loans and advances to customers	-	-	188	188
Securities	-	-	-	-
Other receivables	-	-	-	-
Total Receivables	**1,825**	**31**	**188**	**2,044**
Liabilities				
Deposits	40,345	-	1,351	41,696
Borrowings	-	-	-	-
Subordinated debt	15,010	-	-	15,010
Other liabilities	59	104	-	163
Total Liabilities	**55,414**	**104**	**1,351**	**56,869**
Net Receivables/(Liabilities)	**(53,589)**	**(73)**	**(1,163)**	**(54,825)**
Confirmed guarantees	-	100	-	100
Income				
Interest income	-	-	1	1
Fee income	-	-	-	-
Foreign exchange loss	30	-	-	30
Foreign exchange gain	617	-	-	617
Total Income	647	-	1	648
Expenses				
Interest expenses	(1,103)	-	(3)	(1,106)
Fee expenses	(32)	(1)	-	(33)
Foreign exchange loss	(372)	-	-	(372)
Salaries rents and other expenses	(126)	(177)	-	(303)
Total Expenses	**(1,633)**	**(178)**	**(3)**	**(1,814)**
Net income/(expense)	**(986)**	**(178)**	**(2)**	**(1,166)**

Key management Compensation: Key management consists of the management board of the bank and its compensation was as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Salaries	441	309
Bonus	149	149
Total	**590**	**458**

30. OFF BALANCE SHEET, COMMITMENTS AND CONTINGENCIES

a. **Guarantees and letters of credit**

Credit related commitments include commitments to extend credit, letters of credit and guarantees given, which are designed to meet the requirements of the Bank's customers. Letters of credit and guarantees given to customers commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total amounts do not necessarily represent cash requirements.
The aggregate outstanding amount of guarantees, letters of credit and stand by letter of credit issued by the Bank are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Customs	1,070	2,115
Guarantees for payments	7,936	10,317
Public tenders guarantee	3,660	1,017
Letters of Credit	1,888	4,542
Standby letter of Credit	711	736
	15,265	**18,727**
Guarantees for completion of work	6,710	6,285
	21,975	**25,012**
Committed loans to customers not yet issued	69,858	59,468
Total	**91,833**	**84,480**
ECL for impairment on off balance	(767)	(1,039)
Total net	**91,066**	**83,441**

Guarantees, LCs and SBLCs:	Year ended December 31, 2023	Year ended December 31, 2022
Secured		
Secured by cash deposits	4,316	6,754
Secured by other collateral	14,830	17,412
	19,146	**24,166**
Unsecured	2,829	846
Total	**21,975**	**25,012**

The table below shows the credit quality and the maximum exposure of balance sheet commitments and contingencies as of December 31, 2023.

Internal rating grade	12 month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.62% - 4.56%	37,365	177	-	-	**37,542**
Standard grade	3.33% - 18.72%	51,225	1,903	-	-	**53,128**
Sub-standard grade	14.41% - 50.90%	162	774	-	-	**936**
Low grade	100.00%	-	-	205	-	**205**
Non-performing						**-**
Group impaired	100.00%	-	-	-	-	**-**
Individually impaired	100.00%	-	-	22	-	**22**
Total		**88,752**	**2,854**	**227**	**-**	**91,833**

The table below shows the credit quality and the maximum exposure of balance sheet commitments and contingencies as of December 31, 2022.

Internal rating grade	12 month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.62% - 4.56%	32,170	121	-	-	**32,291**
Standard grade	3.33% - 18.72%	45,685	5,306	-	-	**50,991**
Sub-standard grade	14.41% - 50.90%	341	688	-	-	**1,029**
Low grade	100.00%	-	-	149	-	**149**
Non-performing						
Group impaired	100.00%	-	-	-	-	**-**
Individually impaired	100.00%	-	-	20	-	**20**
Total		**78,196**	**6,115**	**169**	**-**	**84,480**

b. **Legal cases**

From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and both internal and external professional advice, management has calculated provision for expected losses, which has been recognized accordingly in financial statements as they incurred. The balance of provisions for legal cases as of December 31, 2023 are in the amount of EUR 4,575 thousand (note 14) (as at December 31, 2022 4,135 thousand). The nature of the most significant cases is as follows:

- Claimed from supplier of headquarter building in relation to the surface area of the property (Eur 1,148 thousand),
- Claimed unfairness of dismissal by former employees,
- Disagreement with Lessors in relation to the amount of rent.

The cases are expected to be closed in the next two or three years. In case of losing the case in court , no reimbursement from insurance or other sources is expected. The Bank has provided the appropriate provisions for each legal case, based on the best estimate at the date of issuing of these financial statements.

c. **Seized collateral**

As at December 31, 2023 Bank has off balance sheet seized collateral on liquidated amount (bailiff valuation) of EUR 5,520 thousand (2022 EUR 5,862 thousand). The Bank has completed legal foreclosure procedures however it still is in the process of obtaining physical control of the properties.

31. FAIR VALUES AND RISK MANAGEMENT

a. Capital Risk Management

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

The capital structure of the Bank consists of debt, which includes the borrowings, and the equity attributable to equity holders, comprising paid up capital and retained earnings.

Tier I capital means a bank's permissible permanent paid-in capital which may be comprised of any or all of the following:

(i) Common equity shares and their related surplus;
(ii) Earnings which have not been distributed.

Additional Tier 1 capital – means:

(i) Perpetual preferred shares (being those which, in the event of liquidation of the bank, are not paid any amounts until all depositors and other creditors have been fully addressed, but are paid in full, (preferred) before any common shareholder is paid and which have rights to agreed dividend payments but which have no maturities or options of their holders to redeem);
(ii) Such other instruments as may be approved by the CBK as permissible permanent capital from time to time by rule or order.

Deductions from Tier 1 Capital:

(i) Goodwill and intangible assets are to be deducted from a bank's Tier 1 capital before the Tier 2 capital portion of the calculation is made;
(ii) Investments in equity of banks or other financial institutions that comprise above ten per cent (10%) of their capital (this percentage shall include also the subordinated rights), or investments in amounts less than 10% of their capital, but with a significant influence in decision making of these financial institutions. Investments in equity of banks and other financial institutions (including here also the subordinated rights) that comprise less than 10% of the bank's equity before deductions, where the amount above the 10% threshold shall be deducted.;
(iii) Deferred tax assets;
(iv) Lending to a Bank-Related Person, except lending covered with cash.

Tier II capital includes a Bank's:

(i) Reserves for loan losses up to a maximum of 1.25% (one point twenty-five percent) of its risk weighted assets at any one time or such other percentage as may be established by the CBK from time to time by rule or order;
(ii) Ordinary preferred shares (being preferred shares which have maturities or are redeemable at the option of their holders and which are cumulative (have the right to payment of past dividends missed) if the bank has the option to defer payment of dividends;
(iii) Term preferred shares (shares whose holders have the right to redeem them and which have terms of 5 years or more). These shares are subject to approval as capital from time to time throughout their terms by the CBK. The amount of long-term preferred shares (shares with maturities in excess of ten (10) years eligible to be included in Tier 2 capital will be reduced by 20 % (twenty percent) of their original amounts at the beginning of each of the last 5 years of their terms;
(iv) Term debt instruments which are fully subordinated to the rights of depositors (those which, in the event of liquidation of the bank, are not paid any amounts until all depositors have been paid. The amount of long-term subordinated debt instruments (those with maturities in excess of ten years) eligible to be included in Tier 2 capital will be reduced by 20% (twenty percent) of their original amounts at the beginning of each of the last five (5) years of the instrument's life;
(v) Debt instruments which are mandatory convertible into common shares and which are unsecured and fully paid-in;
(vi) Subordinated term debt are liabilities, but if subordinated term debt was issued with an original term to maturity of over five years, then it may be included as Tier 2 capital to a maximum of 50% (fifty percent) of Tier 1 capital;
(vii) Tier 2 capital cannot be higher than 100% (one hundred percent) of Tier 1 capital.

Minimum Risk-Based Capital Ratios

The bank maintains a minimum total capital to risk-weighted asset ratio of 12% and a Tier I capital to risk-weighted asset ratio of 8% in accordance with the rule on Capital Adequacy issued by the Central Bank of Republic of Kosovo. Also the bank is required to maintain a minimum 9 percent leverage ratio. (Leverage ratio equals total equity / total assets).

i. A bank's risk adjusted capital is obtained by dividing its capital base by its risk weighted assets.
ii. The minimum ratio set forth above may be increased by the CBK by rule or order from time to time.

As of reporting period, the capital adequacy ratios in accordance with CBK's framework for the preparation of financial statements are as follows:

Tier 1 capital	December 31, 2023	December 31, 2022
Share capital	51,287	51,287
Reserves	1,264	1,407
Eligible retained earnings	61,150	45,425
less: deductions from capital	(3,111)	(4,272)
Total qualifying Tier 1 capital	**110,590**	**93,847**
Tier 2 capital		
Subordinated liability	15,000	15,000
Provisions for loan losses (limited to 1.25% of RWA)	9,902	8,626
Total qualifying Tier 2 capital	**24,902**	**23,626**
Total regulatory capital	**135,492**	**117,473**
Risk-weighted assets:		
On-balance sheet	767,575	668,137
Off-balance sheet	24,615	21,910
Risk assets for operational risk	63,062	56,000
Total risk-weighted assets	**855,252**	**746,047**
Tier I capital to risk- weighted asset ratio	**12.9%**	**12.6%**
Total capital to risk-weighted asset ratio	**15.8%**	**15.7%**
Total equity to total assets	**12.2%**	**10.5%**

b. Categories of Financial Instruments

The table below is reconciliation of financial instruments classes as per IFRS 9 measurement categories. As at the year end the Bank has the following financial instruments:

	December 31, 2023	December 31, 2022
Financial instruments at amortized cost		
Cash and cash equivalents and balances with Central bank	137,074	140,850
Loans and advances to banks	68,245	50,944
Loans and advances to customers	831,333	740,776
Other financial assets	2,858	2,035
Financial instruments at FVOCI		
Financial assets at FVOCI	175,373	133,777
Total financial assets	**1,214,883**	**1,068,382**
Financial liabilities at amortized cost		
Due to banks	21,281	40,425
Due to customers	1,008,264	894,238
Other financial liabilities	18,917	13,540
Subordinated debt	24,920	15,010
Total financial liabilities	**1,073,382**	**963,213**

c. Financial Risk Management Objectives

The Bank's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

Compliance with policies and exposure limits is reviewed by the management committees and internal auditors on a continuous basis. The Bank does not enter into or trade significant derivative financial instruments.

d. Market Risk

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The market risk is not concentrated to currency risk or interest rate risk, as major transactions of the Bank are in local currency and majority of the interest rates are fixed.

In EUR Thousands	Carrying amount	Traded risk	Non-traded risk	Carrying amount	Traded risk	Non-traded risk	Primary risk sensitivity
	2023	2023	2023	2022	2022	2022	
Assets							
Cash and cash equivalents and balances with central banks	137,074	-	137,074	140,850	-	140,850	Interest rate FX
Due from banks	68,245		68,245	50,945	-	50,945	Interest rate FX
Debt instruments at FVOCI	174,372	-	174,372	133,035	-	133,035	Interest rate FX
Equity instruments at FVOCI	1,002	-	1,002	742	-	742	Traded risk
Loans and advances to customers	831,333	-	831,333	740,775	-	740,775	Interest rate
Total	**1,212,026**	**-**	**1,212,026**	**1,066,347**	**-**	**1,066,347**	
Liabilities							
Financial liabilities at FVPL	122	-	122	43	-	43	Interest rate
Due to customers	1,008,264	-	1,008,264	894,242	-	894,242	Interest rate FX
Deposits from banks	21,281	-	21,281	40,425	-	40,425	Interest rate
Debt issued and other borrowed funds	9,910	-	9,910	-	-	-	Interest rate
Total	**1,039,577**	**-**	**1,039,574**	**934,710**	**-**	**934,710**	

e. Foreign Currency Risk

The Policy on Management of the currency risk of NLB Banka, defines the methods of currency risk management in the bank. The purpose of currency risk management policy is the management and limitation of the potential loss, which is created as a result of changes on the foreign currency rates and, reflected on the business results and capital adequacy of the bank. The currency risk presents the probability of realizing the losses as per on balance and off-balance sheet items, as a result of changes on the currency rates and/or non-harmonization on the level of assets, liabilities and off-balance items in the same currency. The Bank manages foreign currency risk through managing currency structure of assets and liabilities in line with expected changes in foreign currency rates. Foreign exchange rate risk is managed and governed according to the policies of the Bank. As such the Bank continuously monitors exchange rate movements and foreign currency markets, and determines its currency positions on a daily basis. Any exception to the policy shall be subject of approval by the Supervisory Board of NLB Bank and the Risk Management Department of NLB group. The bank and group policy forbids the bank to maintain open currency position for speculative purposes. Nevertheless, foreign exchange derivatives may be used for hedging purposes to close certain positions, in which case they are closely monitored at both local and group level. The Bank undertakes transactions in both Euro and foreign currencies. The Bank has not entered into significant forward exchange or any embedded derivative transactions during the year ended December 31, 2023 and 2022.

The Bank is exposed to currency risk through transactions in foreign currencies. As the currency in which the Bank presents its financial statements is Euro, the Bank's financial statements are affected by movements in the exchange rates between the Euro and other currencies.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognized in the profit and loss. These exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in the functional currency of the Bank.

Foreign currency sensitivity analysis

The Bank is mainly exposed to US Dollar (USD) and Swiss Franc (CHF). The following table details the Bank's sensitivity to the respective increase and decrease in the value of Euro against the foreign currencies. The percentage used is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a respective change in foreign currency rates. The Bank has applied a 10% increase or decrease to the current currency exchange rates. A positive number below indicates an increase in profit and other equity where the Euro strengthens with respective percentages against the relevant currency.

	+10% of Euro	-10% of Euro
Assets:		
Impact on cash and due from banks	2,315	(2,315)
Liabilities:		
Impact on due to banks and customers	(2,251)	2,251
Net impact on profit and loss and equity	**64**	**(64)**

As at December 31, 2022

	+10% of Euro	-10% of Euro
Assets:		
Impact on cash and due from banks	1,874	(1,874)
Liabilities:		
Impact on due to banks and customers	(1,865)	1,865
Net impact on profit and loss and equity	**9**	**(9)**

The following table summarises the Bank's currency position as at December 31, 2023:

	EURO	USD	CHF	Others	Total
Financial assets					
Cash and cash equivalents and balances with CBK	131,349	563	4,129	1,033	137,074
Due from banks	58,872	3,486	4,644	1,243	68,245
Loans to customers – net	831,333	-	-	-	831,333
Financial assets at FVOCI	165,827	9,547	-	-	175,373
Other Financial assets	2,858	-	-	-	2,858
Total financial assets	**1,190,239**	**13,596**	**8,773**	**2,276**	**1,214,883**
Financial liabilities					
Other financial liabilities at FV through P&L	122	-	-	-	122
Due to banks	21,203	27	44	7	21,281
Due to customers	984,810	12,890	8,590	1,974	1,008,264
Borrowings from banks	9,910	-	-	-	9,910
Subordinated Debts	15,010	-	-	-	15,010
Other financial liabilities	17,598	-	-	-	17,598
Total financial liabilities	**1,048,653**	**12,917**	**8,634**	**1,981**	**1,072,185**
Net currency position	**141,586**	**679**	**139**	**295**	**142,699**

The following table summarises the Bank's currency position as at December 31, 2022:

	EURO	USD	CHF	Others	Total
Financial assets					
Cash and cash equivalents and balances with CBK	133,663	1,913	4,886	388	140,850
Due from banks	45,568	-	3,047	2,330	50,944
Loans to customers – net	740,776	-	-	-	740,776
Financial assets at FVOCI	125,475	7,289	1,013	-	133,777
Other Financial assets	2,035	-	-	-	2,035
Total financial assets	**1,047,517**	**9,202**	**8,946**	**2,718**	**1,068,382**
Financial liabilities					
Due to banks	40,385	29	6	5	40,425
Due to customers	873,661	9,134	8,892	2,555	894,242
Subordinated Debts	15,010	-	-	-	15,010
Other financial liabilities	13,605	-	-	-	13,605
Total financial liabilities	**942,661**	**9,163**	**8,898**	**2,560**	**963,282**
Net currency position	**104,856**	**39**	**48**	**158**	**105,101**

The exchange rates applied for principal currencies against the Euro were as follows:

	December 31, 2023	December 31, 2022
United States Dollar (USD)	1.1050	1.0666
British Pound (GBP)	0.86905	0.8869
Swiss Franc (CHF)	0.9260	0.9847

f. Interest rate risk

Interest rate risk is 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 (re-pricing risk). 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 while borrowings are at variable interest rate. The interest rates applicable to financial assets and liabilities are disclosed in relevant note to these financial statements. Interest rate risk management policy of the bank defines the method of identification, measurement, following up and controlling the risk in the event of interest rate modification. The purpose of policy is management on the exposure to interest rate risk and limitation of potential loss, which is created as a result of modification of levels of interest rates in the market and the effect of those changes on business results and the market value of bank capital.

With the policy are defined methodologies of risk assessment from the interest rate:

- Gap analysis
- NII (Net Interest Income) methodology – sensitivity of NII
- Basis Point Value (“BPV”) methodology

The risk management department monitors exposure to interest-rate risk using the interest-rate gap analysis methodology. To that end, NLB Bank defines a set of input data that are based on cash flows by individual time interval. The principle of residual maturity is applied to agreements with a fixed interest rate, while the interest rate re-pricing date is taken into account for agreements with a variable interest rate.

All balance sheet and off balance sheet positions which are sensitive to interest rate risk are classified in the banking book and trading book. Positions are observed pursuant to these segments:

- Interest rate sensitive positions in Euros
- Interest rate sensitive positions in other currencies (aggregate base and as per each currency severally).

At the current stage trading activities are not applicable for NLB Bank, as per required criteria of NLB Group policies. As part of NLB group, NLB Bank is subject to NLB policies and procedures.

Management believes that the Bank is not exposed to interest rate risk that the value of a financial instrument will fluctuate due to changes in market interest rates, except borrowings which are at variable interest rates. Funds and obligations which do not have defined maturity (such as deposits due on demand) or which have variable expected maturities in relation with original maturities specified with contract, are classified in the category as demand to deposits for the purpose of gap analysis.

Interest rate risk management in the Bank’s book is carried out based on Gap analysis and Basis Point Value methodology.

Gap analysis relates to an interest rate risk measurement technique by means of which asset, liabilities and off-balance sheet assets are categorized into corresponding time buckets by the earlier of contractual re-pricing (for instruments with floating interest rate) or maturity date (for instruments with fixed interest rate).

Assets and liabilities with no maturity date (e.g. on-demand deposits) or with maturity dates which may be different from the original maturity dates defined by the contracts are categorised into corresponding time buckets based on the Bank’s estimate and considering its previous experience.

With a view to more adequate interest rate risk management and measurement, BPV (Basis Point Value) methodology

is used, measuring the financial instruments' sensitivity to changes of market interest rates. Based on this method, it is estimated how the position value will change if the market interest rates change by +/- 200 basis points.
The main tool for management of interest rate exposure is gap analysis, i.e. gap analysis for interest bearing assets and liabilities. The Assets and Liabilities Committee (ALCO) based on the proposal suggested by expert services, adopts the strategy of adjusting the assets and liabilities items based on the estimated changes in market interest rates.

Sensitivity analysis
Interest rate risk management is supplemented by monitoring the sensitivity of the Banks profit or loss and equity to various floating interest rate scenarios. The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. The analysis assumes a parallel increase of interest rates of 200 basis points (± 2%) on the level of net profit and equity.
Exposure to interest rate risk and its impact on the bank's statement of changes in equity and profit and loss is measured through Basis Point Value methodology. Results presented below represent the changes in profit and loss and equity, which would occur if interest rates will increase or decrease by 200 basis points.
The effect of interest rate risk on equity is similar to that on Profit and Loss. Analysis of the sensitivity of profit or loss and equity to changes in interest rates is as follows:

	Sensitivity of the profit and loss and equity	
Interest rate sensitivity	2023	2022
Increase in basic points		
+200 bps parallel shift	993	(2,568)

Interest rate sensitivity	2023	2022
Decrease in basic points		
-200 bps parallel shift	(1,321)	2,200

Economic Value of Equity (EVE) results as at December 31, 2023 is -1.19% of capital (2022: -2.74%). As per interest rate risk management policy the maximum limit of EVE result is -10% of total capital.

The participation of variable interest rate loans in total loans in 2023 was 17.07%, while in 2022 is 10.8%

The table below gives the contractual maturity on net interest rate position for financial assets and financial liabilities as monitored by management.

December 31, 2023 Assets	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest bearing
Cash and cash equivalents and balances with central banks	137,074	28,577	-	-	-	108,497
Due from banks	68,245	65,292	1,463	1,490	-	-
Debt and equity instruments at FVOCI	175,373	104,213	41,689	28,470	-	1,002
Loans and advances to customers	831,333	140,769	221,048	358,006	111,510	-
Total financial assets	**1,212,025**	**338,851**	**264,200**	**387,966**	**111,510**	**109,499**
Liabilities						
Due to banks	21,281	423	-	20,858	-	-
Borrowings from banks	9,910	-		9,910	-	-
Due to customers	1,008,264	17,903	75,827	168,681	6,860	738,992
Subordinated liabilities	15,000	-	-	-	15,000	-
Total financial liabilities	**1,054,455**	**18,326**	**75,827**	**199,449**	**21,860**	**738,992**
Total interest sensitivity gap after risk management	**157,570**	**320,525**	**188,373**	**188,517**	**89,650**	**(629,493)**

December 31, 2022 Assets	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest bearing
Cash and cash equivalents and balances with central banks	140,850	39,818	-	-	-	101,032
Due from banks	50,945	48,396	1,665	884	-	-
Debt and equity instruments at FVOCI	133,777	78,493	8,098	46,444	-	742
Loans and advances to customers	740,775	78,395	204,033	343,755	114,592	-
Total financial assets	**1,066,347**	**245,102**	**213,796**	**391,083**	**114,592**	**101,774**
Liabilities						
Due to banks	40,425	10,080	10,084	20,261	-	-
Due to customers	894,242	12,785	88,310	124,451	1,540	667,156
Subordinated liabilities	15,000	-	-	-	15,000	-
Total financial liabilities	**949,667**	**22,865**	**98,394**	**144,712**	**16,540**	**667,156**
Total interest sensitivity gap after risk management	**116,680**	**222,237**	**115,402**	**246,371**	**98,052**	**(565,382)**

g. Credit risk

The Bank is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. In this respect, the credit risk for the Bank stems from the possibility that different counterparties might default on their contractual obligations. 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.

The Bank's primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. In addition, the Bank is exposed to off-balance sheet credit risk through guarantees issued.

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by type of customer in relation to the Bank's loans and advances, and guarantees issued.

For subsequent measurement and impairment of assets the bank assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Terms and conditions of use of collateral

Collateral held under loan agreement can only be possessed by the bank in case of borrower's default and conduct of legal procedures in accordance with legislation of Kosovo which enable the bank to take full legal title and ownership. Only after the completion of these procedures, the bank can sell or transfer the collateral.
In addition, the Bank recognises seized collateral as an asset only when it has full legal title and physical possession of the collateral and the fair value of collateral can be determined reliably.
The Bank cannot sell, transfer or re-pledge the collateral while the borrowers are performing or legal procedures for transfer of ownership as a result of default have not been completed.

Maximum exposure to credit risk:

December 31, 2023	Net maximum exposure	Impairment
Cash, cash balances at central banks, and other demand deposits as banks	136,074	(110)
Financial assets at fair value through other comprehensive income	174,371	(427)
Financial assets at amortized cost	**899,578**	**(35,417)**
Loans to government	41	-
Loans to banks	68,245	(20)
Loans to financial organizations	368	(3)
Loans to individuals	350,192	(11,319)
Loans to other customers	480,732	(24,075)
Other financial assets	2,858	(4,943)
Total net financial assets	**1,213,021**	**(40,897)**
Guarantees	**19,376**	**(175)**
Financial guarantees	7,936	(67)
Letter of guarantees	11,440	(108)
Loan commitments	69,858	(589)
Letters of credit	2,599	(3)
Total commitments and contingent liabilities	**91,833**	**(767)**
Total maximum exposure to credit risk	**1,304,854**	**(41,664)**

December 31, 2022	Net maximum exposure	Impairment
Cash, cash balances at central banks, and other demand deposits as banks	140,850	(123)
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	133,035	(789)
Financial assets at amortized cost	791,720	(36,439)
Loans to government	26	-
Loans to banks	50,945	(12)
Loans to financial organizations	884	(13)
Loans to individuals	300,453	(5,125)
Loans to other customers	439,412	(31,289)
Other financial assets	2,035	(4,024)
Total net financial assets	**1,067,640**	**(41,375)**
Guarantees	19,734	(352)
Financial guarantees	10,326	(232)
Non-financial guarantees	9,408	(120)
Loan commitments	59,468	(677)
Other potential liabilities	5,278	(9)
Total contingent liabilities	**84,480**	**(1,038)**
Total maximum exposure to credit risk	**1,152,120**	**(42,413)**

h. Loans and advances to banks and customers

Loans and advances to banks and customers measured at amortised cost as per Internal rating of Bank as of December 31, 2023

December 31, 2023	12-month expected credit losses	Life time ECL not credit-impaired	Life time ECL credit-impaired	POCI	Total
A	471,210	4,489	-	-	475,699
B	375,094	37,724	-	-	412,818
C	311	29,933	-	-	30,244
D and E	-	-	16,234	-	16,234
Loss allowance	**(11,858)**	**(9,323)**	**(14,236)**	**-**	**(35,417)**
Carrying amount	**834,757**	**62,823**	**1,998**	**-**	**899,578**

h. Loans and advances

Loans and advances to banks and customers measured at amortised cost as per Internal rating of Bank as of December 31, 2022

December 31, 2022	12-month expected credit losses	Life time ECL not credit-impaired	Life time ECL credit-impaired	POCI	Total
A	408,741	2,856	-	-	411,597
B	307,541	57,670	-	-	365,211
C	2,713	32,932	-	-	35,645
D and E	-	-	15,706	-	15,706
Loss allowance	(12,002)	(10,661)	(13,776)	-	(36,439)
Carrying amount	706,993	82,797	1,930	-	791,720

Debt instruments at fair value through other comprehensive income as per Internal rating of Bank as of December 31, 2023.

December 31, 2023	12-month expected credit losses	Life time ECL not credit-impaired	Life time ECL credit-impaired	POCI	Total
A	125,758	-	-	-	125,758
B	48,614	-	-	-	48,614
Carrying amount	174,371	-	-	-	174,371
Loss allowance	(427)	-	-	-	(427)

Debt instruments at fair value through other comprehensive income as per Internal rating of Bank as of December 31, 2022

December 31, 2022	12-month expected credit losses	Life time ECL not credit-impaired	Life time ECL credit-impaired	POCI	Total
A	75,002	-	-	-	75,002
B	58,033	-	-	-	58,033
Carrying amount	133,035	-	-	-	133,035
Loss allowance	(788)	-	-	-	(788)

Loan commitments and financial guarantee contracts as per Internal rating of Bank as of December 31, 2023 and 2022.

December 31, 2023	12-month expected credit losses	Life time ECL not credit-impaired	Life time ECL credit-impaired	POCI	Total
A	37,363	177	-	-	37,540
B	51,225	1,903	-	-	53,128
C	162	774	-	-	936
D and E	-	-	227	-	227
Loss allowance	(625)	(96)	(45)	-	(766)
Carrying amount	88,125	2,758	182	-	91,065

December 31, 2022	12-month expected credit losses	Life time ECL not credit-impaired	Life time ECL credit-impaired	POCI	Total
A	32,170	121	-	-	32,291
B	45,685	5,306	-	-	50,991
C	341	688	-	-	1,029
D and E	-	-	169	-	169
Loss allowance	(789)	(208)	(42)	-	(1,039)
Carrying amount	77,407	5,907	127	-	83,441

Category A
All direct loans or facilities and off-balance sheet exposures of the bank that carry normal banking risk. Available information concerning the credit exposure, the performance of the customer's account, and the financial data all indicate that the settlement of the exposure is reasonably certain without difficulties, (or the obligation is fully secured by eligible collateral). Similarly, within A graded clients/exposures are all direct loans or facilities and off-balance sheet exposures of the bank which are risk free. Exposures which have as collateral cash deposit or a guarantee issued by a bank which has an external credit rating of grater the BBB, grade evaluated by Moody's or S&P credit rating agencies.

Category B- Watch
Special Attention (or Watch) - This classification is used to identify and monitor exposures which contain weaknesses or potential weaknesses that, at the time of review, do not jeopardize the repayment of the credit or reflect a potential for loss, but which, if not addressed or corrected could result in the deterioration of the credit to a substandard or more severe classification. Absent any documented evidence to the contrary, the bank classifies as "special attention" those exposures that are overdue more than 30 days but less than 60 days or those with continuous indebtedness in excess of 5% of approved lines for more than 30 days but less than 60 days. This category of classification is intended to identify and address potentially weak relationships at an early stage.

Category C-Substandard
Substandard - Exposures which, based upon a review of all factors attendant to the credit, have well defined credit weaknesses that jeopardize repayment of the credit in the normal course. A substandard credit is one which, by an analysis of financial data and other factors, is not currently protected by the sound worth and paying capacity of the borrower or guarantors or the value of the collateral, if any. Recourse to a responsible and able guarantor for repayment that would involve prolonged negotiations before liquidation of the credit would invoke a substandard classification. The need for recourse to the collateral as the means of satisfying the obligation also would be the basis for a substandard classification. Absent any documented evidence to the contrary, an exposure is classified at least substandard if any of the following criteria apply:

(a) If deposits/cash flows into the customer's overdraft account are insufficient to liquidate the outstanding balance within 60 days from the expiration date of the facility.
(b) If the customer exceeded the authorized limit of the facility by 5% or more for over 60 days without paying this excess or without bank management formally raising the authorized limit.
(c) If the customer is overdue in repaying contractual instalments (including interest) for over 60 days.
(d) If the maturity of the loan or facility is over 60 days past due without repayment.

Category D-Doubtful
Doubtful - Exposures which, based upon a review of all factors attendant to the credit, contain all the weaknesses that are inherent in a substandard credit, but which are so pronounced that there is a strong probability that a significant portion of the principal amount will not be paid. There is a likelihood of loss, but the exact amount cannot be clearly defined at the time of review or is dependent upon the occurrence of a future act or event. Although the possibility of loss is thus extremely high, because of significant pending factors, reasonably specific, which could be expected to work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until more exact status may be determined. Such pending factors include but are not limited to mergers, acquisitions, capital restructuring, and the furnishing of new collateral or realistic refinancing plans. Uncooperative guarantors or those who are in weak financial condition should not be considered as being able to provide strength to the credit.
Recourse to any available collateral that would not be sufficient to cover the amount owing may also justify a doubtful classification.

vi. Impairment of financial assets
Absent any documented evidence to the contrary, an exposure is classified at least doubtful if any of the following criteria apply:

(a) If deposits/cash flows into the customer's overdraft account are insufficient to liquidate the outstanding balance within 90 days from the date of expiration of the overdraft facility.
(b) If the customer exceeded the authorized limit of the facility by 5% or more for over 90 days without paying this excess or without bank management formally raising the authorized limit.
(c) If the customer is overdue in repaying any contractual instalment (including interest) for over 90 days.
(d) If there are deficiencies in the customer's financial condition that have caused negative equity.
(e) If the maturity/expiration date of the loan or facility is over 90 days past due without repayment.

Category E- Loss
Bad (Loss) - Exposures which, based upon a review of all factors attendant to the credit are of such little value or will require such an extended period to realize any value, are no longer justifiable for carrying on the active books of the bank.
An exposure is classified bad (loss) if any of the following criteria apply:

a) If deposits/cash flows into the customer's overdraft account are insufficient to liquidate the balance of the outstanding overdraft within 180 days from the expiration date of the overdraft facility.
b) If the customer exceeded the authorized limit of the facility by 5% or more for over 180 days without paying the excess or without bank management formally raising the authorized limit.
(c) If the customer fails to repay a contractual instalment (including interest) for over 180 days.
(d) If the maturity/expiration date of the loan or facility is over 180 days past due without repayment.

Impairments and provisions for the remaining part of the portfolio of companies, sole proprietors and retail clients (receivables from clients which are not individually relevant) and for the receivables from individually significant clients (except banks) for which there is no evidence of impairment is calculated on group basis (portfolio approach). Loans in group are further divided in categories, as companies and sole proprietors' group of retail clients on balance sheet. All the three groups are further divided in to five sub categories A, B, C, D, and E.
When a loan is considered to be uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the profit or loss.
If the amount of the provision for loan impairment

subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the profit of loss.

As of December 31, 2023 there were written off EUR 81 thousand loan principal and EUR 1 thousand interests, (2022 EUR 337 thousand loan principal and EUR 28 thousand interests), based on the CBK rules and regulations and NLB Ljubljana standards. All these written off loans, were provisioned 100%, and as such there was no effect on the financial statements for the year ended December 31, 2023 and 2022.

The effect of collateral of financial assets that are credit impaired at December 31, 2023:

	Fully/over collateralized financial assets		Financial assets not or not fully covered with collateral	
December 31, 2023	**Net value of loans and advances**	**Fair value of collateral**	**Net value of loans and advances**	**Fair value of collateral**
Financial assets at amortised cost	1,636	39,512	362	356
Debt securities	-	-	-	-
Loans to government	-	-	-	-
Loans to banks	-	-	-	-
Loans to financial organizations	-	-	-	-
Loans to individuals	282	4,251	321	284
Loans to other customers	1,354	35,261	41	72
Other financial assets	-	-	16	-
Total	**1,636**	**39,512**	**378**	**356**

h. Loans and advances (continued)

The effect of collateral of financial assets that are credit impaired at December 31, 2022:

	Fully/over collateralized financial assets		Financial assets not or not fully covered with collateral	
December 31, 2022	**Net value of loans and advances**	**Fair value of collateral**	**Net value of loans and advances**	**Fair value of collateral**
Financial assets at amortised cost	1,851	40,346	79	283
Debt securities	-	-	-	-
Loans to government	-	-	-	-
Loans to banks	-	-	-	-
Loans to financial organizations	-	-	-	-
Loans to individuals	302	4,974	52	230
Loans to other customers	1,549	35,372	27	54
Other financial assets	-	-	-	-
Total	**1,851**	**40,346**	**79**	**284**

The analysis of identification of over or under collateralized loans is performed by the Bank at the gross carrying amount of loans. The table above presents total net loans against total collateral.

The collaterals taken in consideration for the mitigation of the credit risk consists of immoveable properties such as land and buildings and pledge on moveable properties such as stocks and any other moveable property which could be converted in to liquid assets on an arm's length transaction. As prescribed by the credit policy the exposure of the Bank should be covered at least 163% with residential property and/or 200% with commercial property in correlation with the market value of the collateral. Risk free items include loans covered by cash or any other easily converted asset into liquid

assets in an arms' length transaction, as defined by the Credit risk management policy of the Bank and the CBK Rule on large exposures.
Collateral security is taken into consideration in the impairment loss calculation process. The fair market and liquidation values of the collateral are documented by a current appraisal made by a competent party. The Bank's ability to access and liquidate the collateral within a reasonable period also is considered. Within the collaterals are included movable and immovable properties of the counterparties, in order to cover the exposure towards the credit risk and the risk of failure to repay the loan.

i. Financial assets at fair value through other comprehensive income

The table below presents the whole portfolio of financial assets at fair value through other comprehensive income and their credit grade assigned by Moody's or Fitch credit rating agencies:

December 31, 2023

Ratings	Financial assets at FVOCI	Total
AAA	58,287	58,287
AA	67,470	67,470
A+	1,002	1,002
Not-rated	48,614	48,614
Total	**175,373**	**175,373**

December 31, 2022

Ratings	Financial assets at FVOCI	Total
AAA	7,561	7,561
AA	67,441	67,441
A+	742	742
Not-rated	58,033	58,033
Total	**133,777**	**133,777**

i. Concentrations

NLB Banka has a credit strategy which determines the types of investments (concentrations) based primarily on economic segments such as industry, trade, construction, etc. Due to the small size of the Republic of Kosovo, geographical concentrations within Kosovo are not significant; this strategy is reviewed and updated on an annual basis by the management board or the bank.

NLB Banka, Prishtina	in EUR thousand	
Country	December 31, 2023	December 31, 2022
Republic of Slovenia	-	1
Other European Union members	68,645	53,429
Serbia	47	48
Republic of Kosova	833,744	740,277
Total	**902,436**	**793,755**

The following table breaks down the Bank's main credit exposure at their net amounts, as categorized by the industry sectors of our counterparties.

As of December 31, 2023 and 2022, an analysis of loans to customers and banks by industry sectors was as follows:

Industry concentration

	December 31, 2023				December 31, 2022			
Industry sector	Gross loans and advances	Impairment provision	Net loans	%	Gross loans and advances	Impairment provision	Net loans	%
Placements	-	-	-	-	-	-	-	-
Banks	68,265	(20)	68,245	7.6%	50,958	(13)	50,944	6.4%
Loans and advances to customers								
Citizens	361,510	(11,318)	350,192	38.8%	305,577	(5,124)	300,453	37.9%
Trade	177,001	(6,906)	170,095	18.8%	165,867	(9,669)	156,198	19.7%
Constructions	115,764	(6,848)	108,916	12.1%	97,524	(8,005)	89,519	11.3%
Industry	90,423	(4,710)	85,713	9.5%	84,320	(4,649)	79,671	10.0%
Services	62,627	(2,763)	59,864	6.6%	58,305	(4,564)	53,741	6.8%
Transport and communication	27,445	(1,029)	26,416	2.9%	32,797	(1,487)	31,310	3.9%
Mining	6,920	(792)	6,128	0.7%	7,443	(1,102)	6,341	0.8%
Education	5,036	(79)	4,957	0.5%	5,054	(863)	4,191	0.5%
Agriculture, silviculture and fishing	5,373	(663)	4,710	0.5%	5,741	(453)	5,288	0.7%
Other financial assets	7,800	(4,942)	2,858	0.3%	6,060	(4,025)	2,035	0.3%
Electricity, gas and water	2,151	(19)	2,132	0.2%	2,630	(184)	2,446	0.3%
Health service and social security	4,366	(109)	4,257	0.5%	4,302	(129)	4,173	0.5%
Finances	3,571	(48)	3,523	0.4%	4,449	(95)	4,354	0.5%
Government	4,544	(114)	4,430	0.5%	3,194	(103)	3,091	0.4%
Total	**942,796**	**(40,360)**	**902,436**	**100%**	**834,221**	**(40,465)**	**793,755**	**100%**

k. Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

The Bank monitors its liquidity on a daily basis in order to manage its obligations as and when they fall due. Funds are raised using a broad range of instruments including deposits, borrowings and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank makes its best efforts 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 for meeting 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. The amounts disclosed in tables below are residual contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

The required minimum liquidity ratio for local currency is 25% and the actual ratio as at December 31, 2023 is 44.73%. The bank is also in compliance with foreign currency liquidity ratios, which however are less significant to its operations.

Analysis of financial assets and liabilities by contractual maturities:

December 31, 2023 Financial assets	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash and cash equivalents and balances with the Central Bank	57,200	-	-	-	79,874	137,074
Due from banks	57,634	7,658	1,463	1,490	-	68,245
Loans and advances to customers	93,185	47,584	221,048	358,006	111,510	831,333
Financial instruments held at FVOCI	74,392	29,821	41,689	28,470	-	174,372
Other financial assets	2,858	-	-	-	-	2,858
Total undiscounted financial assets	**285,269**	**85,063**	**264,200**	**387,966**	**191,384**	**1,213,882**
Financial liabilities						
Due to banks	423	-	-	20,858	-	21,281
Due to customers	745,894	10,999	75,827	168,681	6,860	1,008,264
Subordinated debt	10	-	-	-	15,000	15,010
Lease liabilities	51	102	459	1,878	-	2,490
Other financial liabilities	15,352	-	-	122	-	15,474
Total undiscounted financial liabilities	**761,730**	**11,101**	**76,286**	**191,542**	**21,860**	**1,062,519**
Net undiscounted financial assets/(liabilities)	**(476,461)**	**73,962**	**187,914**	**196,424**	**169,524**	**151,363**
Future contractual interests						
Financial Assets						
Contractual amounts receivables	4,472	8,297	31,835	91,691	24,881	161,176
	4,472	**8,297**	**31,835**	**91,691**	**24,881**	**161,176**
Financial liabilities						
Contractual amounts payable	(552)	(873)	(4,928)	(14,544)	(359)	(21,256)
Total net financial assets/(liabilities)	**(472,541)**	**81,386**	**214,821**	**273,571**	**194,046**	**291,283**

The required minimum liquidity ratio for local currency is 25% and the actual ratio as at December 31, 2022 is 39.33%. The bank is also in compliance with foreign currency liquidity ratios, which however are less significant to its operations.

Analysis of financial assets and liabilities by contractual maturities

December 31, 2022 Financial assets	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash and cash equivalents and balances with the Central Bank	68,495	-	-	-	72,355	**140,850**
Due from banks	47,875	500	1,665	904	-	**50,944**
Loans and advances to customers	36,100	42,295	204,033	343,756	114,592	**740,776**
Financial instruments held at FVOCI	52,024	26,469	8,098	46,444	742	**133,777**
Other financial assets	2,035	-	-	-	-	**2,035**
Total undiscounted financial assets	**206,529**	**69,264**	**213,796**	**391,104**	**187,689**	**1,068,382**
Financial liabilities						
Due to banks	80	10,000	10,084	20,261	-	**40,425**
Due to customers	673,688	6,253	88,310	124,451	1,540	**894,242**
Subordinated debt	10	-	-	-	15,000	**15,010**
Lease liabilities	64	128	957	1,286	-	**2,435**
Other financial liabilities	10,206	-	-	-	-	**10,206**
Total undiscounted financial liabilities	**684,048**	**16,381**	**99,351**	**145,998**	**16,540**	**962,318**
Net undiscounted financial assets/(liabilities)	**(477,519)**	**52,883**	**114,445**	**245,106**	**171,149**	**106,064**
Future contractual interests						
Financial Assets						
Contractual amounts receivables	3,880	7,188	27,343	74,335	15,304	**128,050**
	3,880	**7,188**	**27,343**	**74,335**	**15,304**	**128,050**
Financial liabilities						
Contractual amounts payable	-	-	(753)	(3,768)	(359)	(4,880)
Total net financial assets/(liabilities)	**(473,639)**	**60,071**	**141,035**	**315,673**	**186,094**	**229,234**

I. **Fair value of financial instruments**

a) ***Fair values of financial instruments carried at amortised cost***

IFRS 13 defines fair value as 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. Fair values have been based on management assumptions according to the profile of the asset and liability base.

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities not presented on the statement of financial position at their fair value.

	31-Dec-23		31-Dec-22	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Loans to banks	68,245	68,216	50,944	50,921
Loans to government	41	41	26	26
Loans to financial organizations	366	367	885	896
Loans to individuals	350,194	351,743	300,455	296,855
Granted overdraft to individuals	3,075	2,522	2,678	2,120
Loans for houses and flats	240,183	240,566	208,580	205,211
Consumer loans	100,336	102,799	83,329	84,531
Other loans	6,600	5,856	5,868	4,993
Loans to other customers	480,732	473,977	439,411	437,940
Loans to large corporate customers	40,570	39,633	28,166	27,877
Loans to small and medium size enterprises	440,163	434,344	411,245	410,063
TOTAL LOANS	899,578	894,344	791,721	786,638
LIABILITIES				
Due from banks	21,281	22,056	40,425	42,575
Subordinated debts	15,010	14,995	15,010	15,135
Due to customers	1,008,262	1,014,920	894,241	896,120
Borrowings to banks	9,910	10,753	-	-
TOTAL DEPOSITS AND BORROWINGS	1,054,463	1,062,724	949,676	953,830

All fair value disclosures are based on management estimates and valuation techniques and fall under Level 2 of the fair value hierarchy. The valuation techniques and estimates for most significant assets and liabilities are described below:

Loans to banks

Loans and advances to other banks comprise inter-bank placements. The fair value of placements and overnight deposits is their carrying amount due to their short-term nature.

Loans to customers

Loans to customers in the balance sheet are presented in net amount, i.e. net of allowances for impairment. For the purpose of calculating the fair value, the Bank used discounted cash flow method. Thus, the calculation is based on contractual cash flows. Credit risk of individual clients is taken into consideration through the expected impairment.

Deposits

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

Borrowings and Subordinated loan

Long term borrowings have an estimated fair value approximately equal to its carrying amount because of its underlying floating interest rate. The fair value of subordinated loan regulated with special terms and for which the market does not provide reliable estimates of prices for similar instruments, approximately presents their carrying value.

Other financial assets and liabilities

The carrying amount of other financial assets and liabilities is a reasonable approximation of their fair value as they mainly relate to short-term receivables and payables.

b) ***Analysis by fair value hierarchy of financial instruments carried at fair value***

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

a) **Level 1**: Quoted market price (unadjusted) in an active market for an identical instrument
b) **Level 2**: Valuation techniques based on observable inputs other than quoted prices, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or 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.
c) **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 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.
d) The following table shows the distribution of fair values over the different fair value hierarchies.

December 31, 2023	Total Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Debt instruments	174,372	125,758	48,614	-
Equity instruments	1,001	-	1,001	-
Total financial instruments through other comprehensive income	**175,373**	**125,758**	**49,615**	**-**

December 31, 2022	Total Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Debt instruments	133,035	75,001	58,034	-
Equity instruments	742	-	742	-
Total financial instruments through other comprehensive income	**133,777**	**75,001**	**58,776**	**-**

The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the future markets.
The Bank does not possess instruments that are subject to possible movements from one level to another of fair value category.

Debt instruments - Kosovo government securities

Kosovo government securities are not traded actively in secondary markets. Management estimates the current required market yield based on the latest primary auction of securities. Subsequently it estimates fair value of securities by comparison with the trading price of the instruments with the most similar maturity to the remaining maturity of the instruments held.

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	December 31, 2023			December 31, 2022		
Assets	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents and balances with the Central Bank	137,074	-	137,074	140,850	-	**140,850**
Due from other banks	66,755	1,490	68,245	50,060	884	**50,944**
Loans to customers, net	361,817	469,516	831,333	282,429	458,347	**740,776**
Financial assets designated at FVOCI	145,902	29,471	175,373	86,591	47,186	**133,777**
Other financial assets	2,858	-	2,858	2,035	-	**2,035**
Other non - financial assets	1,074	-	1,074	1,304	-	**1,304**
Tangible assets	-	12,185	12,185	-	12,452	**12,452**
Current Tax Asset tax asset	-	1,094	1,094	-	1,140	**1,140**
Deferred tax asset	520	-	520	360	-	**360**
Total assets	**716,000**	**513,756**	**1,229,756**	**563,629**	**520,009**	**1,083,638**
Liabilities						
FL designated at fair value through P&L	-	122	122	43		**43**
Deposits from banks	423	20,858	21,281	20,164	20,261	**40,425**
Borrowings from banks	-	9,910	9,910	-	-	-
Customer accounts	756,893	251,371	1,008,264	768,251	125,991	**894,242**
Other financial liabilities	15,350	-	15,350	10,206	-	**10,206**
Other non-financial liabilities	1,501	-	1,501	1,196	-	**1,196**
Provision and other Liabilities	5,102	439	5,541	4,586	610	**5,196**
Corporate tax payable	619	-	619	1041	-	**1,041**
Lease liabilities	612	1,878	2,490	1149	1,286	**2,435**
Subordinated debts	10	15,000	15,010	10	15,000	**15,010**
Total liabilities	**780,510**	**299,578**	**1,080,088**	**806,646**	**163,148**	**969,794**
Net	**(64,510)**	**214,178**	**149,668**	**(243,017)**	**356,861**	**113,844**

Expected maturities are in general similar to contractual maturities for most of the assets and liabilities, except for customer current account and short-term deposits which have a high renewal rate. Management has estimated the current and long-term portion of contractually current customer accounts based on the minimum regulatory liquidity ratio of 20%, with the assumption that since liquid assets are required to cover 20% of liabilities, the remaining 80% will be renewed or rolled over.

33. EVENTS AFTER THE END OF THE REPORTING PERIOD

Management Board of the Bank on March 2024 will propose to Board of Directors the distribution of 70% of the net profit for the year 2023.
After approval of dividend pay-out from CBK for net profit of 2022, the Bank will procced with payments of dividend in amount of EUR 22,680 thousand.
No other material events subsequent to the date of the statement of financial position have occurred which require correction or disclosure in the financial statements.