

NLB BANKA SH.A.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEAR ENDED 31 DECEMBER 2024

WITH INDEPENDENT AUDITOR'S REPORT THEREON

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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, 2024, and for the accompanying accounting material 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, IFRS accounting standards as issued by the International Accounting Standards Board (IASB) and that these financial statements present fairly, in all material respects the financial position of the Bank as at December 31, 2024 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, IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

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

Management Board


Ardian Hasa

Member of the
Management Board


Mirsad Haskaj

Member of the
Management Board


Gem Maloku

Acting President of the
Management Board

Independent Auditor's Report

To the Shareholders of
NLB Banka Sh.a.

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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 2024, 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 material 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 2024, and its financial performance and its cash flows for the year then ended in accordance with the IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

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 2024. 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, IFRS accounting standards as issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements



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

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

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

We communicate with those charged with governance 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,
13 March 2025


Suzana Stavrikj
Statutory Auditor


NLB BANKA SH.A.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2024

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

	Note	December 31, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents and balances with the Central Bank	4	202,081	137,074
Loans and advances to banks	5	57,145	68,245
Loans and advances to customers	6	996,781	831,333
Financial assets at fair value through OCI	7	154,104	175,373
Other assets	8	2,602	3,850
Reposessed assets	8.1	249	83
Property and equipment	9	9,483	9,773
Right of use assets	9.1	2,409	2,412
Intangible assets	10	1,314	1,094
Deferred tax asset	26	694	520
Total assets		1,426,862	1,229,757
LIABILITIES			
Due to banks	11	62,118	21,281
Due to customers	12	1,138,254	1,008,264
Other financial liabilities	13	11,365	18,917
Other financial liabilities at fair value through profit and loss	13.1	178	122
Provisions	14	5,870	5,965
Corporate tax payable	26	440	619
Borrowings and Subordinated debts	16	34,808	24,920
Total liabilities		1,253,033	1,080,088
SHAREHOLDERS' EQUITY			
Share capital	17	51,287	51,287
Other Equity Instrument	27	9,965	-
Revaluation reserve on fair value through other comprehensive income securities	28	838	992
Retained earnings		111,739	97,390
Total shareholders' equity		173,829	149,669
Total liabilities and shareholders' equity		1,426,862	1,229,757

These financial statements have been approved by the Management Board on February 28, 2025 and signed on their behalf by:


 Mr. Visar Kabashi
 Director of Finance Division


 Mr. Gem Maloku
 Acting President of Management Board

The accompanying notes from page 8 to 83 form an integral part of these financial statements.

NLB BANKA SH.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2024
(All amounts expressed in EUR thousand, unless otherwise stated)

		Year ended December 31, 2024	Year ended December 31, 2023
Interest and similar income	18	62,689	53,699
Interest and similar expense	19	(11,246)	(6,534)
Net interest income		51,443	47,165
Fee and commission income	20	15,966	14,769
Fee and commission expense	21	(5,682)	(5,387)
Net fee and commission income		10,284	9,382
Impairment losses on financial assets, net	22	(542)	1,203
Net Operating Income		61,185	57,750
Foreign exchange gains	23	635	783
Other operating income	23	25	65
Other operating expenses	23	(2,779)	(2,214)
Provisions	15	(551)	(428)
Personnel expenses	24	(9,102)	(8,538)
Depreciation and amortization	9,10	(2,303)	(2,147)
Administrative expenses	25	(6,158)	(5,310)
Profit before tax		40,952	39,961
Income tax expense	26	(3,924)	(3,994)
Net profit for the year		37,028	35,967
Other comprehensive income / (loss):			
Other comprehensive income that will not be reclassified to profit and loss statement			
Net (loss) / gain from fair value changes of equity instruments measured at fair value through other comprehensive income	28	176	240
Total items that will not be reclassified to the profit and loss statement		176	240
Other comprehensive income that has been or may be reclassified to profit and loss statement			
Net (loss) on debt instruments measured at fair value of fair value through other comprehensive income	28	(330)	(382)
Total items that will be reclassified to the profit and loss statement			
Other comprehensive (loss)/income for the year	28	(154)	(142)
Total comprehensive income for the year		36,874	35,825
Basic and diluted earnings per share (EUR\share)	29	867.2	842.3

The accompanying notes from page 8 to 83 form an integral part of these financial statements.

NLB BANKA SH.A.
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2024

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

	Share capital	Other equity instrument	Retained earnings	Revaluation reserve for FVOCI instruments	Total
Balance as at January 1, 2023	51,287	-	61,423	1,134	113,844
Net profit for the year	-	-	35,967	-	35,967
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>	-	-	-	240	240
Changes in fair value of equity instruments measured at FVOCI (Note 28)	-	-	-	240	240
<i>Items that has been or may be reclassified subsequently to profit or loss</i>	-	-	-	(382)	(382)
ECL for debt financial instruments measured at FVOCI (Note 28)	-	-	-	(364)	(364)
Changes in fair value of debt financial instrument measured at FVOCI (Note 28)	-	-	-	(18)	(18)
Total other comprehensive income	-	-	-	(142)	(142)
Total comprehensive income	-	-	35,967	(142)	35,825
Total transactions with Shareholders	-	-	-	-	-
Balance as at December 31, 2023 / January 01, 2024	51,287	-	97,390	992	149,669
Net profit for the year	-	-	37,028	-	37,028
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>	-	-	-	176	176
Changes in fair value of equity instruments measured at FVOCI (Note 28)	-	-	-	176	176
<i>Items that has been or may be reclassified subsequently to profit or loss</i>	-	-	-	(330)	(330)
ECL for debt financial instruments measured at FVOCI (Note 28)	-	-	-	(144)	(144)
Change in fair value of debt financial instrument measured at FVOCI (Note 28)	-	-	-	(186)	(186)
Total other comprehensive income	-	-	-	(154)	(154)
Total comprehensive income	-	-	37,028	(154)	36,874
Dividend paid	-	-	(22,679)	-	(22,679)
Other equity instrument	-	9,965	-	-	9,965
Total transactions with Shareholders	-	9,965	(22,679)	-	(12,714)
Balance as at December 31, 2024	51,287	9,965	111,739	838	173,829

The accompanying notes from page 8 to 83 form an integral part of these financial statements.

NLB BANKA SH.A.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2024 (All amounts expressed in EUR thousand, unless otherwise stated)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Cash flows from operating activities			
Profit for the year before taxation		40,952	39,961
Depreciation and amortization	9,10	2,303	2,147
Charge / (Release) of impairment on financial assets	22	542	(1,203)
Charges for provisions	15	551	428
Interest income	18	(62,689)	(53,699)
Interest expense	19	11,246	6,534
		(7,095)	(5,832)
Increase in mandatory reserve with Central Bank	4.1	(9,572)	(7,519)
Increase in loans and advances to banks	5	(90)	(412)
Increase in loans and advances to customers	6	(170,496)	(89,527)
Decrease /(Increase)/ in other assets	8	518	(1,519)
Increase /(Decrease) in due to banks	11	40,837	(19,144)
Increase in due to customers	12	129,990	114,022
Decrease/(Increase)in other financial liabilities	13	(6,164)	5,456
Decrease/(Increase)in other liabilities	14	(53)	127
		(22,125)	(4,348)
Interest received		62,319	53,321
Interest paid		(9,125)	(5,907)
Income tax paid		(3,994)	(4,601)
Cash inflows generated from / (used in) operating activities		27,075	38,465
Cash flows from investing activities			
Purchases of property and equipment	9	(1,022)	(962)
Proceeds from sale of PPE		9	546
Purchases of intangible assets	10	(608)	(298)
Purchases of financial assets at fair value though other comprehensive income	7	(356,117)	(560,860)
Proceeds from maturity of financial assets at fair value though other comprehensive income		377,578	518,711
Net cash used in investing activities		19,840	(42,863)
Cash flows used in financing activities			
Proceeds from borrowings	16	10,000	10,000
Payment of dividend		(22,679)	-
Subordinated debts repaid during the year		(15,000)	-
Subordinated debts received during the year		15,000	-
Additional Tier One Capital (Other equity instrument)		10,000	-
Cash (used in). generated from financing activities		(2,679)	10,000
Increase in cash and cash equivalents		44,236	5,602
Cash and cash equivalents of January 1	4.1	121,971	116,369
Cash and cash equivalents of December 31	4.1	166,207	121,971

The accompanying notes from page 8 to 83 form an integral part of these financial statements.

NLB BANKA SH.A.
NOTES TO THE IFRS FINANCIAL STATEMENTS
For the year ended December 31, 2024

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

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 Kosovo (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 (“Central Bank of Kosovo”).

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, 2024 (2023: 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, 2024, 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, 26 sub-branches.

The Bank as of December 31, 2024 had 478 employees. (December 31, 2023: 468).

During the period ending December 2024, the following changes has happened in the Management Board of NLB Banka sh.a.:

- As of end of July, 2024 with decision of Board of Directors of the Bank, Mr. Gazmend Kadriu has resigned from the position of President of the Management Board.
- As of August 1, 2024, Mr. Gem Maloku with decision of Board of Directors of the Bank has been appointed in the position of the Acting President of the Management Board.

The financial statements of the Bank for the year ended December 31, 2024 were approved by the Management Board on February 28, 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Statement of compliance

The Bank prepares its financial statements according to International Financial Reporting Standards IFRS accounting standards as issued by the International Accounting Standards Board (IASB). The Bank’s financial statements for the year ended December 31, 2024 are prepared in accordance with IFRS accounting standards 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, material accounting policies and the notes to the financial statements. These financial statements include 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, except for the Financial assets through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss, if any, that are measured at fair value. The principal accounting policies are set out below.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation of financial statements (continued)

2.2.1 Going concern

The Bank has prepared the financial statement on the basis that will operate as a 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, not less than 12 months from the end of the date of the approval of these financial statements. 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.

Macro-economic uncertainty

The macroeconomic environment in Kosovo has been impacted by high inflation rate and continues interest rate rises which has impacting the current economic environment, and have had a direct impact on Bank's performance such as increase on loan demand and respectively on increase of interest income and interest expenses. Further the GDP growth has impacted positively the client's performance position during the interim period.

Significant events and transactions

Management of the Bank believes that the Bank is well positioned to cope with a downturn in the economy.

Factors contributing to the bank's strong position are:

- prudent risk management,
- the bank's commitment to maintain high level of liquidity,
- the Bank's major customers have not experienced financial difficulties. The Bank continues to have sound structure of credit quality.

Overall, the Bank is in a strong position and has sufficient capital and liquidity to service its operating activities and debt. The Bank's objectives and policies for managing capital, credit risk and liquidity risk are described in its annual financial statements.

In light of the continuing conflict in the Ukraine, the uncertainty continues to be present in Kosovo market and as such the negative impact is estimated to be in supply chain and as result this might have its impact on Bank's client performance.

In connection with the situation prevailing at the year ended December 31, 2024, the Bank's financial performance is affected by inverse interest rate environment which impacted on increase for loan demand and rising interest rates on deposits which impacts net interest income of the Bank.

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 accounting standards as issued by the International Accounting Standards Board (IASB) 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. Material estimates are disclosed in more details in Note 2.27, 2.28, 2.29, 2.30, 2.31, 2.32, 2.33 and 2.34. Revision to estimates is recognized prospectively.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation of financial statements (continued)

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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 (FVPL); and
- Non-trading financial assets, mandatorily at fair value through profit or loss (FVPL).

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 fair value through other comprehensive income 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. fair value through other comprehensive income 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 fair value through other comprehensive income, 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 fair value through profit and loss, 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 fair value through profit and loss. 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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (continued)

a) Classification and measurement (continued)

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 fair value through profit and loss.

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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (continued)

a) Classification and measurement (continued)

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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (continued)

d) Derecognition (continued)

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 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 2.34.

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 fair value through profit and loss, 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 Bank 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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets (continued)

a) Expected credit losses for collective allowances (continued)

Classification into stages (continued)

- 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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets (continued)

a) Expected credit losses for collective allowances (continued)

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

NLB BANKA SH.A.
NOTES TO THE IFRS FINANCIAL STATEMENTS
For the year ended December 31, 2024

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 equivalents are carried at amortized cost.

2.10 Obligatory liquidity reserve

In accordance with the Central Bank of Kosovo 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 Central Bank of Kosovo and 50% of the EUR equivalent of cash denominated in readily convertible currencies. Deposits with the Central Bank of Kosovo 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 losses, 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%

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if necessary.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

Amortization methods, useful lives and residual values are reassessed at each reporting date and adjusted if necessary.

2.15 Repossessed assets

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed assets which are not intended for continued use as a tangible asset or investment property and a bank has intention to sell them as soon as possible are included in accounting category repossessed property within inventories. Repossessed property is initially recognized at the lower of:

- fair value, less estimated costs to sell or
- repossession value.

The difference between the recognized value of the repossessed property and carrying amount of derecognized receivable is recognized in the income statement as impairment/reversal of impairment loans and receivables. After initial recognition repossessed property is measured at in accordance with the group of assets to which it is classified.

The bank keeps repossessed assets based on CBK regulation on limits to holdings of real estate and movable property in banks balances. If the repossessed asset stays more than five years then the value in accounting is nil

2.16 Impairment of non-financial assets

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

An impairment loss is 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.

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

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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 until they are also approved by Central Bank of the Republic of Kosovo and then transferred to liabilities and paid.

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.

Other equity instruments - Additional Tier 1 capital :

According to the Terms and Conditions, the Notes are perpetual and have no scheduled maturity date and shall not fall due for redemption, except in cases specifically covered in the Terms and Conditions. The Noteholders do not have a right to demand the redemption of the Notes.

The Issuer, in its full discretion, may, at any time cancel in whole or in part, any scheduled Distribution payments on the Notes at any time, on a non-cumulative basis and for an unlimited period.

Based on the characteristics of the Notes, this instrument qualifies as an equity instrument in accordance with IAS 32 Financial Instruments: Presentation. The Notes will be recognised as equity instrument in the statement of financial position in a separate line "Other equity instruments". Distributions to the Noteholders will be regularly accrued on the Current Principal Amount and recognised directly in equity (decrease of retained earnings). In case of cancelation of Distributions (discretionary or mandatory), the unpaid accrual will be reversed with a corresponding increase of retained earnings. Transaction costs of the transaction will be accounted for as a deduction from equity.

In case of a Write-down, the amount under "Other equity instruments" decreases, with a corresponding increase of retained earnings without any impact on profit and loss. If a Write-up occurs in subsequent period, the amount of "Other equity instruments" increases with a corresponding decrease in retained earnings, again with no impact on profit or loss. Proceeds from the issuance of AT1 instruments are recognized in equity, net of transaction costs. Any discretionary payments made to holders are recognized directly in equity. For regulatory reporting purposes, the classification and reporting of these instruments comply with the Capital Adequacy Regulation of the Central Bank of the Republic of Kosovo.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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, 2024 the Bank does not have any contracts as lessor.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 disclosures 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 constraints, 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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 Fair Value Though Other Comprehensive Income 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 28.

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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 2024:

- 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.
- FRS 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.

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:

- Lack of exchangeability (amendments to IAS 21), effective from 1 January 2025.
- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments, effective from 1 January 2026.
- IFRS 18 Presentation and Disclosure in Financial Statements, effective from 1 January 2027.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective from 1 January 2027.

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.

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

	December 31, 2024	December 31, 2023
Cash on hand	33,363	28,623
Cash at banks-current accounts with correspondent banks	28,230	7,412
<i>Amounts held at the Central Bank of Republic of Kosovo</i>		
Current account	51,199	21,275
Obligatory reserve account	89,446	79,874
Allowance for ECL	(157)	(110)
Cash and balances with the Central Bank	202,081	137,074

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

	December 31, 2024	December 31, 2023
Opening balances	110	123
Charge to profit and loss	47	(13)
Closing balance	157	110

During the period ended December 31, 2024 all correspondent banks applied positive interest rates on daily credit balance (some of them do not apply any interest). The rates varied between 0.00% to 1.65% for EUR Currency and 0.00% to 1.82% while for the USD we have the positive interest rate 0.0001%). For 2023, the rates for EUR currency varied from 0.0001% to 1.91%, for USD currency from 0.0001% to 2.33%, where for CHF and other currencies no interest rates.

The minimum reserve base requirement increased during 2024 by EUR 9.6 million compared to 2023 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, and balances with the Central Bank.

Balance of the obligatory reserve with Central Bank of Kosovo ("Central Bank of Kosovo") represents the mandatory reserve under the Central Bank of Kosovo regulations. The obligatory reserve is not available for day-to-day use by the Bank. The restricted liquidity reserves balance with Central Bank of Kosovo 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. The assets with which the Bank may satisfy its liquidity requirement are the EUR deposits with the Central Bank of Kosovo and 50% of the EUR equivalent of cash denominated in readily convertible currencies.

4.1 CASH AND CASH EQUIVALENTS

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

	December 31, 2024	December 31, 2023
Cash and cash equivalents and balances with the Central Bank	202,081	137,074
Less: Obligatory liquidity reserve	(89,446)	(79,874)
Deposits with original maturity with less than 3 months (note 5)	53,572	64,771
Cash and cash equivalents	166,207	121,971

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4. CASH AND CASH EQUIVALENTS AND BALANCES WITH THE CENTRAL BANK (CONTINUED)

The movement in the allowance for ECL on cash and cash equivalents and balances with Central Bank for the year ended December 31, 2024, is as follows:

December 31, 2024	Balance at January 1, 2024	Transfer	(Increases)/ Decreases	Written offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2024
Stage 1 - 12M expected credit losses	(110)	-	(47)	-	-	-	-	(157)
Cash and Cash equivalents`	(110)	-	(47)	-	-	-	-	(157)
Stage 2 – Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-
Total	(110)	-	(47)	-	-	-	-	(157)

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)

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5. LOANS AND ADVANCES TO BANKS

	December 31, 2024	December 31, 2023
Term deposits with original maturity of less than three months	53,572	64,771
Term deposits	3,574	3,463
Accrued interest	10	31
Allowance for ECL	(11)	(20)
Total loans and advances to banks	57,145	68,245
Current	56,735	67,635
Non-Current	410	610

As at December 31, 2024 included in the total term deposits are EUR 3,574 which are blocked funds for Trade Finance activities (2023: EUR 3,463).

Allowance for ECL movement for the years ended December 31, 2024 and 2023 is as following:

	December 31, 2024	December 31, 2023
Opening balances	20	13
(Release) / charge to profit and loss	(9)	7
Closing balance	11	20

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5. LOANS AND ADVANCES TO BANKS (CONTINUED)

The movement in the allowance for ECL on Loans and advances to Banks for the year ended December 31, 2024, based on IFRS 9 requirements, is as follows:

December 31, 2024	Balance at January 1, 2024	Transfer	(Increases) /Decreases	Write offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2024
Stage 1 - 12M expected credit losses	(20)	-	9	-	-	-	-	(11)
Placements	(20)	-	9	-	-	-	-	(11)
Stage 2 Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Placements	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Placements	-	-	-	-	-	-	-	-
Total	(20)	-	9	-	-	-	-	(11)

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 - 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)

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6. LOANS AND ADVANCES TO CUSTOMERS

Analysis by class of advance

	December 31, 2024	December 31, 2023
Loans to customers	866,306	726,681
Overdrafts	153,050	132,649
Credit cards	9,164	7,400
	1,028,520	866,730
Allowance for ECL	(31,739)	(35,397)
Total loans to customers	996,781	831,333
Current	295,801	361,817
Non-current	700,980	469,516

Loans and advances to customers include accrued interest in the amount of EUR 2,347 thousand (2023: EUR 1,977 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 3,332 thousand (2023: 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:

	December 31, 2024	December 31, 2023
Gross carrying amount		
Loans to Corporate	563,850	504,848
Loans to Retail	464,643	361,511
Loans to Non-banking financial institutions	27	371
	1,028,520	866,730

	December 31, 2024	December 31, 2023
Less: Allowance for ECL		
Loans to Corporate	(19,431)	(24,074)
Loans to Retail	(12,304)	(11,319)
Loans to Non-banking financial institutions	(4)	(4)
	(31,739)	(35,397)

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.

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the credit quality and the maximum exposure to loans and advances to costumers as of December 31, 2024.

December 31, 2024	12-month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.74%-2.59%	529,736	11,495	-	-	541,231
Standard grade	1.32%-39.47%	422,524	30,004	-	-	452,528
Sub-standard grade	5.95%-71.19%	1,054	16,665	-	-	17,719
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	7,326	-	7,326
Individually impaired	100.00%	-	-	9,716	-	9,716
Total		953,314	58,164	17,042	-	1,028,520

The table below shows the credit quality and the maximum exposure to loans and advances to costumers on segment level as of December 31, 2024.

Corporate Lending

December 31, 2024	12-month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.21%-1.72%	90,759	291	-	-	91,050
Standard grade	1.32%-7.46%	419,882	26,307	-	-	446,189
Sub-standard grade	5.92%-30.98%	913	13,821	-	-	14,734
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	2,426	-	2,426
Individually impaired	100.00%	-	-	9,451	-	9,451
Total		511,554	40,419	11,877	-	563,850

The table below shows the credit quality and the maximum exposure to loans and advances to non-banking financial institutions lending as of December 31, 2024.

Non-banking financial institutions Lending

31 December 2024	12-month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.21%-1.72%	1	-	-	-	1
Standard grade	1.32%-7.46%	18	1	-	-	19
Sub-standard grade	5.92%-30.98%	-	-	-	-	-
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	7	-	7
Individually impaired	100.00%	-	-	-	-	-
Total		19	1	7	-	27

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the credit quality and the maximum exposure to loans and advances to retail lending as of December 31, 2024.

Retail Lending

31 December 2024	12-month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.74%-2.59%	438,976	11,204	-	-	450,180
Standard grade	15.89%-39.47%	2,624	3,696	-	-	6,320
Sub-standard grade	17.50%-71.19%	141	2,844	-	-	2,985
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	4,893	-	4,893
Individually impaired	100.00%	-	-	265	-	265
Total		441,741	17,744	5,158	-	464,643

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%	415,757	4,489	-	-	420,246
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%	-	-	10,137	-	10,137
Total		778,349	72,146	16,235	-	866,730

The table below shows the credit quality and the maximum exposure to loans and advances to corporate lending 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

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the credit quality and the maximum exposure to loans and advances to non-banking financial institutions lending as of December 31, 2023.

Non-banking financial institutions 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	12-month Basel					
Internal rating grade	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 tables below summarize the ageing of stage 2 and stage 3 as of December 31, 2024.

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, 2024	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	5,617	917	4,290	3,246	9,907	4,163
30 dpd	5,617	917	1,559	1,176	7,176	2,093
90 dpd	-	-	2,731	2,070	2,731	2,070
More than:	1,504	333	7,906	7,322	9,410	7,655
30 dpd	1,504	333	-	-	1,504	333
90 dpd	-	-	7,906	7,322	7,906	7,322
Total	7,121	1,250	12,196	10,568	19,317	11,818

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The tables below summaries the ageing of stage 2 and stage 3 as of December 31, 2024 for corporate lending:

Corporate Lending	Stage 2		Stage 3		Total	
December 31, 2024	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	3,501	400	2,612	1,678	6,113	2,078
30 dpd	3,501	400	704	395	4,205	795
90 dpd	-	-	1,908	1,283	1,908	1,283
More than:	822	43	5,287	4,768	6,109	4,811
30 dpd	822	43	-	-	822	43
90 dpd	-	-	5,287	4,768	5,287	4,768
Total	4,323	443	7,899	6,446	12,222	6,889

The tables below summaries the ageing of stage 2 and stage 3 as of December 31, 2024 for retail lending:

Retail Lending	Stage 2		Stage 3		Total	
December 31, 2024	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than:	2,116	517	1,678	1,568	3,794	2,085
30 dpd	2,116	517	855	781	2,971	1,298
90 dpd	-	-	823	787	823	787
More than:	682	290	2,619	2,554	3,301	2,844
30 dpd	682	290	-	-	682	290
90 dpd	-	-	2,619	2,554	2,619	2,554
Total	2,798	807	4,297	4,122	7,095	4,929

The tables below summarize the ageing of stage 2 and stage 3 as of December 31, 2023

(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

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The tables below summarize 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 Lending	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	-	-	1,727	1,648	1,727	1,648
Total	2,245	704	3,215	2,842	5,460	3,546

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

	December 31, 2024	December 31, 2023
ECL (release) / charge for the year, net	631	(1,170)
Recovery of previously written of loans	(547)	(578)
Charge to profit and loss	84	(1,748)

Movement of allowance for ECL for loans and advances to customers

	December 31, 2024	December 31, 2023
Allowance for ECL for loans and advances to customers at January 1,	35,397	36,427
Charge during the year	26,089	24,288
Recoveries	(25,458)	(25,458)
ECL charge for the year, net	631	(1,170)
Written off loans	(4,599)	(82)
Accrued Interest for stage 3 loans	310	222
Provision for loan impairment at December 31,	31,739	35,397

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The movement in the allowance for ECL on loans to customers for the year ended December 31, 2024 and 2023, is as follows:

December 31, 2024	Balance at January 1, 2024	Transfer	(Increases)/ Decreases	Write offs	Change in model risk parameter	Foreign exchange and other movements	Balance at December 31, 2024
Stage 1 12 M expected credit losses	(11,838)	(2,990)	(2,574)	-	5,737	-	(11,665)
Loan and advances to individuals	(4,240)	(2,194)	(166)	-	2,429	-	(4,171)
Loan and advances to legal entities	(7,598)	(796)	(2,408)	-	3,308	-	(7,494)
Stage 2 Lifetime ECL not credit impaired	(9,320)	(3,200)	5,822	-	195	-	(6,503)
Loan and advances to individuals	(3,503)	(66)	611	-	(316)	-	(3,274)
Loan and advances to legal entities	(5,817)	(3,134)	5,211	-	511	-	(3,229)
Stage 3 Lifetime ECL - credit impaired	(14,239)	6,190	(9,633)	4,599	(488)	-	(13,571)
Loan and advances to individuals	(3,583)	2,260	(3,600)	319	(254)	-	(4,858)
Loan and advances to legal entities	(10,656)	3,930	(6,033)	4,280	(234)	-	(8,713)
Total	(35,397)	-	(6,385)	4,599	5,444	-	(31,739)

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	178	-	(14,239)
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)

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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	Total
Gross carrying amount as 1 January 2024	432,453	60,339	12,055	504,847
New assets originated or purchased	184,130	3,946	257	188,333
Closed Assets derecognition	(55,595)	(11,338)	(1,616)	(68,549)
Transfer to Stage 1	(962)	861	101	-
Transfer to Stage 2	(430)	151	279	-
Transfer to Stage 3	(303)	(3,233)	3,535	-
Changes due to change in credit risk (net)	(47,740)	(10,307)	1,546	(56,501)
Amounts written off	-	-	(4,280)	(4,280)
Foreign exchange adjustments	-	-	-	-
As 31 December 2024	511,554	40,419	11,877	563,850

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as 1 January 2024	7,595	5,820	10,660	24,075
New assets originated or purchased	2,900	363	133	3,396
Closed Assets derecognition	(929)	(541)	(1,123)	(2,593)
Transfer to Stage 1	1,168	(1,052)	(115)	0
Transfer to Stage 2	(250)	573	(324)	0
Transfer to Stage 3	(22)	(687)	709	0
Changes due to change in credit risk (net)	(2,072)	(2,413)	3,324	(1,161)
Amounts written off	-	-	(4,280)	(4,280)
Foreign exchange adjustments	-	-	-	-
As 31 December 2024	8,390	2,063	8,984	19,436

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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	Total
Gross carrying amount as 1 January 2024	345,530	11,802	4,179	361,511
New assets originated or purchased	200,840	3,963	143	204,946
Closed Assets derecognition	(49,168)	(1,365)	(394)	(50,928)
Transfer to Stage 1	(169)	127	42	-
Transfer to Stage 2	1,448	(1,459)	11	-
Transfer to Stage 3	223	212	(436)	-
Changes due to change in credit risk (net)	(56,963)	4,464	1,932	(50,567)
Amounts written off	-	-	(319)	(319)
Foreign exchange adjustments	-	-	-	-
As 31 December 2024	441,741	17,744	5,158	464,643

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as 1 January 2024	4,240	3,503	3,583	11,326
New assets originated or purchased	2,070	383	132	2,585
Closed Assets derecognition	(620)	(212)	(338)	(1,170)
Transfer to Stage 1	(460)	112	348	-
Transfer to Stage 2	(779)	724	55	-
Transfer to Stage 3	(1,300)	(426)	1,726	-
Changes due to change in credit risk (net)	1,020	(810)	(329)	(119)
Amounts written off	-	-	(319)	(319)
Foreign exchange adjustments	-	-	-	-
As 31 December 2024	4,171	3,274	4,858	12,303

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	(56,378)	(16,304)	(2,106)	-	(74,788)
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	-	-	(79)	-	(79)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2023	432,453	60,339	12,056	-	504,848

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6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	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	7,595	5,821	10,660	-	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	1,850	697	2,582	-	5,129
New assets originated or purchased	(2,765)	2,499	1,723	-	1,457
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)	428	411	(151)	-	688
Amounts written off	-	-	(3)	-	(3)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2023	4,239	3,503	3,583	-	11,325

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2024	December 31, 2023
Treasury bonds and bills	152,896	174,371
Investment in shares	1,208	1,002
Total financial assets at fair value through other comprehensive income	154,104	175,373
Current	100,674	147,093
Non-current	53,430	28,280

Financial assets at fair value through OCI amounted to EUR 154.1 million and compared to end of the year 2023 decreased by EUR 21.2 million or 12.1% The decrease was affected from payment of dividend and increase in loans. Structure of Financial assets at fair value through OCI are as follows:

- Kosovo Bonds EUR 30.4 million, (interest rates 1.68% to 4.5%) and maturity from 2- 6.5 years.
- US Bonds USD 7.5million (EUR 7.219 million), (interest rate average 4.17%) and maturity up to 1 month.
- EU Securities EUR 56 million in Bonds and 61 million in Bills (yield from 2.16% to 3.51%) and maturity from 1 month-8 years.

The international portfolio in the total amount of 124.2 million is mainly concentrated in EU and US government securities. All financial assets are with fixed interest yield. As of December 31, 2024, there are no pledged debt securities to third parties.

Financial assets at fair value through OCI as of December 31, 2023 amounted to EUR 175.3 million. 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 Securities EUR 118 million in Bills (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 were no pledged debt securities to third parties.

Investment in shares are in amount of USD 175 thousands 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.

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

December 31, 2024	12 month Basel					
Internal rating grade	III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.05% - 0.30%	122,540	-	-	-	122,540
Standard grade	0.60% - 2.40%	30,356	-	-	-	30,356
Sub-standard grade	4.80% - 9.20%	-	-	-	-	-
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	-	-	-
Individually impaired	100.00%	-	-	-	-	-
Total		152,896	-	-	-	152,896

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% - 9.20%	-	-	-	-	-
Low grade	100.00%	-	-	-	-	-
Non-performing						
Group impaired	100.00%	-	-	-	-	-
Individually impaired	100.00%	-	-	-	-	-
Total		174,371	-	-	-	174,371

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement in allowance for ECL for financial instruments at Fair Value Through Other Comprehensive Income, charged to profit and loss and other comprehensive is as following:

	December 31, 2024	December 31, 2023
Opening balances	427	791
(Release) / charge to profit and loss	(142)	(364)
Closing balance	285	427

Debt Securities: December 31, 2024	Balance at January 1, 2024	Transfer	Increases/ Decreases	Write offs	Repayments of written off receivables	Change in model risk parameters	Foreign exchange and other movements	Balance at December 31, 2024
Stage 1 - 12 M expected credit losses	(427)	-	136	-	-	6	-	(284)
Stage 2 Lifetime ECL not credit impaired	-	-	-	-	-	-	-	-
Stage 3 Lifetime ECL - credit impaired	-	-	-	-	-	-	-	-
Total	(427)	-	136	-	-	6	-	(284)

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)

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8. OTHER ASSETS

	December 31, 2024	December 31, 2023
Prepaid expenses	1,447	978
Receivables from cards business	1,031	2,727
Inventories	20	13
Other financial assets	104	132
Total other assets	2,602	3,850
Current	2,602	3,850

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

	December 31, 2024			December 31, 2023		
	Gross amount	ECL	Net amount	Gross amount	ECL	Net amount
Other financial assets	2,165	(2,061)	104	5,075	(4,943)	132
Total	2,165	(2,061)	104	5,075	(4,943)	132

Allowance for ECL movement for the years ended December 31, 2024 and 2023 is as following:

	December 31, 2024	December 31, 2023
Opening balances	4,943	4,018
Written-off	(3,445)	-
Charge for the year	563	925
Closing balance	2,061	4,943

8.1. REPOSSESSED ASSETS

	December 31, 2024	December 31, 2023
Repossessed assets	249	83
Total Repossessed assets	249	83

These assets are repossessed following the foreclosure on loans that are in default. As of December 31, 2024 the repossessed assets represent 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, 2022	10,534	1,007	3,666	5,610	814	21,631
Additions during the year	-	39	10	735	178	962
Write offs/disposals	(60)	-	(5)	(25)	-	(90)
As at December 31, 2023	10,474	1,046	3,671	6,320	992	22,503
Additions during the year	107	200	205	263	247	1,022
Write offs/disposals	-	-	(7)	(514)	(56)	(577)
As at December 31, 2024	10,581	1,246	3,869	6,069	1,183	22,948
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
Charge for the year	318	46	248	593	107	1,312
Write offs	-	-	(7)	(514)	(56)	(577)
As at December 31, 2024	3,584	981	3,234	4,947	719	13,465
Net book value:						
As at December 31, 2023	7,208	111	678	1,452	324	9,773
As at December 31, 2024	6,997	265	635	1,122	464	9,483

As at 31 December 2024 and 2023 there are no property and equipment encumbered or pledged to secure Bank's liabilities.

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9. PROPERTY AND EQUIPMENTS (CONTINUED)

9.1. RIGHT OF USE OF ASSETS

	Land and buildings at cost-lease	Furniture and equipment at cost- lease	Total
Cost:			
As of January 01, 2023	3,761	812	4,573
Additions during the year	465	102	567
Write offs/disposals	47	-	47
As at December 31, 2023	4,273	914	5,187
Additions during the year	2,608	393	3,001
Write offs/disposals	(4,273)	(914)	(5,187)
As of December 31, 2024	2,608	393	3,001
Accumulated depreciation:			
As of January 01, 2023	1,782	407	2,189
Charge for the year	484	102	586
Write offs	-	-	-
As of December 31, 2023	2,266	509	2,775
Charge for the year	523	79	602
Write offs	(2,276)	(509)	(2,785)
As of December 31, 2024	513	79	592
Net book value:			
As of December 31, 2023	2,007	405	2,412
As of December 31, 2024	2,095	314	2,409

9.1.1 Expenses recognized in the Statement of Comprehensive Income

	December 31,2024	December 31,2023
Depreciation Expenses	592	585
Interest expense (included in finance cost)	83	55
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	116	98
Total cash outflow for leases	791	738

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9. PROPERTY AND EQUIPMENTS (CONTINUED)

9.1. RIGHT OF USE OF ASSETS (CONTINUED)

9.1.2 Lease Liability

	December 31, 2024	December 31, 2023
Lease Liability opening January 1,	2,490	2,435
Addition of Right of Use Assets	3,000	567
Write of/Disposal	(2,403)	(47)
-less Lease payment	(654)	(614)
Reversal of lease termination	1	94
Net interest on Lease Liabilities	83	55
Total Lease Liability	2,517	2,490

9.1.3 Maturity Lease Liability

The present value of lease liabilities as at 31 December 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
Up to 30 days	54	51
From 1 to 3 months	109	102
From 3 to 6 months	163	153
From 6 to 12 months	327	307
Over 12 months	1,864	1,877
Total	2,517	2,490

10. INTANGIBLE ASSETS

Cost:

	Software
As at January 1, 2023	5,336
Additions	298
As at December 31, 2023	5,634
Additions	608
As at December 31, 2024	6,242

Accumulated amortization:

As at January 1, 2023	4,196
Charge for the year	344
As at December 31, 2023	4,540
Charge for the year	388
As at December 31, 2024	4,928

Net book value:

As at December 31, 2023	1,094
As at December 31, 2024	1,314

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

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11. DUE TO BANKS

	December 31, 2024	December 31, 2023
Current accounts	62,118	21,281
Total due to banks	62,118	21,281
Current	62,118	21,281
Non-current	-	-

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

12. DUE TO CUSTOMERS

	December 31, 2024	December 31, 2023
Enterprises	208,620	205,759
Citizens	516,127	511,703
Government	6,207	21,530
	730,954	738,992
Term Deposits		
Enterprises	115,471	70,990
Citizens	278,457	190,963
Government	13,372	7,319
	407,300	269,272
Total due to customers	1,138,254	1,008,264
Current	714,622	738,992
Non-Current	423,632	269,272

Due to customers include accrued interest in the amount of EUR 3,701 thousand (2023: EUR 1,595 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, 2024	December 31, 2023
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	794,584	702,666
Enterprises, governments and other legal entities	343,670	305,598
	1,138,254	1,008,264

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13. OTHER FINANCIAL LIABILITIES

	December 31, 2024	December 31, 2023
Pending client's transfers	4,642	11,616
Accrued expenses	749	867
Due to suppliers	253	379
Liabilities for bonuses	1,569	1,077
Liabilities on transfers for POS and for Master and Visa cards	1,007	2,033
Lease liabilities	2,517	2,490
Others	628	455
Total other financial liabilities	11,365	18,917

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 3,262 thousand (2023: EUR 6,682 thousand) payable to Customs Authorities, which was transferred on January 03, 2025 (2023: January 03, 2024) 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, 2024	December 31, 2023
Non-trading financial instruments at fair value though profit or loss	178	122
Total other financial liabilities	178	122

14. PROVISIONS

	December 31, 2024	December 31, 2023
Provisions for legal cases	4,185	4,575
Expected credit losses for guarantees	216	178
Expected credit losses for unused exposures	899	589
Other provisions	269	269
Total Provisions	5,569	5,611
Deferred income from guarantees	100	83
VAT and other tax payable	201	271
Total other liabilities	301	354
Total provisions	5,870	5,965

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14. PROVISIONS (CONTINUED)

Movements on allowance for ECL on Guarantees and unused exposures as of December 31, 2024 and 2023 are as follows:

December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2024	626	96	45	767
Transfers	11	13	(24)	-
Increases	520	12	44	576
Write offs	-	-	-	-
Changed in models/risk parameters	(228)	(6)	6	(228)
Foreign exchange and on movements	-	-	-	-
Balance at December 31, 2024	928	116	71	1,115

December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2023	788	208	43	1,039
Transfers	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

15. PROVISIONS

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

	December 31, 2024	December 31, 2023
Provisions for legal cases	217	521
Provisions for fines and penalties	(13)	(22)
ECL for guarantees	38	(183)
ECL for unused exposures	309	(88)
Other provisions	-	200
Charge to profit and loss	551	428

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, 2024	December 31, 2023
Balance as at January 1, for legal cases	4,575	4,135
Charge of the year for provision for legal cases	217	521
Utilized during the year	(606)	(81)
Balance as at December 31, for legal cases	4,186	4,575

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16. BORROWINGS AND SUBORDINATED DEBTS

	December 31, 2024	December 31, 2023
<i>Current portion</i>		
Interest payable in Borrowing	8	-
Interest payable in subordinated debt	18	10
Total current portion	26	10
<i>Non-current portion</i>		
Borrowings	19,832	9,910
Subordinated debt	14,950	15,000
Total non-current portion	34,782	24,910
Total borrowings	34,808	24,920

As of December 10, 2024 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 5 million obtained for financing the portfolio of GEFF and the other of 5 million for financing Go Green Loans. The Interest rate for both loans is 1.3% plus Euribor p.a. The bank is within all financial covenants of EBRD borrowings.

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.

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%. This debt was repaid as of June 2024, and a new deal was contracted as of June 19, 2024 at the amount of EUR 15 million with tenor of 10 years with fixed interest rate of 5.85%.

17. SHARE CAPITAL

As at December 31, 2024, the share capital amounted to EUR 51,287 thousand (2023: EUR 51,287 thousand).

<u>Authorised share capital</u>		
42,739 Ordinary shares at par value of EUR 1,200 each	51,287	51,287
<u>Paid up share capital</u>		
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.

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17. SHARE CAPITAL (CONTINUED)

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

Shareholders	Percentage ownership	December 31, 2024	Percentage ownership	December 31, 2023
Nova Ljubljanska Banka d.d	82.38%	42,248	82.38%	42,248
Agjencioni i Turizmit "MCM"	4.71%	2,414	4.71%	2,414
Mrs. Nalan Deshishku	2.48%	1,271	2.48%	1,271
Mr. Rizah Deshishku	1.24%	636	1.24%	636
Mr. Bashkim Deshishku	1.24%	636	1.24%	636
Mrs. Nerimane Ejupi	1.22%	625	1.22%	625
Mr. Naim Ejupi	1.21%	622	1.21%	622
Mr. Metush Deshishku	1.24%	462	0.90%	462
"Dardania" - 2" Sh.p.k.	0.63%	323	0.63%	323
Mr. Xhemail Ismajli	0.60%	310	0.60%	310
Jehona IJT SH.P.K	0.60%	308	0.60%	308
Mrs. Blerina Ejupi	0.51%	259	0.51%	259
Mr. Elez Sylaj	0.44%	223	0.44%	223
Mr. Kadri Shalaku	0.00%	174	0.34%	174
"Raf II" sh.p.k.	0.24%	124	0.24%	124
RUDIS d.d. TRBOVLJE	0.23%	116	0.23%	116
Others	1.03%	536	1.03%	536
	100%	51,287	100%	51,287

Mr. Kadri Shalaku has sold its shares to Mr. Metush Deshishku.

18. INTEREST AND SIMILAR INCOME

	Year ended December 31, 2024	Year ended December 31, 2023
<i>Interest income calculated using the effective interest method</i>	62,689	53,699
Loans and advances to customers at amortized cost	56,378	48,531
Financial assets measured at fair value through other comprehensive income	4,337	3,420
Deposits with banks and central banks	1,974	1,748
<i>Other interest and similar income</i>	-	-
Total Interest and similar income	62,689	53,699

19. INTEREST AND SIMILAR EXPENSES

Analysis by class of liabilities:

	Year ended December 31, 2024	Year ended December 31, 2023
<i>Interest expenses calculated using the effective interest method</i>	11,246	6,534
Due to customers	8,258	4,770
Borrowings	556	239
Subordinated liabilities	1,111	752
Deposits from banks	1,238	718
Lease liabilities	83	55
Total interest expense	11,246	6,534

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20. FEE AND COMMISSION INCOME

Analysis of fee and commission income relating to activities:

	Year ended December 31, 2024	Year ended December 31, 2023
Card and ATM operations	5,921	5,174
Payment transfers and transactions	2,972	2,787
Account maintenance fees	5,789	5,327
Guarantees and letters of credit	496	435
Payments -account maintenance fee for retirees	-	414
Fee for repayment of loan before maturity	212	122
Others	576	510
Total fee and commission income	15,966	14,769

21. FEE AND COMMISSION EXPENSES

Analysis of fee and commission expenses relating to activities:

	Year ended December 31, 2024	Year ended December 31, 2023
Card and ATM operations	4,580	4,373
Payment transfers and transactions	359	335
Guarantees and Letters of Credit	46	53
Payments – Central Bank related fees	387	323
Other fees	310	303
Total fee and commission expenses	5,682	5,387

22. IMPAIREMENT LOSSES ON FINANCIAL ASSETS

The impairment charge for the year ended December 31, 2024 and December 31, 2023 is as follow:

	Year ended December 31, 2024	Year ended December 31, 2023
Cash and cash equivalents and balances with the Central Bank (Note 4)	(47)	(13)
Loans and advances to banks (Note 5)	9	7
Loans and advances to customers (Note 6)	(631)	1,170
Financial assets at fair value through OCI (Note 7)	144	361
Other assets (Note 8)	(564)	(925)
Other charges direct in profit & loss	-	25
Net Recovery of previously written of loans (Note 6)	547	578
Total impairment losses on financial assets	(542)	1,203

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23. OTHER OPERATING INCOME/EXPENSES, NET

	Year ended December 31, 2024	Year ended December 31,2023
Licensing expense	(841)	(759)
Deposit insurance expenses	(1,497)	(1,369)
Other expense	(387)	(63)
Net (Loss)/Gain on Financial Liabilities at Fair Value Through Profit or Loss	(54)	(23)
Other operating expenses	(2,779)	(2,214)
Other Income	25	65
Foreign exchange translation (loss)/gain	263	235
Foreign exchange trading income	599	861
Foreign exchange trading expense	(227)	(312)
Foreign exchange trading income	372	549
Net foreign exchange gains	635	783
Other operating income/expenses, net	(2,119)	(1,366)

24. PERSONNEL EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Gross Salaries and wages	6,837	6,612
Mandatory staff pension contributions	360	361
Staff health insurance costs	159	197
Employee's food costs	349	347
Other staff costs	1,397	1,021
Total staff costs	9,102	8,538

25. ADMINISTRATIVE EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Maintenance	2,569	1,964
Charge for professional services	799	742
Security and insurance costs	527	472
Office supplies	495	518
Marketing and sponsorship	397	301
Telecommunications	374	304
Utilities	225	223
Operating lease expenses	212	201
Taxes and commissions	141	141
Cleaning expenses	93	85
Travel	89	84
Representation	81	84
Others	156	191
Total Administrative and other operating expense	6,158	5,310

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26. INCOME TAX EXPENSE

	Year ended December 31, 2024	Year ended December 31, 2023
Current income tax expense	4,096	4,179
Deferred tax expense/(credit)	(172)	(184)
Tax expense	3,924	3,994

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

	Year ended December 31, 2024	Year ended December 31, 2023
Profit for the year before taxation	40,952	39,961
Profit tax on profit at the rate of 10%	4,095	3,997
Net tax effect of adjustments for tax purposes	1	182
Tax expense	4,096	4,179

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, 2024	Year ended December 31, 2023
Current income tax receivable at January 1,	(619)	(1,041)
Income tax expense	(4,096)	(4,179)
Income tax expense paid during the year	3,994	4,601
Deductible tax for sponsorships	281	-
Current income tax payable/receivable	(440)	(619)

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

	Year ended December 31, 2024	Year ended December 31, 2023
Loan and guarantees impairment provision	-	-
Property and equipment and intangible assets	(2,360)	(2,215)
Interest expense on deposits	4,103	2,341
Provision for legal and other	5,809	5,702
Fair Value Through Other Comprehensive Income revaluation reserve	(617)	(628)
Total deductible temporary difference	6,935	5,200
Total net deferred tax asset at 10%	694	520

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

	Year ended December 31, 2024	Year ended December 31, 2023
Deferred tax asset as at January 1,	520	360
Deferred tax income/ charge	172	184
Fair Value Through Other Comprehensive Income revaluation reserve (equity)	2	(24)
Deferred tax asset as at December 31,	694	520

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27. OTHER EQUITY INSTRUMENTS

	Year ended December 31, 2024	Year ended December 31, 2023
Additional Tier 1 instrument	10,000	-
Deferred fee	(35)	-
Total other equity instruments	9,965	-

28. REVALUATION RESERVE FOR FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME SECURITIES

The movement in revaluation reserve is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Fair value of financial instruments measured at fair value through other comprehensive income as at January 1	565	344
Price change of financial instruments at fair value through other comprehensive income	(11)	246
Deferred tax related to components of other comprehensive income	1	(24)
Net as presented in other comprehensive income (a)	(10)	222
Fair value of financial instruments measured at fair value through other comprehensive income as at December 31 (A)	555	565
Allowance for ECL of debt securities measured at fair value through other comprehensive income at January 1	(427)	(791)
Net as presented in profit or loss (b)	144	364
Allowance for ECL of debt securities measured at fair value through other comprehensive income at December 31 (B)	(284)	(427)
Revaluation Reserve as at December 31 (A-B)	838	992
Fair value and ECL through OCI change during the year (a-b)	(154)	(142)
Net losses on debt instruments at fair value of fair value through other comprehensive income securities	(330)	(382)
Net gain/losses on equity instruments at fair value of Fair Value Through Other Comprehensive Income securities	176	240
Net impact	(154)	(142)

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29. 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, 2024	Year ended December 31, 2023
Net profit	37,028	35,967
Number of ordinary shares	42,739	42,739
Earnings per share (EUR\share)	867.2	842.3

Dividends

During 2024, the General Assembly of Shareholder's on its meeting held on November 13, 2024 approved the dividend distribution of net profit of 2023. The bank declared dividend per share of EUR 504.92 from net profit of 2023 totalling EUR 21,580 thousand, which represents 60% of realized of net profit of respective year. The dividend amount it is in retained earnings and it is expected to be recognized as liability and paid in 2025 after approval from Central Bank of Kosovo.

During 2023, the General Assembly of Shareholder's on its regular meeting held on March 30, 2024 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 22,679 thousand, which represents 70% of realized of net profit of respective year. The dividend was paid on March 2024.

30. 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, 2024 (2023: 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.

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30. RELATED PARTY DISCLOSURES (CONTINUED)

The following table summarizes the scope of related party transactions, balances of assets and liabilities at December 31, 2024 and related income and expenses for the year then ended. These transactions are on contractual terms.

December 31, 2024	Parent Company	Sister companies	Key management personnel	Total
Receivables				
Loans and advances to banks	396	94	-	490
Loans and advances to customers	-	-	289	289
Securities	-	-	-	-
Other receivables	-	-	-	-
Total Receivables	396	94	289	779
Liabilities				
Deposits	61,684	19	85	61,788
Borrowings	-	-	-	-
Subordinated debt	14,968	-	-	14,968
Other liabilities	56	146	-	202
Total Liabilities	76,708	165	85	76,958
Net Receivables/(Liabilities)	(76,312)	(71)	204	(76,179)
Confirmed guarantees	-	-	-	-
Income				
Interest income	310	-	7	317
Fee income	-	-	-	-
Foreign exchange loss	-	-	-	-
Foreign exchange gain	239	-	-	239
Total Income	549	-	7	556
Expenses				
Interest expenses	(2,350)	-	-	(2,350)
Fee expenses	(58)	-	-	(58)
Foreign exchange loss	(201)	-	-	(201)
Salaries rents and other expenses	(156)	(264)	-	(420)
Total Expenses	(2,765)	(264)	-	(3,029)
Net income/(expense)	(2,216)	(264)	7	(2,473)

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30. RELATED PARTY DISCLOSURES (CONTINUED)

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.

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	-	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)

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30. RELATED PARTY DISCLOSURES (CONTINUED)

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

	Year ended December 31, 2024	Year ended December 31, 2023
Salaries	395	441
Bonus	54	149
Total	449	590

31. 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, 2024	Year ended December 31, 2023
Customs	2,074	1,070
Guarantees for payments	7,409	7,936
Public tenders guarantee	7,488	3,660
Letters of Credit	1,779	1,888
Standby letter of Credit	756	711
	19,506	15,265
Guarantees for completion of work	9,030	6,710
	28,537	21,975
Committed loans to customers not yet issued	83,924	69,858
Total	112,461	91,833
ECL for impairment on off balance	(1,115)	(767)
Total net	111,346	91,066

Guarantees, LCs and SBLCs:

Secured

	Year ended December 31, 2024	Year ended December 31, 2023
Secured by cash deposits	5,010	4,316
Secured by other collateral	16,451	14,830
	21,461	19,146

Unsecured

	Year ended December 31, 2024	Year ended December 31, 2023
	7,076	2,829
Total	28,537	21,975

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31. OFF BALANCE SHEET, COMMITMENTS AND CONTINGENCIES (CONTINUED)

a. Guarantees and letters of credit (continued)

The table below shows the credit quality and the maximum exposure of balance sheet commitments and contingencies as of December 31, 2024.

Internal rating grade	12 month Basel III PD range	Stage 1	Stage 2	Stage 3	POCI	Total
Performing						
High grade	0.62% - 4.56%	45,153	363	-	-	45,516
Standard grade	3.33% - 18.72%	62,929	2,806	-	-	65,735
Sub-standard grade	14.41% - 50.90%	327	607	-	-	934
Low grade	100.00%	-	-	245	-	245
Non-performing						
Group impaired	100.00%	-	-	-	-	-
Individually impaired	100.00%	-	-	31	-	31
Total		108,409	3,776	276	-	112,461

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

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, 2024 are in the amount of EUR 4,185 thousand (note 14) (as at December 31, 2023: 4,575 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, 2024 Bank has off balance sheet seized collateral on liquidated amount (bailiff valuation) of EUR 5,532 thousand (2023 EUR 5,520 thousand). The Bank has completed legal foreclosure procedures however it still is in the process of obtaining physical control of the properties.

32. 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 Central Bank of the Republic of Kosovo 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 Central Bank of Republic of Kosovo 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 Central Bank of Republic of Kosovo. 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;

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

a. Capital Risk Management (continued)

- (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 Central Bank of Republic of Kosovo by rule or order from time to time.

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

	December 31, 2024	December 31, 2023
Tier 1 capital		
Share capital	51,287	51,287
Reserves	1,110	1,264
Eligible retained earnings	103,124	61,150
less: deductions from capital	(3,379)	(3,111)
Total qualifying CET 1 capital	152,142	110,590
Additional Tier 1 capital	9,965	-
Total qualifying Tier 1 capital	162,107	110,590
Tier 2 capital		
Subordinated liability	15,000	15,000
Provisions for loan losses (limited to 1.25% of RWA)	12,150	9,902
Total qualifying Tier 2 capital	27,150	24,902
Total regulatory capital	189,257	135,492
Risk-weighted assets:		
On-balance sheet	937,950	767,575
Off-balance sheet	34,070	24,615
Risk assets for operational risk	70,802	63,062
Total risk-weighted assets	1,042,822	855,252
Tier I capital to risk-weighted asset ratio	14.6%	12.9%
Total capital to risk-weighted asset ratio	18.2%	15.8%
Total equity to total assets	12.2%	12.2%

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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, 2024	December 31, 2023
Financial instruments at amortized cost		
Cash and cash equivalents and balances with Central bank	202,081	137,074
Loans and advances to banks	57,145	68,245
Loans and advances to customers	996,781	831,333
Other financial assets	1,135	2,859
Financial instruments at fair value through other comprehensive income		
Financial assets at fair value through other comprehensive income	154,104	175,373
Total financial assets	1,411,246	1,214,884
Financial liabilities at amortized cost		
Due to banks	62,118	21,281
Due to customers	1,138,254	1,008,264
Other financial liabilities	11,365	18,917
Borrowings and Subordinated debt	34,808	24,920
Other financial liabilities at fair value through profit and loss	178	122
Total financial liabilities	1,246,723	1,073,504

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.

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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
	2024	2024	2024	2023	2023	2023	
Assets							
Cash and cash equivalents and balances with central banks	202,081	-	202,081	137,074	-	137,074	Interest rate FX
Due from banks	57,145	-	57,145	68,245	-	68,245	Interest rate FX
Debt instruments at fair value though other comprehensive income	152,896	-	152,896	174,372	-	174,372	Interest rate FX
Equity instruments at fair value though other comprehensive income	1,208	-	1,208	1,000	-	1,000	Traded risk
Loans and advances to customers	996,781	-	996,781	831,333	-	831,333	Interest rate
Total	1,410,111	-	1,410,111	1,212,025	-	1,212,025	
Liabilities							
Financial liabilities at FVPL	178	-	178	122	-	122	Interest rate
Due to customers	1,138,254	-	1,138,254	1,008,264	-	1,008,264	Interest rate FX
Deposits from banks	62,118	-	62,118	21,281	-	21,281	Interest rate
Debt issued and other borrowed funds	19,832	-	19,832	9,910	-	9,910	Interest rate
Total	1,220,382	-	1,220,382	1,039,577	-	1,039,577	

32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)
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, 2024 and 2023. 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
<u>Assets:</u>		
Impact on cash, due from banks and financial assets at FVOCI	2,135	(2,135)
<u>Liabilities:</u>		
Impact on due to banks and customers	(2,082)	2,082
Net impact on profit and loss and equity	53	(53)

As at December 31, 2023

	+10% of Euro	-10% of Euro
<u>Assets:</u>		
Impact on cash and due from banks and financial assets at FVOCI	2,315	(2,315)
<u>Liabilities:</u>		
Impact on due to banks and customers	(2,251)	2,251
Net impact on profit and loss and equity	64	(64)

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

e. Foreign Currency Risk (continued)

The following table summarises the Bank's currency position as at December 31, 2024:

	EURO	USD	CHF	Others	Total
Financial assets					
Cash and cash equivalents and balances with Central Bank	194,552	1,550	5,276	703	202,081
Due from banks	50,173	1,926	3,613	1,433	57,145
Loans to customers – net	996,781	-	-	-	996,781
Financial assets at fair value through other comprehensive income	145,726	7,170	-	-	152,896
Other Financial assets	1,208	-	-	-	1,208
Total financial assets	1,388,440	10,646	8,889	2,136	1,410,111
Financial liabilities					
Other financial liabilities at fair value through profit & loss	178	-	-	-	178
Due to banks	62,045	26	40	7	62,118
Due to customers	1,117,256	10,618	8,528	1,852	1,138,254
Borrowings from banks	19,840	-	-	-	19,840
Subordinated Debts	14,968	-	-	-	14,968
Other financial liabilities	9,971	12	2	3	9,988
Total financial liabilities	1,224,258	10,656	8,570	1,862	1,245,346
Net currency position	164,182	(10)	319	274	164,765

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 Central Bank of Republic of Kosovo	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 fair value through other comprehensive income	165,827	9,547	-	-	175,374
Other Financial assets	2,858	-	-	-	2,858
Total financial assets	1,190,239	13,596	8,773	2,276	1,214,884
Financial liabilities					
Other financial liabilities at fair value through Profit & loss	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	17,595	-	-	-	17,595
Total financial liabilities	1,048,650	12,917	8,634	1,981	1,072,182
Net currency position	141,589	679	139	295	142,702

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

e. Foreign Currency Risk (continued)

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

	December 31, 2024	December 31, 2023
United States Dollar (USD)	1.0389	1.1050
British Pound (GBP)	0.82918	0.86905
Swiss Franc (CHF)	0.9412	0.9260

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.

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

f. Interest rate risk (continued)

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 ($\pm 2\%$) 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	2024	2023
Increase in basic points		
+200 bps parallel shift	(6,457)	993

Interest rate sensitivity	2024	2023
Decrease in basic points		
-200 bps parallel shift	6,837	(1,321)

Economic Value of Equity (EVE) results as at December 31, 2024 is -3.98% of capital (worst scenario +200bps) (2023: -1.19% with worst scenario -200bps). 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 2024 was 7.17%, while in 2023 was 17.08%

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

f. Interest rate risk (continued)

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

December 31, 2024	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest bearing
Assets						
Cash and cash equivalents and balances with central banks	202,081	117,396	-	-	-	84,685
Due from banks	57,145	55,378	1,767	-	-	-
Debt and equity instruments at fair value through other comprehensive income	154,104	73,211	27,626	43,516	9,751	-
Loans and advances to customers	996,781	84,311	286,578	427,993	191,448	6,451
Total financial assets	1,410,111	330,296	315,971	471,509	201,199	91,136
Liabilities						
Due to banks	62,118	42,118	-	20,000	-	-
Borrowings from banks	19,832	-	-	19,832	-	-
Due to customers	1,138,254	41,469	253,836	647,587	16,743	178,619
Subordinated liabilities	14,950	-	-	14,950	-	-
Total financial liabilities	1,235,154	83,587	253,836	702,369	16,743	178,619
Total interest sensitivity gap after risk management	174,957	246,709	62,135	(230,860)	184,456	(87,483)
December 31, 2023	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest bearing
Assets						
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 fair value through other comprehensive income	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)

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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.

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

g. Credit risk (continued)

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, 2024	Net maximum exposure	Impairment
Cash, cash balances at central banks, and other demand deposits as banks	202,081	(157)
Financial assets at fair value through other comprehensive income	152,896	(283)
Financial assets at amortized cost	1,053,926	(31,750)
Loans to government	32	-
Loans to banks	57,145	(10)
Loans to financial organizations	20	(6)
Loans to individuals	452,338	(12,303)
Loans to other customers	544,391	(19,431)
Other financial assets	1,135	(2,062)
Total net financial assets	1,410,038	(34,252)
Guarantees	26,002	(210)
Financial guarantees	7,409	(60)
Letter of guarantees	18,592	(150)
Loan commitments	83,924	(899)
Letters of credit	2,535	(6)
Total commitments and contingent liabilities	112,460	(1,115)
Total maximum exposure to credit risk	1,522,498	(35,367)

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

g. Credit risk (continued)

December 31, 2023	Net maximum exposure	Impairment
Cash, cash balances at central banks, and other demand deposits as banks	137,074	(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	2,859	(4,943)
Total net financial assets	1,213,882	(40,897)
	19,376	
Guarantees		(175)
Financial guarantees	7,936	(67)
	11,440	
Letter of guarantees		(108)
	69,858	
Loan commitments		(589)
	2,598	
Letters of credit		(3)
Total commitments and contingent liabilities	91,833	(767)
Total maximum exposure to credit risk	1,304,715	(41,664)

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, 2024

December 31, 2024	12-month expected credit losses	Life time ECL not credit-impaired	Life time ECL credit-impaired	POCI	Total
A	584,974	11,495	-	-	596,469
B	424,440	30,003	-	-	454,443
C	1,054	16,666	-	-	17,720
D and E	-	-	17,044	-	17,044
Loss allowance	(11,667)	(6,506)	(13,577)	-	(31,750)
Carrying amount	998,801	51,658	3,467	-	1,053,926

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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, 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

Debt instruments at fair value through other comprehensive income as per Internal rating of Bank as of December 31, 2024:

December 31, 2024	12-month expected credit losses	Life time ECL not credit- impaired	Life time ECL credit-impaired	POCI	Total
A	122,308	-	-	-	122,308
B	30,588	-	-	-	30,588
Carrying amount	152,896	-	-	-	152,896
Loss allowance	(285)	-	-	-	(285)

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)

Loan commitments and financial guarantee contracts as per Internal rating of Bank as of December 31, 2024 and 2023.

December 31, 2024	12-month expected credit losses	Life time ECL not credit- impaired	Life time ECL credit- impaired	POCI	Total
A	45,152	363	-	-	45,515
B	62,929	2,806	-	-	65,735
C	327	607	-	-	934
D and E	-	-	277	-	277
Loss allowance	(928)	(116)	(71)	-	(1,115)
Carrying amount	107,480	3,660	206	-	111,346

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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	-	-	228	-	228
Loss allowance	(625)	(96)	(45)	-	(766)
Carrying amount	88,125	2,758	183	-	91,066

h. Loans and advances (continued)

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:

- 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.
- 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.
- If the customer is overdue in repaying contractual instalments (including interest) for over 60 days.
- If the maturity of the loan or facility is over 60 days past due without repayment.

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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.

h. Loans and advances (continued)

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, 2024 there were written off EUR 4,028 thousand loan principal and EUR 571 thousand interests, (2023 EUR 81 thousand loan principal and EUR 1 thousand interests), based on the Central Bank of Republic of Kosovo 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, 2024 and 2023.

32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**h. Loans and advances (continued)**

The effect of collateral of financial assets that are credit impaired at December 31, 2024:

December 31, 2024	Fully/over collateralized financial assets		Financial assets not or not fully covered with collateral	
	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	3,313	39,935	123	410
Debt securities	-	-	-	-
Loans to government	-	-	-	-
Loans to banks	-	-	-	-
Loans to financial organizations	-	-	-	-
Loans to individuals	150	3,472	123	310
Loans to other customers	3,163	36,463	-	100
Other financial assets	-	-	-	-
Total	3,313	39,935	123	410

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

December 31, 2023	Fully/over collateralized financial assets		Financial assets not or not fully covered with collateral	
	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

The analysis of identification of over or under collateralized loans is performed by the Bank at the 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 Central Bank of the Republic of Kosovo 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.

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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, 2024

Ratings	Financial Assets At fair Value Though Other Comprehensive Income	Total
AAA	46,483	46,483
AA	76,057	76,057
A+	1,208	1,208
Not-rated	30,356	30,356
Total	154,104	154,104

December 31, 2023

Ratings	Financial assets at Fair value though other comprehensive income	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

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, 2024	December 31, 2023
Republic of Slovenia	-	-
Other European Union members	58,972	68,645
Serbia	37	47
Republic of Kosova	996,050	833,744
Total	1,055,059	902,436

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, 2024 and 2023, an analysis of loans to customers and banks by industry sectors was as follows:

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

j. Concentrations (continued)

Industry concentration

Industry sector	December 31, 2024				December 31, 2023			
	Gross loans and advances	Impairment provision	Net loans	%	Gross loans and advances	Impairment provision	Net loans	%
Placements	-	-	-	-	-	-	-	-
Banks	57,156	(11)	57,145	5.4%	68,265	(20)	68,245	7.6%
Loans and advances to customers								
Citizens	464,641	(12,303)	452,338	42.9%	361,510	(11,318)	350,192	38.8%
Trade	196,226	(5,277)	190,949	18.1%	177,001	(6,906)	170,095	18.8%
Constructions	124,468	(3,301)	121,167	11.5%	115,764	(6,848)	108,916	12.1%
Industry	106,895	(6,031)	100,864	9.6%	90,423	(4,710)	85,713	9.5%
Services	75,055	(2,077)	72,978	6.9%	62,627	(2,763)	59,864	6.6%
Transport and communication	28,088	(947)	27,141	2.6%	27,445	(1,029)	26,416	2.9%
Mining	6,741	(450)	6,291	0.6%	6,920	(792)	6,128	0.7%
Education	6,914	(97)	6,817	0.6%	5,036	(79)	4,957	0.5%
Agriculture, silviculture and fishing	5,402	(998)	4,404	0.4%	5,373	(663)	4,710	0.5%
Other financial assets	3,195	(2,062)	1,133	0.1%	7,800	(4,942)	2,858	0.3%
Electricity, gas and water	2,651	(61)	2,590	0.2%	2,151	(19)	2,132	0.2%
Health service and social security	4,911	(59)	4,852	0.5%	4,366	(109)	4,257	0.5%
Finances	2,323	(33)	2,290	0.2%	3,571	(48)	3,523	0.4%
Government	4,205	(105)	4,100	0.4%	4,544	(114)	4,430	0.6%
Total	1,088,871	(33,812)	1,055,059	100%	942,796	(40,360)	902,436	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.

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

k. Liquidity risk (continued)

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, 2024 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, 2024 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	112,635	-	-	-	89,446	202,081
Due from banks	53,990	1,384	1,771	-	-	57,145
Loans and advances to customers	28,771	54,156	212,877	426,147	274,830	996,781
Financial instruments held at fair value through other comprehensive income	36,135	37,076	27,626	43,516	9,751	154,104
Other financial assets	1,135	-	-	-	-	1,135
Total undiscounted financial assets	232,666	92,616	242,274	469,663	374,027	1,411,246
Financial liabilities						
Due to banks	434	-	-	61,684	-	62,118
Due to customers	726,264	11,427	184,309	202,437	13,817	1,138,254
Subordinated debt	-	-	-	-	14,968	14,968
Lease liabilities	54	109	163	2,191	-	2,517
Other financial liabilities	7,293	-	-	178	-	7,471
Total undiscounted financial liabilities	734,045	11,536	184,472	266,490	28,785	1,225,328
Net undiscounted financial assets/(liabilities)	(501,379)	81,080	57,802	203,173	345,242	185,918
Future contractual interests						
Financial Assets						
Contractual amounts receivables	3,883	3,620	31,292	94,348	35,215	168,358
	3,883	3,620	31,292	94,348	35,215	168,358
Financial liabilities						
Contractual amounts payable	(221)	(29)	(5,577)	(23,660)	(5,038)	(34,525)
Total net financial assets/(liabilities)	(497,703)	84,671	83,517	273,861	375,419	319,766

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

k. Liquidity risk (continued)

The required minimum liquidity ratio for local currency is 25% and the actual ratio as at December 31, 2023 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, 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 fair value through other comprehensive income	74,392	29,821	41,689	28,470	1,001	175,373
Other financial assets	2,859	-	-	-	-	2,859
Total undiscounted financial assets	285,270	85,063	264,200	387,966	192,385	1,214,884
Financial liabilities						
Due to banks	423	-	-	20,858	-	21,281
Due to customers	745,894	10,999	75,827	168,681	6,863	1,008,264
Subordinated debt	10	-	-	-	15,000	15,010
Lease liabilities	51	102	459	1,878	-	2,490
Other financial liabilities	14,983	-	-	122	-	15,105
Total undiscounted financial liabilities	761,361	11,101	76,286	191,539	21,863	1,062,150
Net undiscounted financial assets/(liabilities)	(476,091)	73,962	187,914	196,427	170,522	152,734
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)	-472,171	81,386	214,821	273,574	195,044	292,654

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

1. 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-24		31-Dec-23	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Loans to banks	57,145	57,145	68,245	68,216
Loans to government	32	32	41	41
Loans to financial organizations	19	19	366	367
Loans to individuals	452,339	450,073	350,194	351,743
Granted overdraft to individuals	3,988	3,173	3,075	2,522
Loans for houses and flats	293,512	290,818	240,183	240,566
Consumer loans	146,563	148,620	100,336	102,799
Other loans	8,276	7,462	6,600	5,856
Loans to other customers	544,391	537,354	480,732	473,977
Loans to large corporate customers	34,791	34,302	40,570	39,633
Loans to small and medium size enterprises	509,600	503,052	440,163	434,344
TOTAL LOANS	1,053,926	1,044,623	899,578	894,344
LIABILITIES				
Due from banks	19,840	20,257	21,281	22,056
Subordinated debts	14,968	15,088	15,010	14,995
Due to customers	1,138,254	1,136,737	1,008,262	1,014,920
Borrowings to banks	62,118	61,965	9,910	10,753
TOTAL DEPOSITS AND BORROWINGS	1,235,180	1,234,047	1,054,463	1,062,724

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:

32. FAIR VALUES AND RISK MANAGEMENT (continued)

1. Fair value of financial instruments(continued)

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

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.

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32. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

1. Fair value of financial instruments (continued)

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, 2024	Total Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Debt instruments	152,896	122,540	30,356	-
Equity instruments	1,208	-	1,208	-
Total financial instruments through other comprehensive income	154,104	122,540	31,564	-
December 31, 2023	Total Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Debt instruments	174,371	125,758	48,613	-
Equity instruments	1,002	-	1,002	-
Total financial instruments through other comprehensive income	175,373	125,758	49,615	-

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.

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33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

1. Fair value of financial instruments (continued)

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

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

Assets	December 31, 2024			December 31, 2023		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and cash equivalents and balances with the Central Bank	202,081	-	202,081	137,074	-	137,074
Due from other banks	57,145	-	57,145	66,755	1,490	68,245
Loans to customers, net	295,801	700,980	996,781	361,817	469,516	831,333
Financial assets at fair value though other comprehensive income	100,837	53,267	154,104	145,902	29,471	175,373
Other financial assets	1,135	-	1,135	2,858	-	2,858
Other non - financial assets	1,716	-	1,716	1,074	-	1,074
Tangible assets	-	11,892	11,892	-	12,185	12,185
Intangible asset	-	1,314	1,314	-	1,094	1,094
Deferred tax asset	694	-	694	520	-	520
Total assets	659,409	767,453	1,426,862	716,000	513,756	1,229,756
Liabilities						
FL designated at fair value through profit & loss	-	178	178	-	122	122
Deposits from banks	40,663	21,455	62,118	423	20,858	21,281
Borrowings from banks	-	19,840	19,840	-	9,910	9,910
Due to customer	922,000	216,254	1,138,254	756,893	251,371	1,008,264
Other financial liabilities	7,279	-	7,279	15,350	-	15,350
Other non-financial liabilities	1,940	-	1,940	1,501	-	1,501
Provisions	4,840	659	5,499	5,102	439	5,541
Corporate tax payable	440	-	440	619	-	619
Lease liabilities	653	1,864	2,517	612	1,878	2,490
Subordinated debts	18	14,950	14,968	10	15,000	15,010
Total liabilities	977,833	275,200	1,253,033	780,510	299,578	1,080,088
Net	(318,424)	492,253	173,829	(64,510)	214,178	149,669

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.

34. EVENTS AFTER THE END OF THE REPORTING PERIOD

After approval of dividend pay-out from Central Bank of Kosovo for net profit of 2023, on February 26, 2025 the Bank has proceed with payment of dividend in amount of EUR 21,580 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.