Here we are a part of something bigger

NLB Group Annual Report 2024

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With an in-depth understanding of the customer's needs and business environment, the NLB Group charts a path that not only ensures its long-term development, but also the development of the wider economic environment in our home region, South-Eastern Europe. We invite you to explore the key achievements, financial performance and strategic objectives of the NLB Group in 2024.

OVERVIEW

Statement from the President of the Management Board

Dear shareholders, esteemed clients, valued employees, and other interested stakeholders,

The year 2024 was a transformative period for our organization, shaped by both global and local challenges and opportunities. It is with great pride and a profound sense of responsibility that I address you as the Acting President of the Management Board.

The geopolitical and economic instability of the past year, including inflationary pressures and shifts in global markets, inevitably influenced our operations. However, our unwavering commitment to resilience, innovation, and strategic adaptability ensured that we not only navigated these complexities but also emerged stronger.

In 2024, we achieved remarkable milestones. We witnessed steady growth across key business areas, reflecting both the trust of our clients and the dedication of our exceptional team. Our focus on sustainable finance, operational efficiency, and corporate social responsibility remained central to our strategy. We introduced new products aligned with green investments, partnered with key stakeholders to promote ESG initiatives, and took decisive steps to reduce our carbon footprint.

Moreover, the year 2024 saw significant internal developments. With a clear vision for the future, we strengthened our internal capabilities and laid the groundwork for upcoming organizational advancements. We remained steadfast in our mission to deliver value not only to our shareholders but to all those touched by our operations — our employees, customers, partners, and the wider community.

One of the most significant developments of the past year has been our ambitious journey toward digitalization and modernization. As technology continues to redefine the banking landscape, we have embraced this evolution, committing ourselves to enhancing the customer experience and streamlining our operations. Our digital transformation is not just about adopting new technologies — it is about building a smarter, more efficient, and more inclusive banking system for the future.

Recognizing the increasing demand for fast, secure, and convenient banking, we launched a comprehensive digitalization process across all our branches in Kosovo. This strategic initiative aims to ensure that every client, regardless of their location, can access seamless banking services through digital channels. Our focus is to make banking faster, easier, and more intuitive by offering innovative solutions tailored to the modern needs of both individuals and businesses. Our upgraded mobile and online banking platforms have set a new benchmark for user experience, allowing clients to manage their accounts, transfer funds, pay bills, and apply for loans — all from the comfort of their homes or offices.

While embracing digital banking, we also understand the continuing importance of physical branches as spaces for personalized financial advice and support. In 2024, we began modernizing and transforming our branches into centers of excellence — where 360-degree banking services are offered. This transformation will continue into

Gem Maloku
Acting President of the Management Board

2025 as a key component of our broader transformation strategy.

Simultaneously, the branch modernization program will advance, with further renovations planned to extend our network of smart, client-focused branches across Kosovo. Our goal is to strike the perfect balance between digital innovation and human connection — creating a hybrid banking model that caters to all client needs.

The remarkable team at NLB Banka, spanning all throughout the bank, has shown their truly dedication, commitment and high professionalism to their duties. Their unwavering dedication and honest care for our clients ensured that we upheld the highest standards of service.

NLB Banka had yet another excellent year, meeting and exceeding all major objectives planned for 2024:

NLB Bank is the second biggest bank in Kosovo market, with 17% of market share in total assets, 16.4% on total deposits, 17.7% on total loans, while 20.3% of market share of net profit.

Our clients entrusted us with an additional EUR 130M of their deposits, marking a 13% increase compared to last year, bringing our total deposits to over EUR 1 billion, following the self-funding strategy with net LTD ratio of 87.6%.

In 2024, we disbursed EUR 479M in new loans, expanding our loan portfolio by EUR 162M or 18.7% YoY reaching total loan portfolio of EUR 1,029M. This growth supports the aspirations of Kosovo citizens for a better life and the expansion of Kosovo businesses, contributing to the overall wellbeing of society. Additionally, we collaborated with NLB Group to further support Kosovo businesses through NLB dd Ljubljana.

Our lending practices remained responsible, benefiting our loan clients, shareholders, and the Kosovo society as a whole. We successfully reduced our NPL ratio to 1.7% and maintained a low cost of risk, while preserving an conservative >200% coverage of NPL with provisions.

Our overall growth, combined with prudent lending and careful operations, resulted in a record annual profit of EUR 37M, while with the profitability indicators as ROA of 2.9% and an ROE of 23.8%, with all three metrics being the best in the banking system, continuing NLB Banka's tradition as the most profitable bank in Kosovo.

Our cost-to-income ratio of 29.5%, the lowest in the banking system, shows commitment towards the proactive approach on cost management

We remain well-capitalized, exceeding both regulatory limits and our internal risk appetite, with capital adequacy increasing to 18.1%. Our strong capital and liquidity position enabled us to approve the payment of dividends amounting to 60% of the 2023 profits, to be executed at the beginning of 2025 upon regulatory approval.

In parallel with achieving such growth and profitability, while preserving and enhancing our liquidity and capital adequacy, we achieved significant success in our strategic reorientation towards retail. With retail loans growth surpassing corporate loans growth in absolute volumes, not just growth rate, the proportion of retail loans in total loans increased from 42% to 45%, above the banking system average.

2024 marked another year wherein the bank continued its intense activity with regards to our defined Sustainability Roadmap. The three-pillar sustainability strategy (sustainable finance, operations, and CSR) was pivotal in further reshaping our business model. While hosting our first ESG event dedicated to bringing attention to green investments and best leveraging such opportunities, we partnered with NLB dd, EBRD, KFGK, and CBK to deliver a clear message to our key business clients.

Apart from the awareness campaigns, the bank introduced dedicated green products and gradually shifted its focus toward Green Bond eligible investments. Alongside this environmental contribution, the bank further strengthened its dedication to the social part by signing with the EBRD the Woman in Business program, which aims to further unlock women's business potential and ease their access to finance.

Regarding operations, the bank continued its efforts to decrease its carbon footprint. During 2024, we reduced CO_2 emissions from our operations by 5% and overall decreased energy consumption. Internal alignments were made in the direction of changing and re-aligning our embedded habits: speed limits, AC optimization, paper printing, etc.

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

Looking ahead, we are committed to further innovation and growth. We will continue investing in technology, nurturing talent, and fostering partnerships that drive progress. Our strategic reorientation towards retail, combined with responsible lending practices and sound operational management, positions us strongly for an even more successful 2025.

On behalf of the Management Board, I extend my heartfelt gratitude for your unwavering trust and support. It is through our collective effort and shared vision that we will build a stronger, more resilient organization.

Yours truly,
Gem Maloku
Acting President of the Management Board

Management Board of NLB Banka sh.a.

Gem Maloku
Acting President of the
Management Board

Ardian Hasa
Member of the
Management Board

Mirsad Haskaj
Member of the
Management Board

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Financial Report

We connect with societies and their people like no other bank in the region.

The NLB Group is the only financial institution headquartered and focused on the SEE region. This is our home. We know the languages, customs and people, and we share a common history.

Financial highlights

Profit and loss account indicators (in EUR thousand)	2024	2023	Index 2024/2023
Net operating income	**59,608**	**55,181**	**8.0%**
Net interest income	51,443	47,165	9.1%
Net non-interest income	8,165	8,016	1.9%
Total operating costs	**-17,563**	**-15,995**	**9.8%**
Employee costs	-9,102	-8,538	6.6%
Other general administrative expenses	-6,158	-5,310	16.0%
Depreciation	-2,303	-2,147	7.3%
Profit before provisions	**42,045**	**39,186**	**7.3%**
Net impairments and Provisions	-1,093	775	-241.0%
Profit before Tax	**40,952**	**39,961**	**2.5%**
Tax	-3,924	-3,994	-1.8%
Profit after Tax	**37,028**	**35,967**	**2.9%**
Balance sheet indicators (in EUR thousand)			
Total assets	1,426,862	1,229,757	16.0%
Loans to non-banking sector (net)	996,781	831,333	19.9%
Loans to non-banking sector (gross)	1,028,520	866,730	18.7%
Deposits from non-banking sector	1,138,254	1,008,264	12.9%
Total equity	173,829	149,668	16.1%
Key indicators			
ROE a.t (Return on equity after tax)	23.8%	27.3%	-3.4%
ROA a.t (Return on assets after tax)	2.9%	3.2%	-0.2%
RORAC a.t	22.2%	24.2%	-2.1%
CIR (Cost to income ratio)	29.5%	29.0%	0.5%
LTD (net loans NBS/deposits NBS)	87.6%	82.5%	5.1%
CAR (Capital adequacy ratio as per CBK)	18.2%	15.8%	2.4%
Tier 1 ratio	14.6%	12.9%	1.7%
Interest margin	3.6%	4.2%	-0.6%
Portfolio quality and provisions			
Gross NPL (non-performing loans)	17,042	16,234	5.0%
Share of NPL in total loans to NBS	1.7%	1.9%	-0.2%
Cost of risk	5	-25	-118.7%
Other business indicators (IFRS)			
Market share of total assets	17.0%	16.9%	0.1%
Market share of loans to NBS	17.7%	17.7%	0.0%
Market share of deposits	16.4%	16.6%	-0.1%
Number of business units	35	33	6.1%
Number of ATM's	101	100	1.0%
Number of POS	3,027	2,811	7.7%
Number of clients	243,448	234,234	3.9%
Number of employees	478	468	2.1%

Shareholder structure of NLB

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

All shares are fully entitled to dividends and carry equal voting rights. There are no restrictions attached to the shares. The capital of the Bank has seen an organic rice over the years, through capitalization of retained earnings.

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

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

Shareholders	Percentage ownership	December 2024
Nova Ljubljanska Banka d.d	82%	42,248
Agjencioni i Turizmit „ MCM“	5%	2,414
Nalan Deshishku	2%	1,271
Rizah Deshishku	1%	636
Bashkim Deshishku	1%	636
Nerimane Ejupi	1%	625
Naim Ejupi	1%	622
Metush Deshishku	1%	636
„Dardania“ - 2“ Sh.p.k.	1%	323
Xhemail Ismajli	1%	310
Jehona IJT SH.P.K	1%	308
Blerina Ejupi	1%	259
Elez Sylaj	0%	223
„Raf II“ sh.p.k.	0%	124
Rudis d.d. Trbovlje	0%	116
Sylejman Ismajli	0%	92
Others	1%	443
Total	**100.0%**	**51,287**

Key Events

1 — The fourth season of the NLB Support Framework project.

5 — The EBRD awards NLB Banka as 'The most active issuing Bank in Kosovo in 2024

7 — Gem Maloku was appointed Acting Chairman of the Board of Directors of NLB Banka in Prishtina

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

10 — NLB Group donates one million euros to eliminate the consequences of devastating floods in Bosnia and Herzegovina.

11 — NLB Banka continues the initiative "To love and to protect the nature"

12 — NLB Banka launched online loan with digital signature through mKlik.

12 — "Taxpayer and Employer of the Year 2024" award.

12 — NLB Banka and EBRD sign cooperation agreement for green investments.

1 2 3 4 5 6 7 8 9 10 11 12

January

• **The fourth season of the NLB Support Framework project.**

NLB Group was offering opportunities to regional companies that - like us - are using their ideas to create better footprints. The project, which has involved hundreds of regional companies in three seasons, this time was looking for small and medium-sized companies from our region that are addressing social issues with their ideas, innovations and business operations.

May

• **The EBRD awards NLB Banka as 'The most active issuing Bank in Kosovo in 2024"**

NLB Banka has once again been honored by the European Bank for Reconstruction and Development (EBRD) for its exceptional achievements in 2023 within the Trade Facilitation Program (TFP). The award was given during the EBRD Annual Meeting and Business Forum held in Samarkand, Uzbekistan.

July

• **Gem Maloku was appointed Acting Chairman of the Board of Directors of NLB Banka in Prishtina**

Following the resignation of Mr. Kadriu, the Board of Directors of NLB Banka in Prishtina appointed Gem Maloku as Acting Chairman of the Management Board. Gem Maloku assumes the position of Acting Chairman of the Management Board of NLB Banka starting from 1 August 2024. Mr. Maloku's main priorities will be to ensure the continued stability and good functioning of the bank.

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

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

October

NLB Group has donated one million euros to eliminate the consequences of devastating floods in Bosnia and Herzegovina. All banks from the markets where the NLB Group operates, Slovenia, Bosnia and Herzegovina, Serbia, North Macedonia, Montenegro and Kosovo, have joined forces to help by donating the sum of one million euros to Bosnia and Herzegovina. NLB Kosova has participated in this donation with the amount of 50,000€.

November

• **NLB Banka continues the initiative "To love and to protect the nature"**

NLB Banka is focused on the digitalization of services that affect the reduction of paper use and environmental protection.

This year, the Bank has continued the initiative "To love and to protect the nature" a call to remember that every small action has a big impact on our common future. This year, NLB Banka has planted over 200 trees in the Municipality of Prishtina.

This initiative aims to raise awareness for environmental protection. Through concrete initiatives such as planting trees and reducing paper use, NLB Banka is contributing to a greener and more sustainable future.

December

• **NLB Banka launched online loan with digital signature through mKlik.**

NLB Banka launches for the first time NLB mKLik Loan, an ideal opportunity for quick financing for customers. With mKlik loan, customers are enabled to obtain a loan completely online, without having to visit the Bank's branch, with a simple and fast application process.

• **"Taxpayer and Employer of the Year 2024" award.**

The main carrier of positive economic processes in Kosovo and the creation of well-being in the country is the private sector. The Economic Chamber of Kosovo has organized the Gala Evening with the main acters of development processes, where NLB Banka received the "Taxpayer and Employer of the Year 2024" award.

• **NLB Bank**a and EBRD sign cooperation agreement for **green** investments.

NLB Banka is a partner bank of the European Bank for Reconstruction and Development (EBRD) in Kosovo. As part of this cooperation, the EBRD has provided two loans totaling 10 million euros to NLB Banka. The purpose of these loans is to enable the Bank to further support SMEs and the housing sector in Kosovo.

In a dynamic banking world, we seize opportunities. Our new business strategy foresees doubling the NLB Group's balance sheet (to more than EUR 50 billion assets), recurring revenues of more than EUR 2 billion and profit of more than EUR 1 billion by 2030.

We lead with vision and grow with purpose.

Macroeconomic environment and market development

GDP for the third quarter of the year 2024 was 4.1% (latest available data). Estimates GDP growth for the year 2024 as per IMF was 4.3% while EBRD 4%.

The rise of GDP compared to 2023 is attributed partly to the easing of business activities following Kosovo's new visa waiver with the Schengen zone, which came into effect in January 2024 and several key factors. There was a significant improvement in the labor market, which bolstered household consumption and overall economic activity. Additionally, external demand saw a notable uptick, largely due to increased exports to the European Union, Kosovo's main trading partner. This was complimented by lower inflation rates, which enhanced disposable income and consumer spending power.

Investment also played a crucial role, particularly in infrastructure and construction projects, contributing to economic expansion. The service sector, especially tourism and retail, witnessed robust worth , further supporting the GDP increase

Inflation (CPI) – Kosovo's inflation rate in year 2024, remained steady at 1.6%. Estimated inflation rate as per IMF was 1.8%.

Price movement in Kosovo is similar to the movement of prices in international markets as a result of high dependence of the Kosovo's economy on imports.

Public debt – has continued with a double-digit and as of December 2024 was at 16.5% of the GDP (2023: 17.5%), the lowest public debt in the region however in the near future it is expected to increase.

Unemployment rate – Unemployment is one of the major challenges that every Kosovo government faces. The unemployment level reaches the figure of 10.7%, as of December 2023 (latest data from ASK). Kosovo has the lowest employment rate in Europe. The public sector remains highest employment agency. The number of registered private firms continues to increase but the informal sector remains very strong. Kosovo's formalization of the labor market has continued, and this trend is expected to persist. However, the labor market still faces a high level of inactivity and gender imbalances. Addressing these issues will be crucial for the long-term sustainability of Kosovo's economic growth.

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

Below are key performance macroeconomic indicators.

Kosovo	2024	2023
GPD (real growth %)	4.5	3.3
Inflation - average of the year (in %)	1.6	5.0
Unemployment rate (in %) **	10.7	10.7
Public debt (% of GDP)	16.5	17.5
Remittances (in Mil. EUR)	1,350.1	1,335.8

Source: CBK and ASK reports
* Latest data as of 30.9.2024.
** Latest data as of 31.12.2023.

Banking system

Banking sector in Kosovo (key indicators)

Bank	Period	Total assets	Gross Loans to NBS	Deposits	Net profit	NPL	NPL	ROE a.t.	CAR	CIR	LTD
Banking Sector	2023	7,285,775	4,898,289	6,076,617	155,855	97,966	2.0%	19.7%	15.8%	36.0%	80.2%
	2024	**8,396,922**	**5,800,286**	**6,922,246**	**182,137**	**110,205**	**1.9%**	**19.9%**	**16.2%**	**36.4%**	**84.0%**
NLB Banka	2023	1,229,757	866,730	1,008,264	35,967	16,234	1.9%	27.3%	15.8%	29.0%	82.5%
	2024	**1,426,862**	**1,028,520**	**1,138,254**	**37,028**	**17,042**	**1.7%**	**23.8%**	**18.2%**	**29.5%**	**87.6%**

Source: KBA reports
Amounts In '000

There are eleven (11) banks that are operating currently in the banking system in Kosovo. Eight (8) banks with foreign ownership continue to dominate the banking sector, and they manage 84% of total assets. As regards to the country of origin, Austria, Germany, Slovenia, are represented with a single bank each, while Albania is represented with two and Turkey is represented by three banks.

Their products and services include banking accounts, loans, domestic and international payments, banking cards, banking guarantees, letter of credit, e-banking. Access to these services is enabled through 227 branches and sub-branches and there are 4,143 employees in commercial banks.

The net profit of banking sector for the year 2024 was EUR 182.1M, representing a YoY increase of 13.9%. This result is a testament of the sound management of the banks, despite the challenges posed by constant increase of prices.

The capital adequacy ratio was 16.2% (2023: 15.8%), indicating that Kosovo's banks are well capitalized. The ratio of loans to deposits was at 84% (2023: 80.2%), reflecting a balance between lending and deposits. The ratio of non-performing loans was 1.9% (2023: 2%) based on report from CBK, which slightly improves compared to the previous year and indicates that the banks are effectively managing their credit risk.

The average interest rate on loans was 5.9% as of December 2024 (2023 were 6.4%). On the other hand, the average interest rate on deposits increased to 3.4%, (2023 were 3.1%). The interest rate spread was 2.5%, (2023 was 3.2%).

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

Collaboration, dedication and a shared vision drive business success. The Business Report provides a detailed analysis of the NLB Group's financial and operational performance, highlighting strategies, sustainability performance, achievements and challenges, while addressing compliance, risk management and key business updates.

BUSINESS REPORT

Strategy

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

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

Further the bank will enhance ESG implementation and dedication on climate financing and implement CSR activities on, public private projects, sport and culture.

Be a local champion

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

Put clients first

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

Grow our market position

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

Digitalization

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

Dividend Policy

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

Risk Factors

The Bank closely monitors the risk factors that might potentially impact its operations. Amongst many challenges that the Bank will face during the following years, there are certain main risk factors shall impact on business activity of the bank. These include unfavorable low interest rate environment, lower interest margins, further deterioration of macroeconomic circumstances, and instability in financial markets. Additionally, the increasing digitalization of banking processes has increased also the need to invest in measures to protect the bank and our customers' data, as a response to cyber threats.

The bank is also prone to changes of regulatory, changes in regulations may affect significantly banks operations and profitability, by limiting the banks' ability to generate revenues. Furthermore, political and geopolitical instability could also impact banks investments and operations.

Outlook 2025

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

It is expected that the year 2025 will have its challenges on:

- Political stability/instability
- Strong market competition, FINTECH competition
- GDP growth of 3.8%-4.2%, normalized inflation, decrease on unemployment rate
- Expected 6M Euribor decrease
- Regulator changes and market growth sentiment
- Historical trends of bank results
- Migration.


NLB is systemically important and the most reputable Slovenian bank, managing 70 % of the cash, 40 % of the payments, and nearly 40 % of all the assets in the country.
We are more than just a bank – we are one of the driving forces behind the region's economy.

Overview of Financial Performance

Statement of profit or loss and other comprehensive income

Income statement (000EUR)	2024	2023	Index 2024/2023
Total operating income	**59,608**	**55,181**	**8.0%**
Net interest income	**51,443**	**47,165**	**9.1%**
Interest income	62,689	53,699	16.7%
Interest expensesw	-11,246	-6,534	72.1%
Net non-interest income	**8,165**	**8,016**	**1.9%**
Net fee and commission income	**10,284**	**9,382**	**9.6%**
Fee and commission income	15,966	14,769	8.1%
Fee and commission expenses	-5,682	-5,387	5.5%
Other net operating profits/losses	-2,119	-1,366	55.1%
Total Operating Costs	**-17,563**	**-15,995**	**9.8%**
Staff expenses	-9,102	-8,538	6.6%
General and administrative expenses	-6,158	-5,310	16.0%
Depreciation	-2,303	-2,147	7.3%
Profit before impairments and tax	**42,045**	**39,186**	**7.3%**
Net Impairments and Provisions	-1,093	775	-241.0%
Profit before tax	**40,952**	**39,961**	**2.5%**
Tax	-3,924	-3,994	-1.8%
Net profit	**37,028**	**35,967**	**2.9%**

Profit

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

Our results prove that we success to continues value creation and well positioned for future growth. Net profit reached the amount EUR 37M, an increase compared YoY by EUR 1.1M or 2.9%. The profitability indicators exceed the budgeted results despite cost pressure. The profitability trends have reached its peak performance ever, putting the bank in the first position in its industry for the second time successive.

Profit before provision and tax reached EUR 42M or 7.3% more than YoY figures resulting mainly from the strong performance of interest-bearing assets.

Figure 1: Net profit evolution YoY

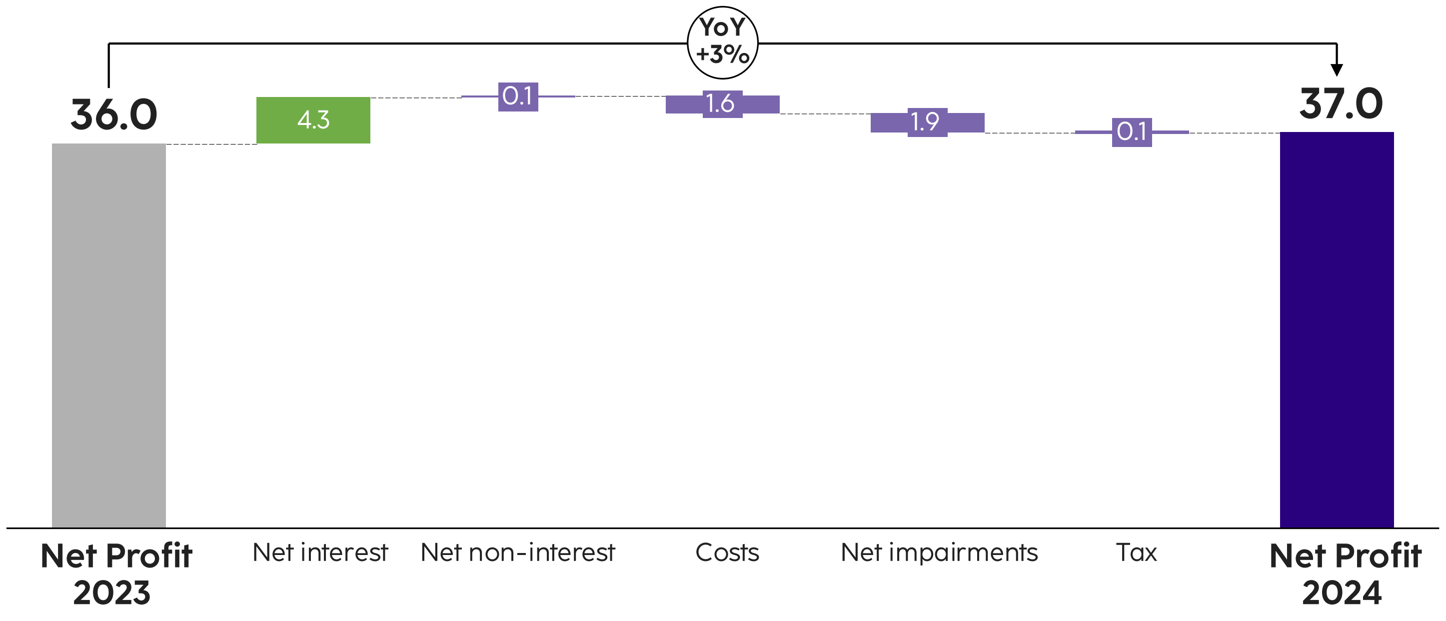


Figure 2: Net profit

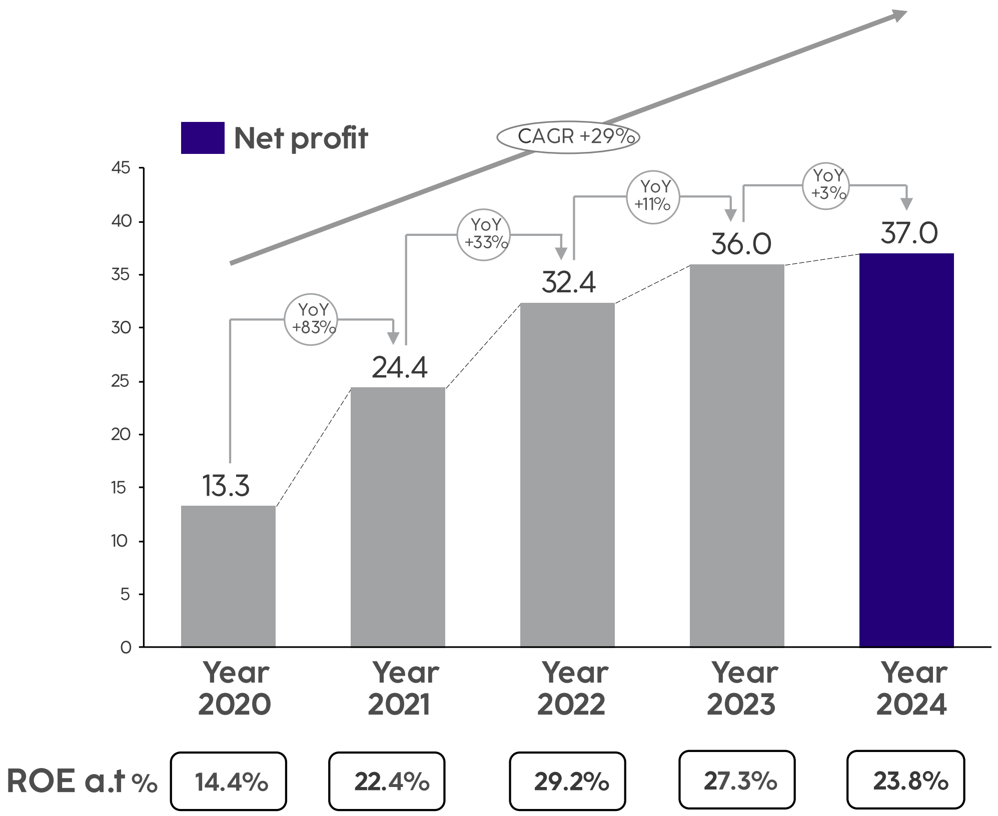
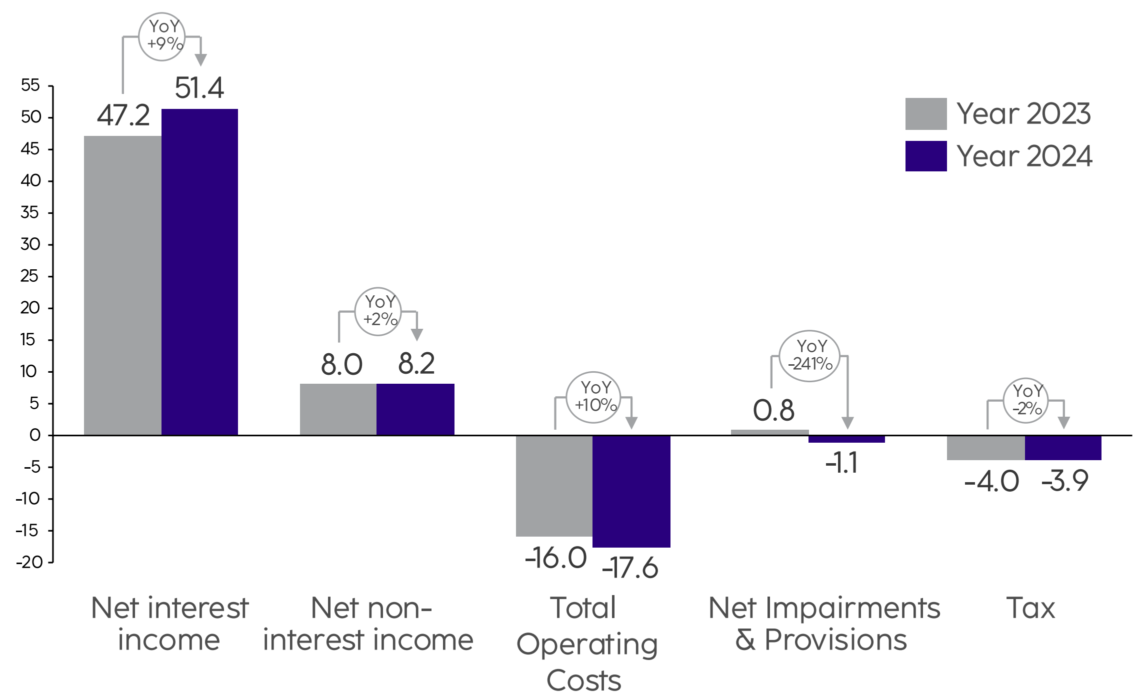


Figure 3: Main income statement items



Net interest income

Net interest income reached EUR 51.4M, compared to YoY increased by EUR 4.3M or 9.1%. This growth can be attributed to the significant growth of loan volumes, maintaining interest rates on assets side even though the high pressure from increase of interest rates on liabilities side.

Net Non-interest income

Net noninterest income had an increase YoY for 1.9% or 149K. The increase reflects the systematic role of the bank in market.

Net non – interest income composes of:

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

Figure 4: Net interest income

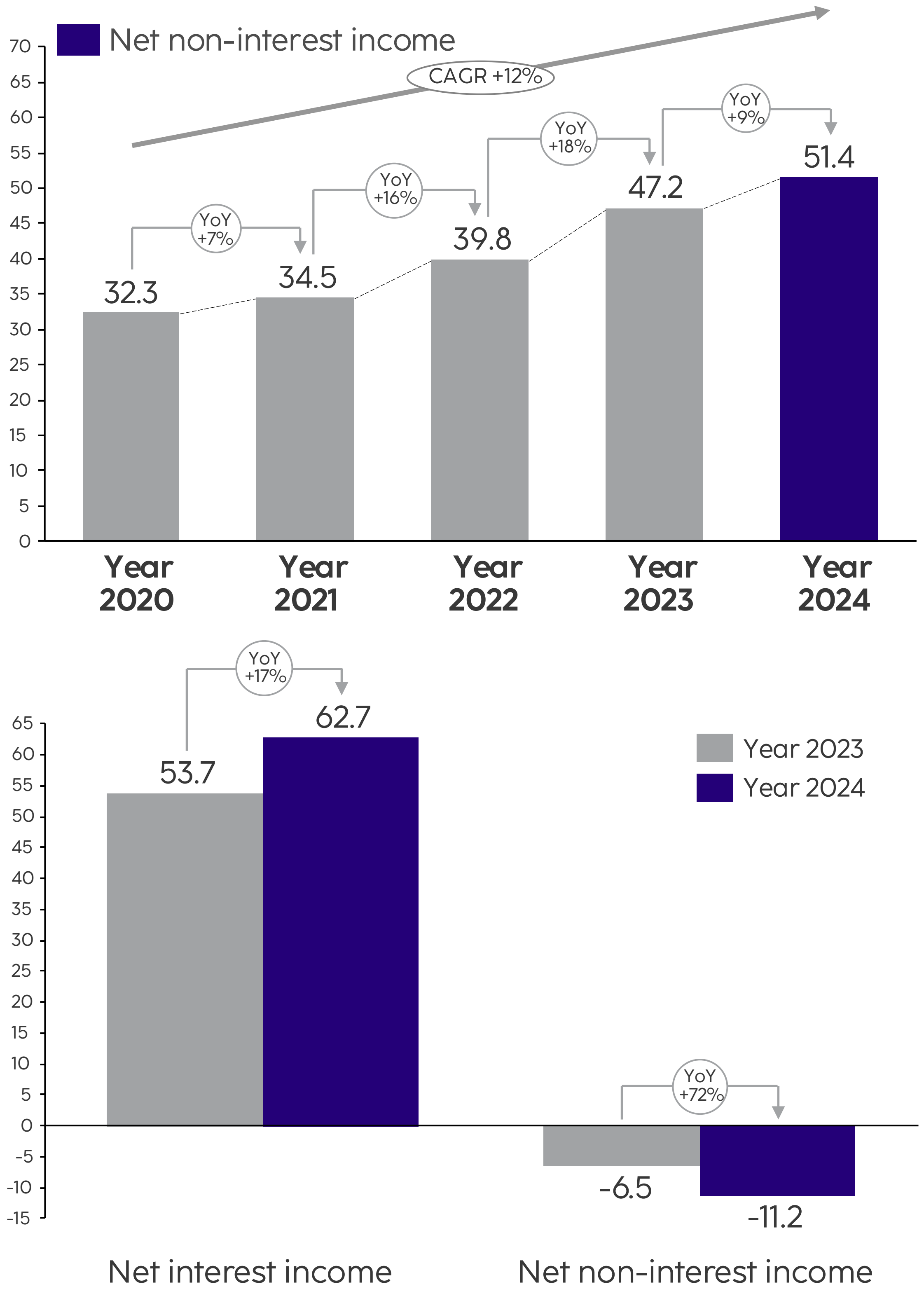
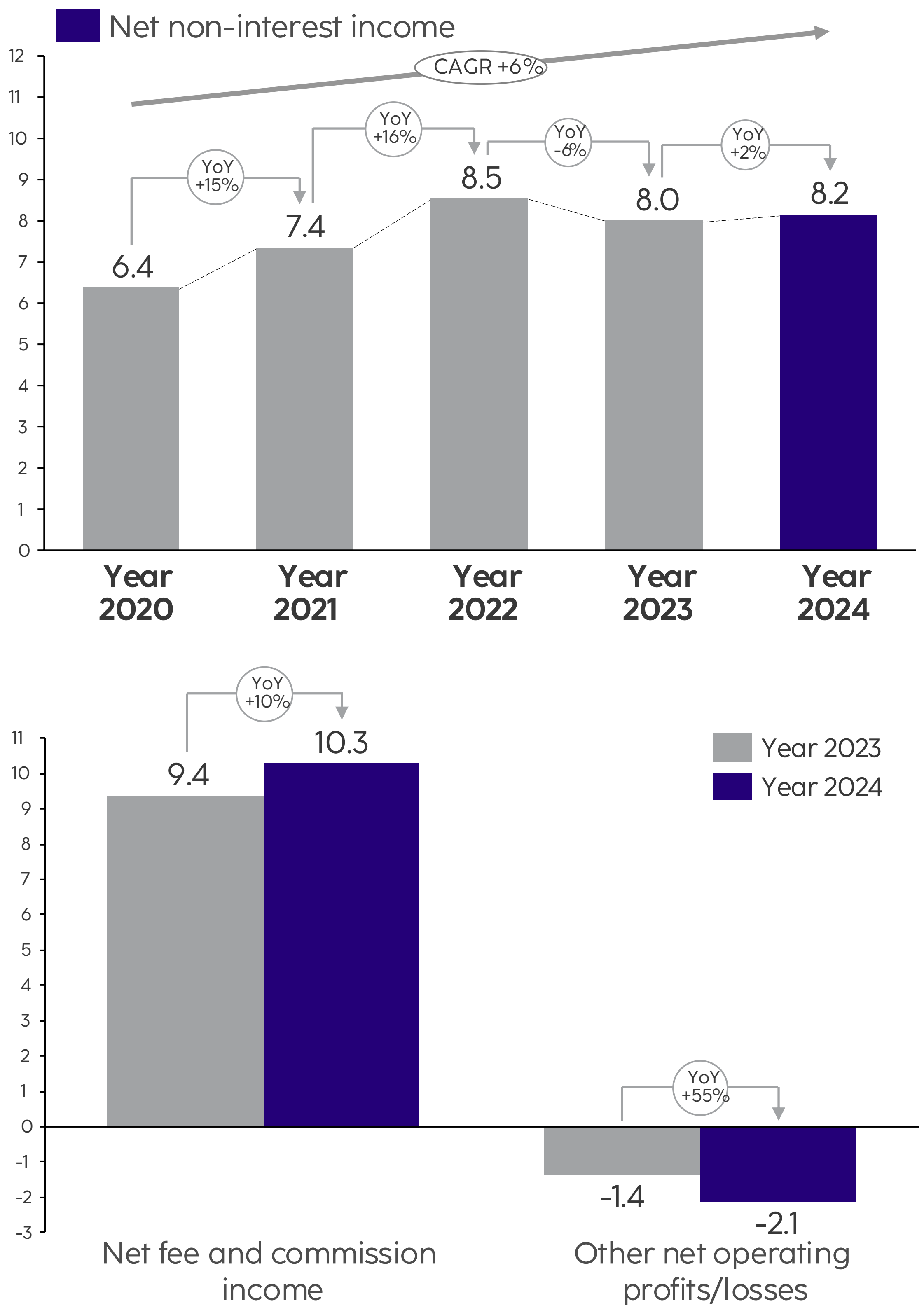


Figure 5: Net non - interest income



Net fees and commission's income

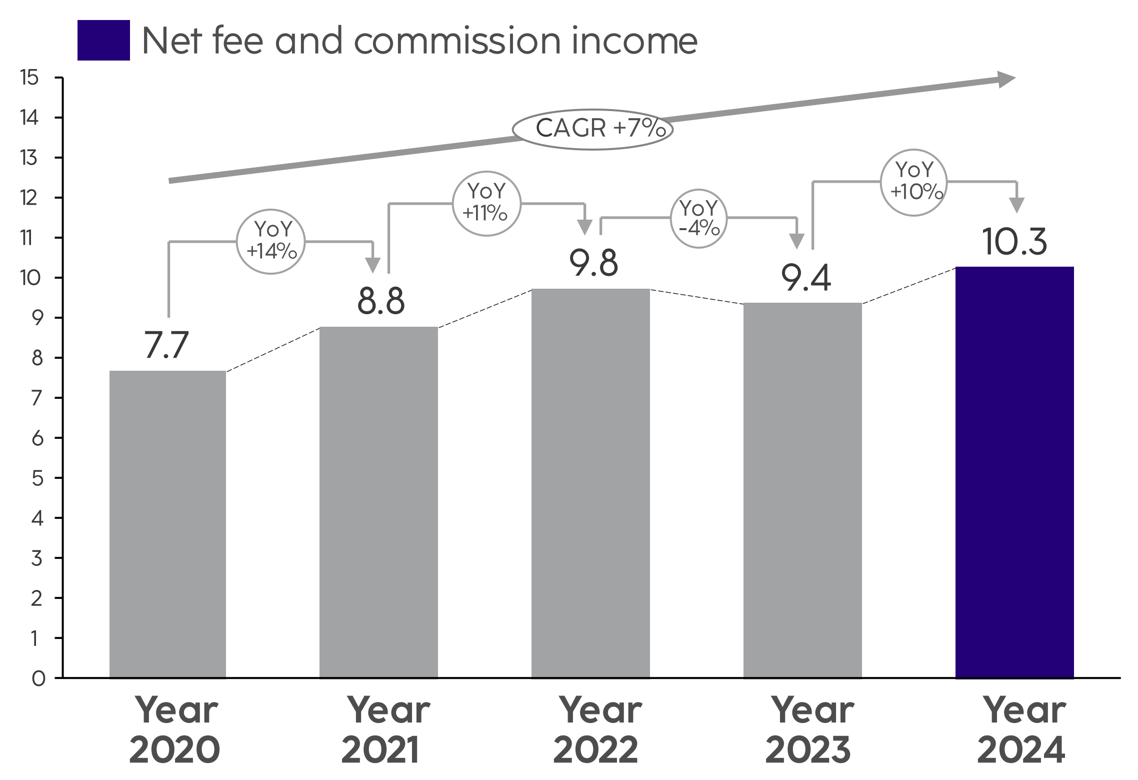
Net fees and commissions income amounted EUR 10.3 million, or higher compared to year on year for EUR 0.9M or 9.6% which reflects an increase on transactional volume of the transactions base.

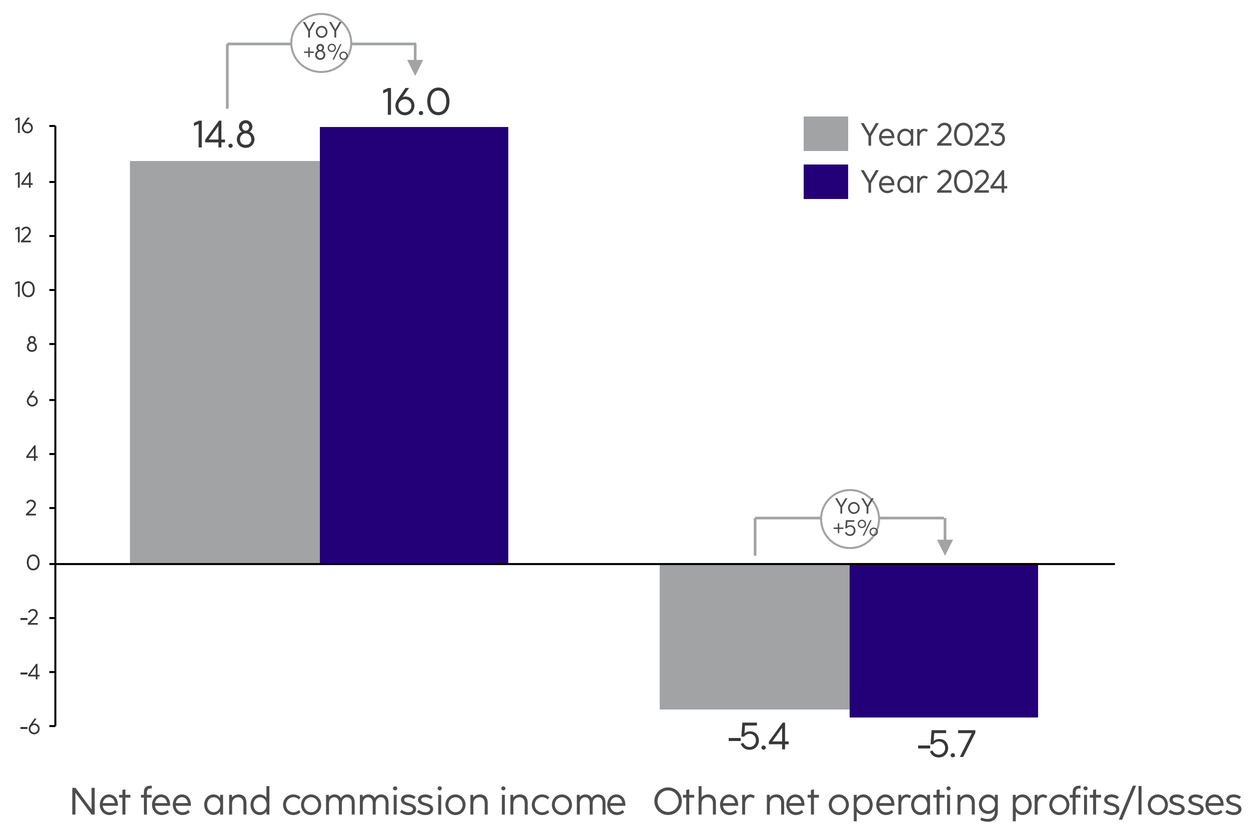
Net foreign exchange differences represent the value on normal course of business and amounted to EUR 635k.

Foreign exchange trading income amounted EUR 372k.

Other net noninterest income/expenses amounted to EUR 2,754k represents the cost paid for licenses to CBK and deposit insurance scheme.

Figure 6: Net fee & commission income





Costs

Total costs reached the amount of EUR 17.6M which are more compared to YoY for EUR 1.7M or 9.8%. The increase was impacted by pressure on pricing and increase on range of services received.

As a structure total cost consist of 52% staff costs, 35% general and administrative costs and 13% depreciation and amortization costs.

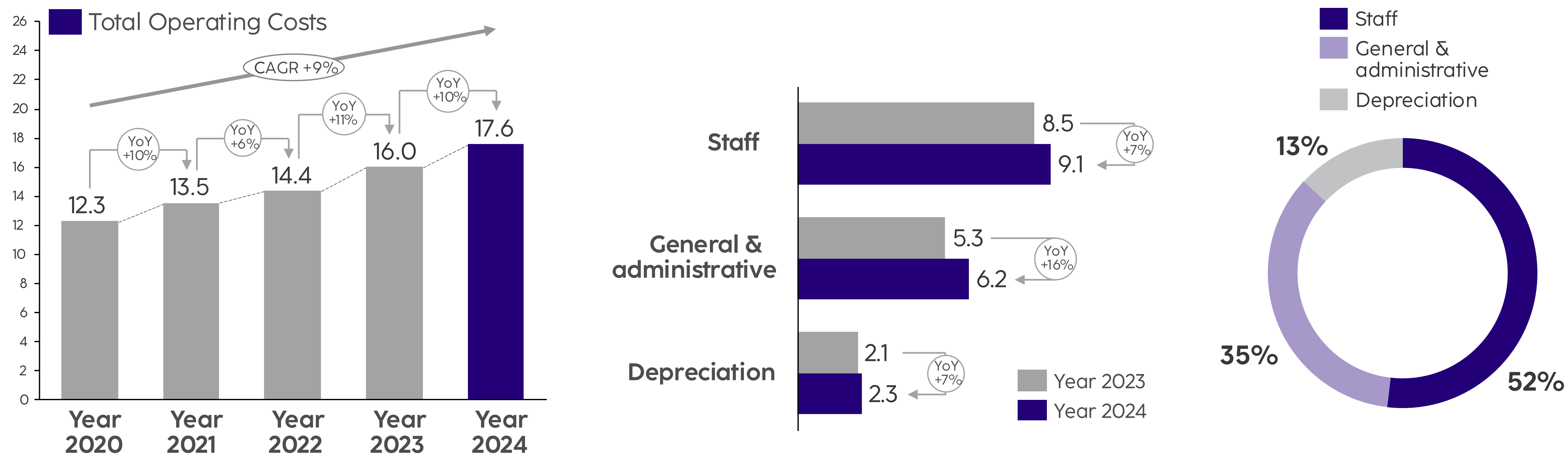
Total costs resulted with an impressive CIR ratio of 29.5%, which is the lowest in banking sector. The bank remains committed to delivering exceptional value to its stakeholders while ensuring efficient management of costs.

Staff expenses amounted to EUR 9.1M which are higher compared to YoY for EUR 0.6M million or 6.6%.

General and administrative expenses amounted to EUR 6.2M, representing an increase of EUR 0.8M or 6.6% compared to YoY.

Depreciation amounted to EUR 2.3M, which increased compared to YoY by 7.3% or 0.2M.

Figure 7: Costs



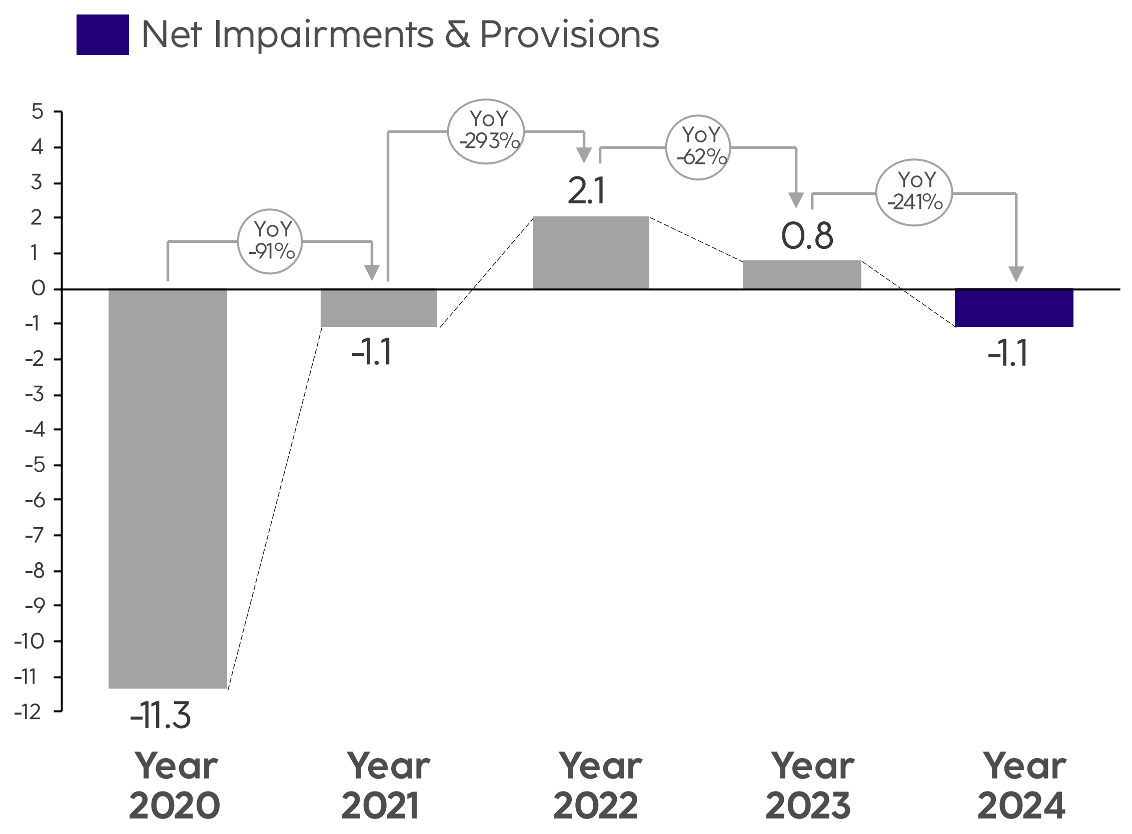
Provisions and Impairments

Provisions and Impairments for the year ended December 2024, amounted charge of EUR 1.1M. This figure reflects sound structure of asset quality and consistent increase of our client's performance.

Despite the growth of portfolio, the net cost CoR was 5bps, impacted from positive client performance and continuous review of risk parameters tending to mirror the actual macroeconomic environment.

The bank has achieved to have sound quality structure of portfolio with NPL ratio of 1.7% (2bps less YoY).

Figure 8: Provisions



Statement of financial position

Balance Sheet (000EUR)	2024	2023	Index 2024/2023
Total Assets	**1,426,862**	**1,229,757**	**16.0%**
Cash and balances with central banks	202,081	137,074	47.4%
Placements to banks (net)	57,145	68,245	-16.3%
Loans to non-banking sector (NBS)- gross	1,028,520	866,730	18.7%
Loans to non-banking sector (net)	**996,781**	**831,333**	**19.9%**
Loans to corporate & state (gross)	*563,877*	*505,219*	*11.6%*
Loans to retail (gross)	*464,643*	*361,511*	*28.5%*
Loan impairments to NBS	-31,739	-35,397	-10.3%
Securities	154,104	175,373	-12.1%
Fixed assets	13,206	13,278	-0.5%
Other assets	3,545	4,453	-20.4%
Total Liabilities and shareholders' equity	1,426,862	1,229,758	16.0%
Total Liabilities	**1,253,033**	**1,080,090**	**16.0%**
Deposits from banks	62,118	21,281	191.9%
Deposits from NBS	**1,138,254**	**1,008,264**	**12.9%**
Deposits from retail	*794,584*	*702,666*	*13.1%*
Deposits from corporate & state	*343,670*	*305,598*	*12.5%*
Borrowings	19,840	9,910	100.2%
Subordinated debt	14,968	15,010	-0.3%
Other liabilities	17,853	25,624	-30.3%
Total equity	**173,829**	**149,668**	**16.1%**
Issued capital	51,287	51,287	0.0%
Retained earnings	74,711	61,422	21.6%
Other	10,803	992	989.4%
Profit/loss for the period	37,028	35,967	2.9%

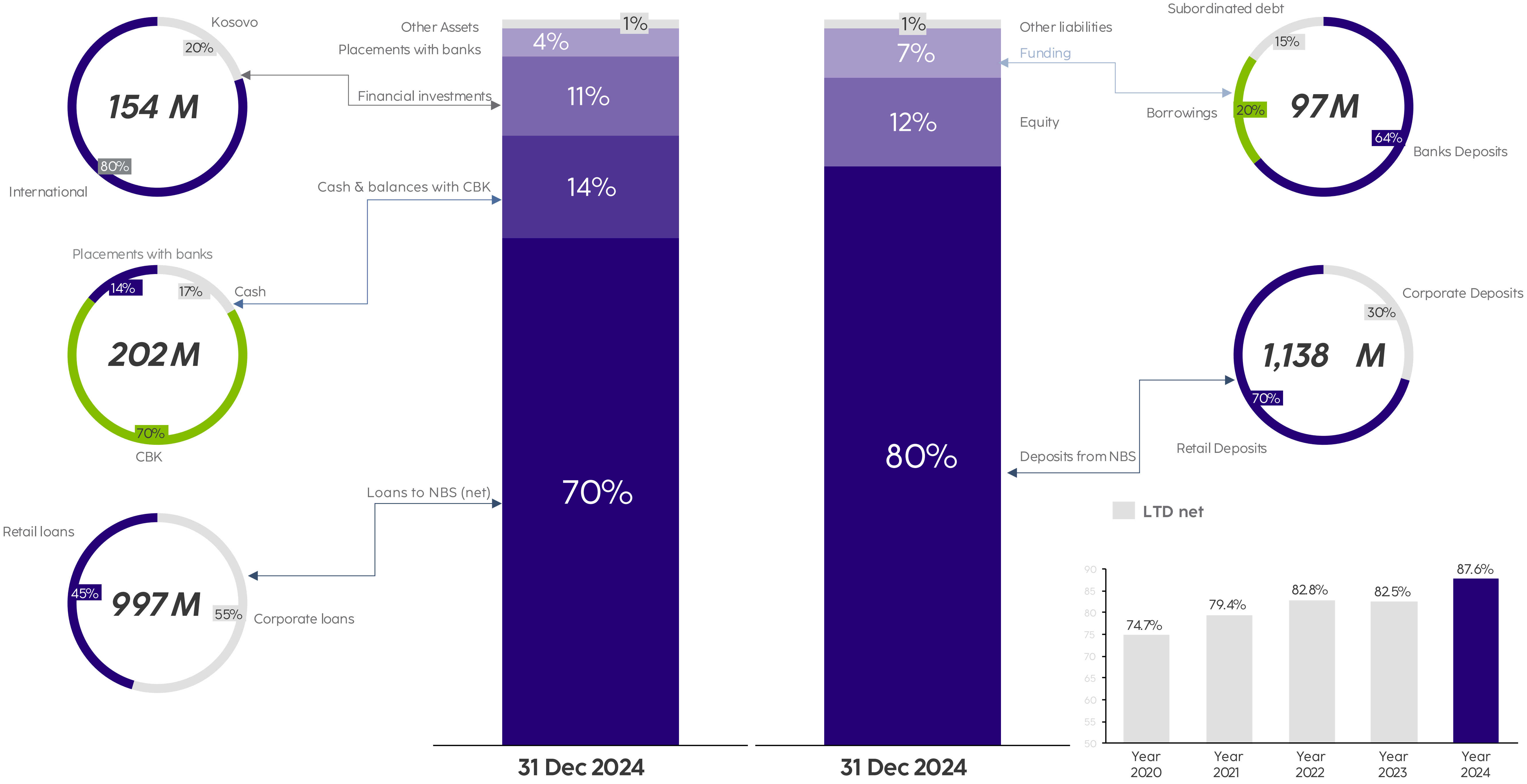
Total assets increased by 16% from EUR 1,229.8M in 2023 to EUR 1,426.9M in 2024. This increase can be attributed to increases in the loan portfolio and further increase on liquid assets, financed by increase from client deposits.

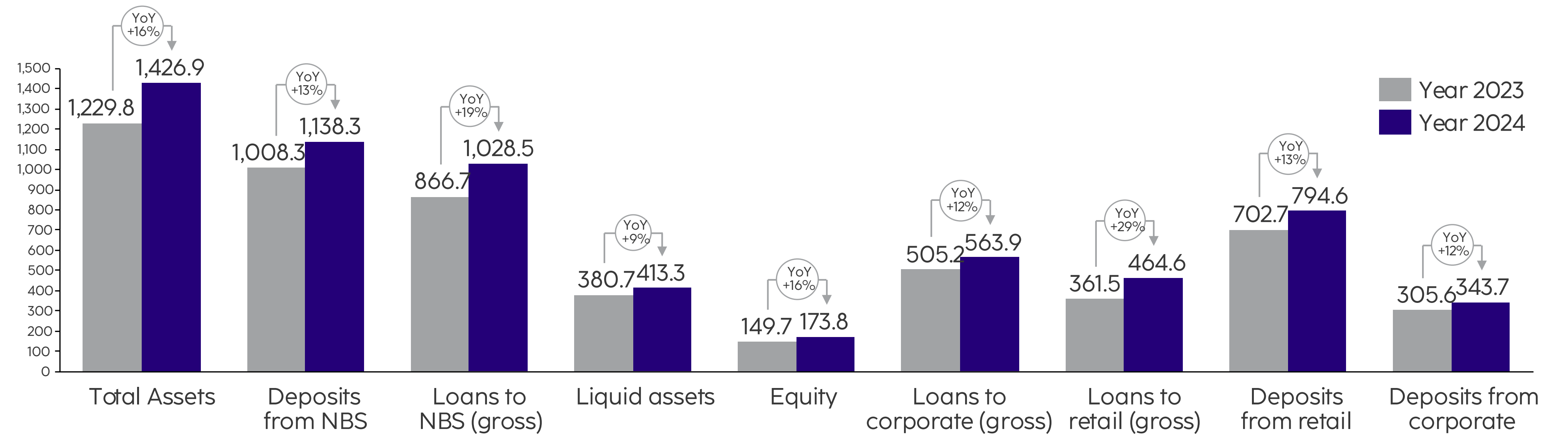
The structure of total assets of the bank consists of:

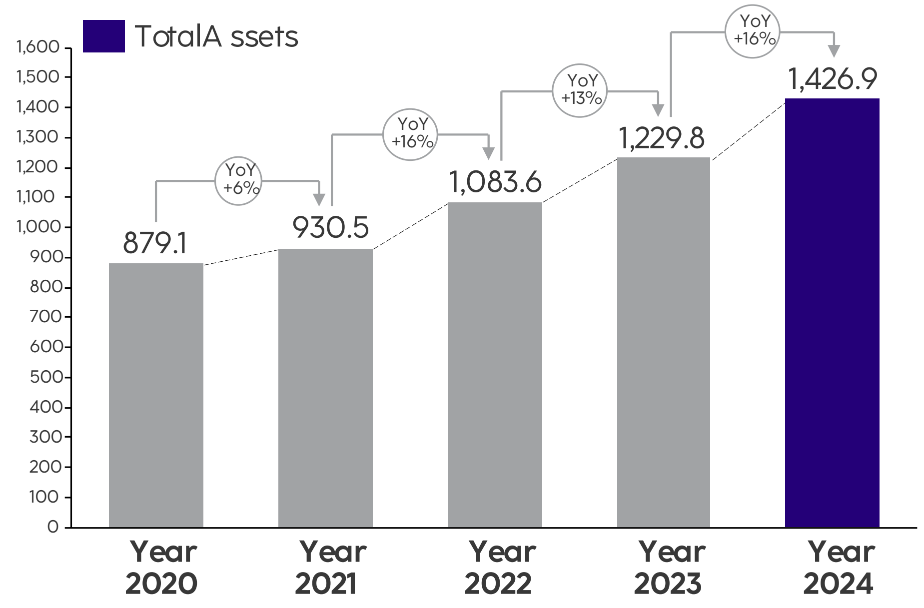
- 70% NBS loan portfolio,
- 29% liquid assets
  - Cash and balances with CBK of 14%
  - Securities 11%
  - Term deposits with banks 4%
- 1% other assets

Structure of financial position

Figure 9: Main balance sheet items







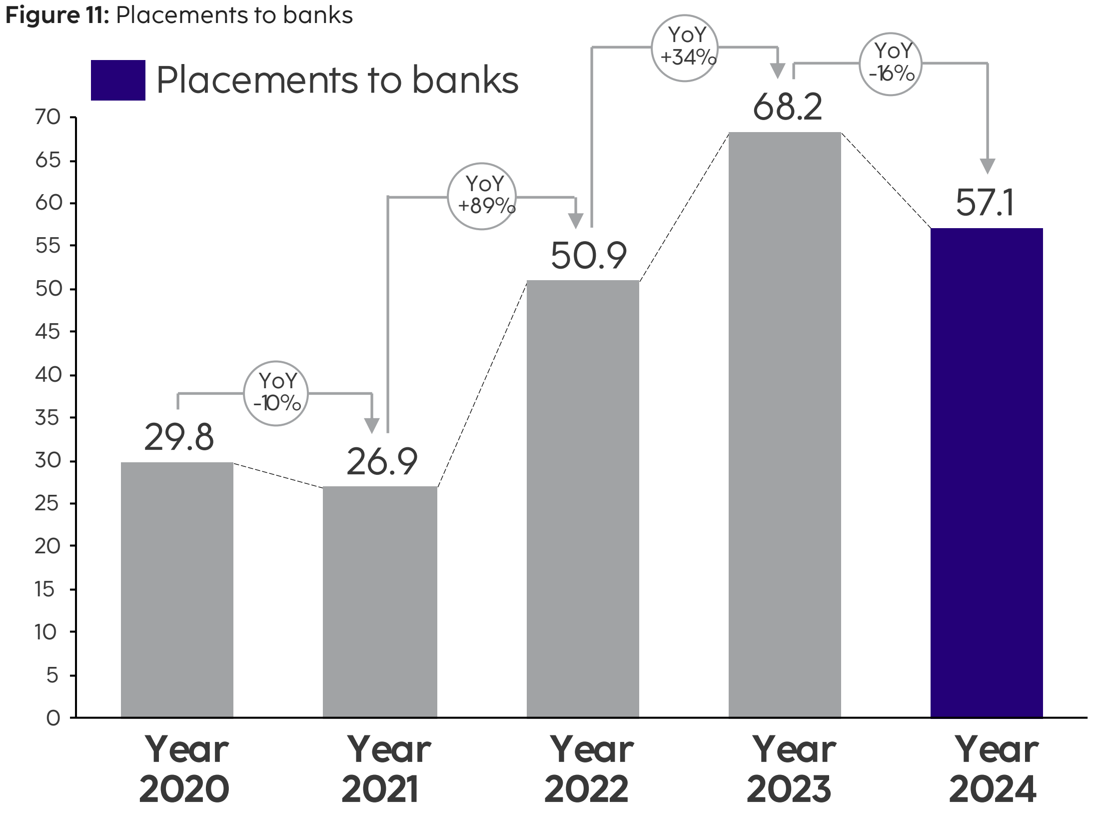
Cash and cash equivalents amounted EUR 202.1M an increase of 47.4% or EUR 65M YoY, and mainly consist of:

- CBK balances EUR 140.5M or 70% (o/w: obligatory reserve EUR 89.4M, cash EUR 51.1M).
- Cash EUR 33.4M or 17%.
- Sight deposits/placements to banks EUR 57.1M or 14%.

Liquid assets compared to previous month increased by 35.5M.

Placements to banks - amounted to EUR 57.1M. Compared to YoY, the balance decreased by EUR 11.1M or 16.3% due to investment on more profitable assets.

Figure 11: Placements to banks

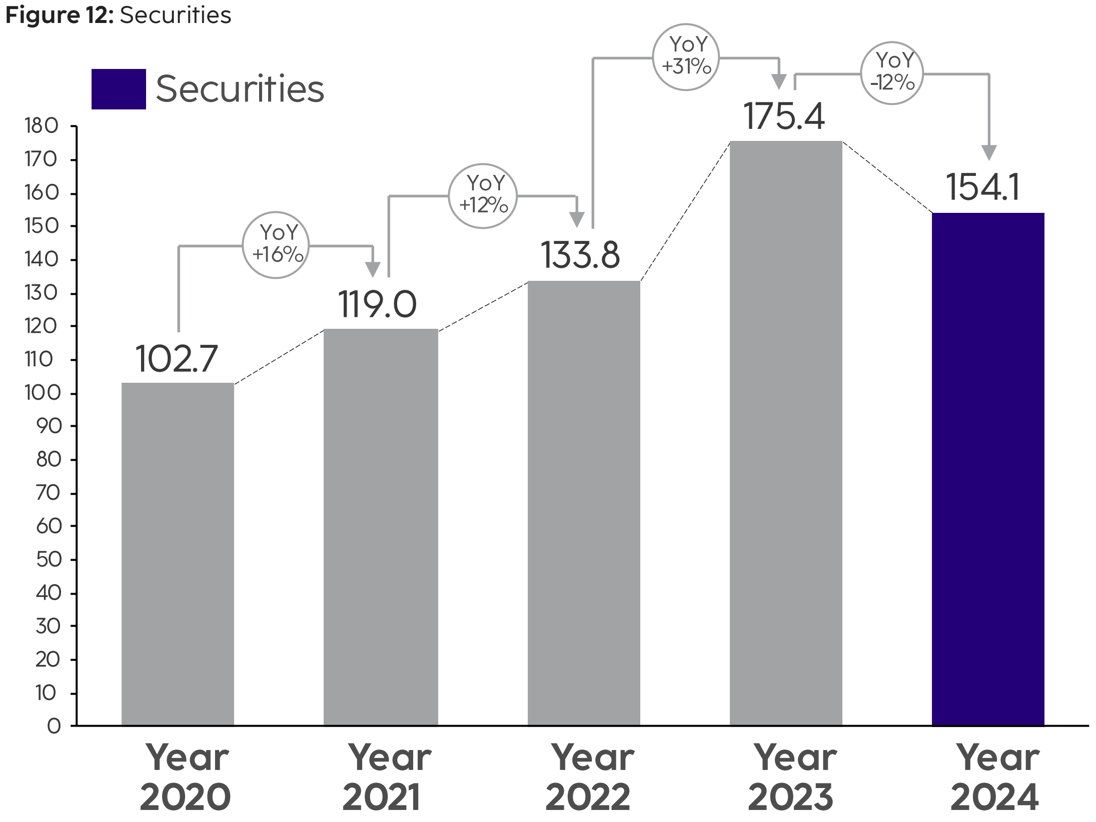


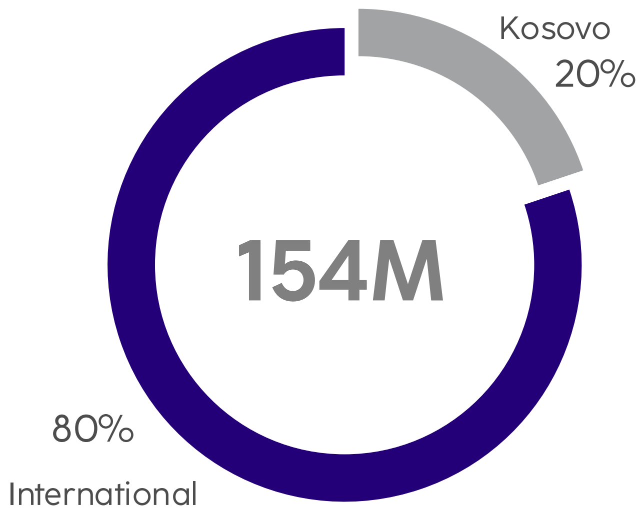
Investments on Securities amounted to EUR 154.1M, compared to YoY decreased by EUR 21.3M or 12.1%.

The structure of securities consists of 80% international securities, while 20% Kosovo.

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

Figure 12: Securities





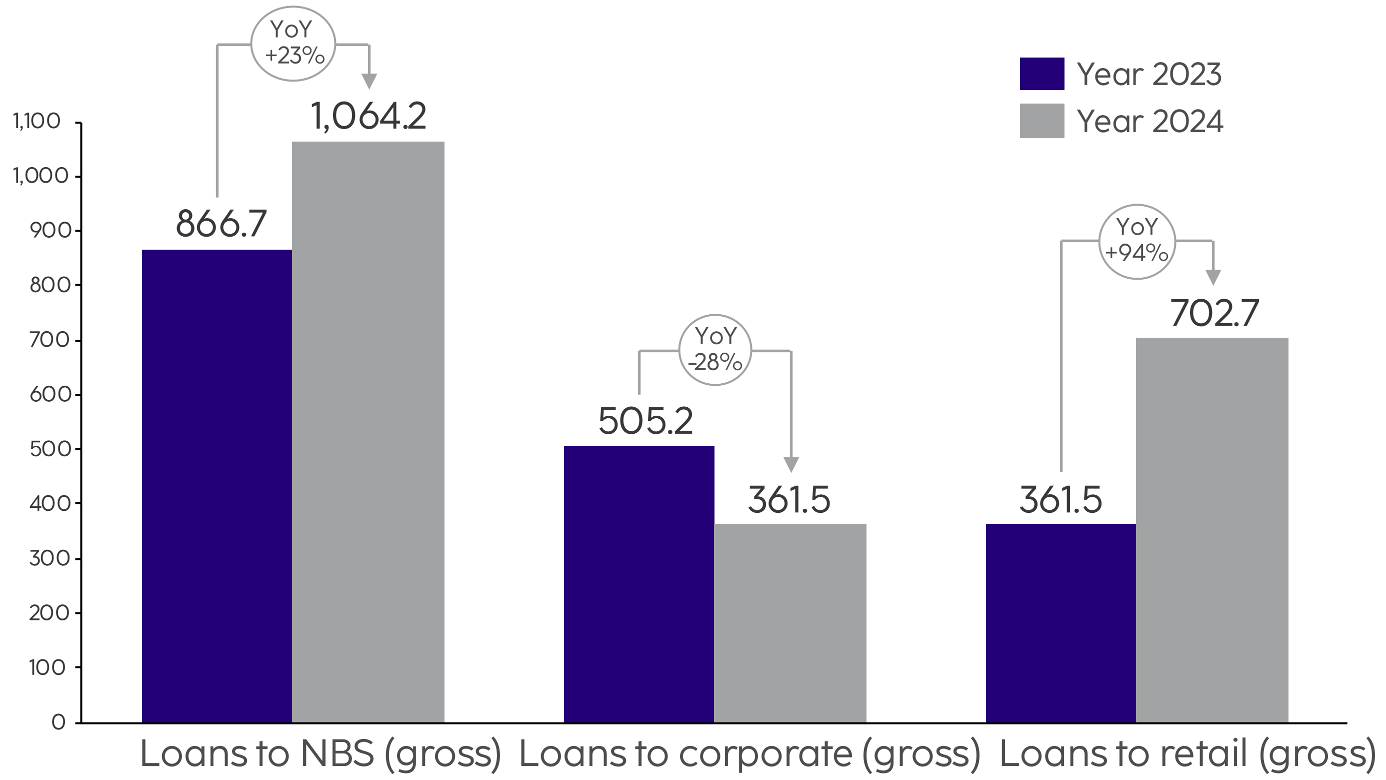
Total Gross NBS loans portfolio amounted EUR 1,028.5M exceeding the billion figure for the first time. Compared to YoY it increased by EUR 161.8M or 18.7%. On segment basis compared to YoY, corporate loan portfolio increased by EUR 58.7M or 11.6%, while retail portfolio increased for EUR 103.1M or 28.5%.

Even though the growth on portfolio, the bank has achieved to have the sound structure of quality portfolio with NPL of 1.7% (last year 1.9%). The structure of portfolio consists of: Stage 1: 93%, Stage 2: 6%, Stage 3: 2%.

The total increase of NBS portfolio absorbs the increase of total deposits, and the remining part was financing through structuring of balance sheet and utilization of liquid assets.

Besides the growth in NBS sector and on deposit side, the net LTD ratio has risen to 87.6% (last year 82.5%). Nonetheless, the structure of balance sheet remains optimal in terms of capital consumption on the group level.

Figure 13: Loans to NBS



Deposits from banks amounted EUR 62.1M, compared YoY increased by EUR 40.8M. For purpose of liquidity and in order to support the loan growth the bank has borrowed funds from NLB d.d. in amount of EUR 60M.

Total Deposits amounted to EUR 1,138.3M, with increase of EUR 130M or 12.9% compared to YoY.

The structure of deposits consists of:

- 70% retail deposits or EUR 794.6M, o/w:
  - current accounts 59%
  - savings deposit 6%
  - term deposits 34%
- 30% corporate deposits or EUR 343.7M, o/w:
  - current accounts 59%
  - term deposits 41%

Subordinated debt remains at same level as in 2023 in amount of EUR 15M represents the loan used for purpose of additional Tier II capital.

Shareholders` equity

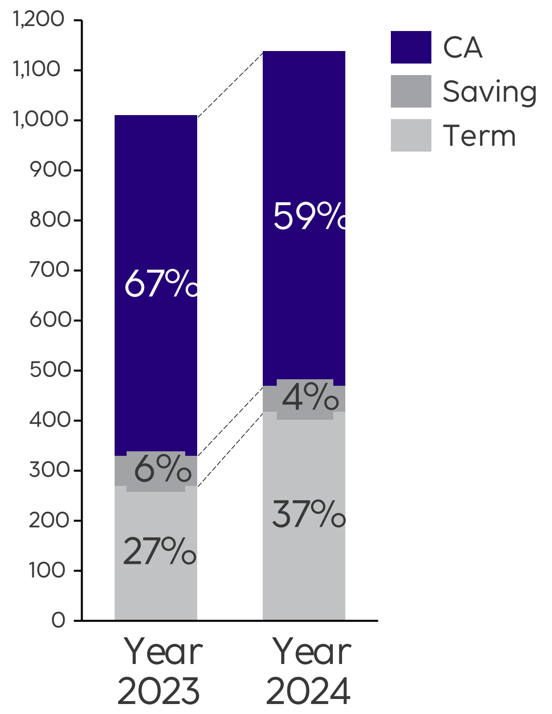
The total equity amounted EUR 173M, representing a fulfillment of capital requirements internally and for regulatory purpose. Such consistency is achieved by increase of current year net profit and other equity instruments.

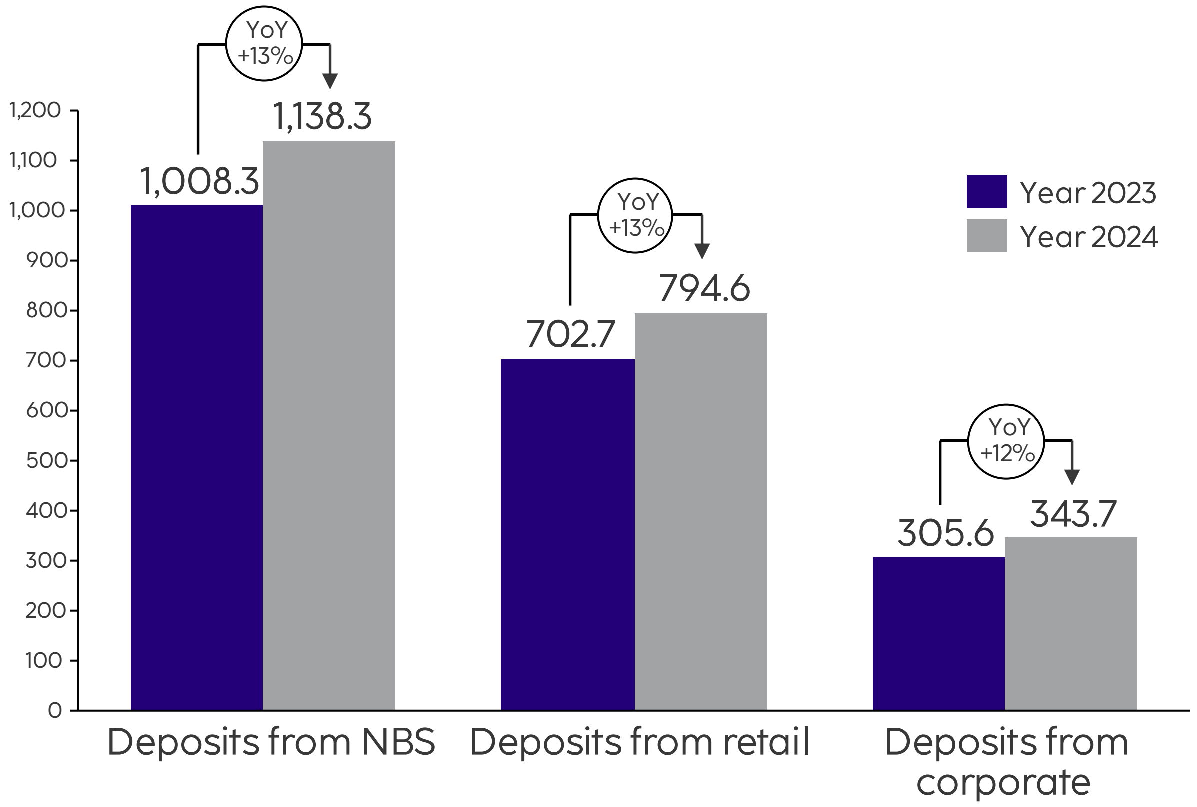
The capital structure remains stable with CAR ratio (as per CBK) at 18.2%. The indicator is above regulatory limit (12.5%) and internal risk appetite (14.5%).

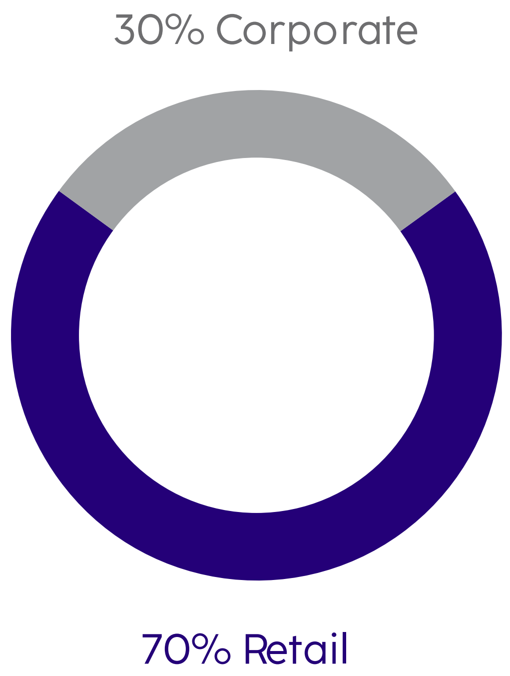
In addition, the bank has used EUR 10M from AT 1 instruments as part of equity of the bank.

Dividend pay-out practices and overall capital management process should be reconsidered to maintain Tier 1 capital adequacy ratio above 12.5% (December 2024 was 15.5%). The bank submitted the request in CBK for dividend distribution in amount of 21.6M (60% of net profit from the year 2023).

Figure 14: Deposits to NBS







Activities by business segments

Corporate Banking

Our bank provides a comprehensive range of financial solutions tailored to the unique needs of legal entities, including Corporate, SMEs, Micro, and institutional clients. Corporate banking is a crucial and central aspect of the global banking industry, significantly shaping and influencing the economies that banks support. Our bank is notably one of the leading institutions in the Kosovo market, holding a significant market share in corporate banking. This highlights our commitment to excellence and our substantial impact on the financial landscape.

On a global scale, the economy in 2024 has witnessed a shifting landscape. The anti-inflationary measures implemented worldwide aimed at addressing rising prices have produced an affect of lower inflation and therefore the central banks are gradually reducing the base rates which leads to lower forecasted interest rates, but the uncertainties in international trade and geopolitical affairs remain, thus shaping the economic environment, influencing investment decisions and business strategies on a global scale.

Our strategy is centered around an unwavering commitment to our customers, ensuring they are at the heart of every decision we make. By prioritizing customer-centricity, we are not only enhancing our current offerings but also boosting overall customer satisfaction. Through strategic partnerships in the open market and collaboration across all sectors of our institution, we aim to unlock additional value for our customers and businesses. Leveraging our size and scale, we are dedicated to delivering innovative solutions that cater to the diverse needs of our clientele, ensuring their success both now and in the future. We remain steadfast in our commitment to evolving alongside customer needs. With a forward-looking approach, we are dedicated to meeting and exceeding customer expectations for seamless, personalized experiences.

€ 563.8M
Gross corporate loan portfolio representing a 12% increase compared to 2023

15,851
debit and credit cards to legal entities

22,412
e-banking and m-banking users in the segment of legal entities or 15.1% more than 2023.

3,027
POS-es or 7.7% more than 2023.

As customer expectations continue to evolve, we are witnessing a significant shift towards digital and virtual channels for interactions. At the same time, there is a growing demand for expert guidance tailored to individual financial circumstances. This changing landscape is reflected in the reduced use of our branch infrastructure and a notable increase in contactless payments over traditional cash transactions.

In response to these dynamics, we are committed to strategically reshaping our footprint to better align with customer preferences. This involves proactively supporting our clientele in their preferred ways of being serviced, embracing the digital era, and adapting to the evolving patterns in financial behavior.

Our strategic focus moving forward is centered on sustained investment in digital platforms. We are committed to streamlining processes, eliminating unnecessary costs, and ensuring a seamless self-service experience for our customers. Our ongoing dedication to digitalization and automation is designed not only to enhance efficiency but also to reduce costs and create additional capacity for our colleagues to provide dedicated support to our valued customers. This proactive approach underscores our commitment to remaining at the forefront of technological advancements, delivering a banking experience that is both advanced and tailored to the evolving preferences of our clientele.

Guided by our foundational principles, we remain steadfast in our commitment to being a cornerstone among banks catering to corporate clients of all sizes in Kosovo. Currently, we serve approximately 19 thousand clients across 35 branches and sub-branches, offering a diverse range of products and financial services. These encompass lending solutions, payment services, and trade finance, underlining our dedication to meeting the varied needs of our clients.

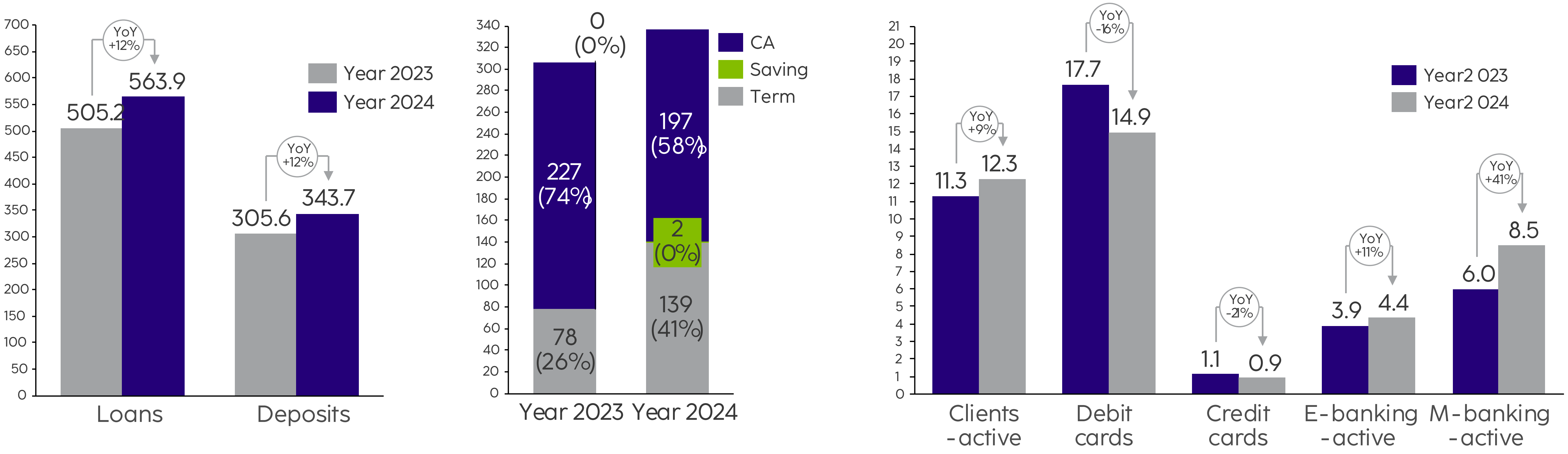
Our position as a reliable partner spans all segments of enterprises, with a strategic focus on enhancing support for SMEs. Recognizing their crucial role in the economic landscape, we are dedicated to fostering their growth and development.

Business activities with legal entities remain the cornerstone of our operations, representing the largest share of our efforts. Our comprehensive suite of services includes short-term loans for immediate needs, credit lines, overdrafts, long-term loans for investment projects, financing for the construction of business facilities, letters of credit and guarantees, as well as depositary operations. Additionally, we are committed to providing seamless domestic and international payment transaction services.

Through this diverse array of offerings, we reaffirm our commitment to being a dynamic and comprehensive financial partner for businesses at every stage of their journey.

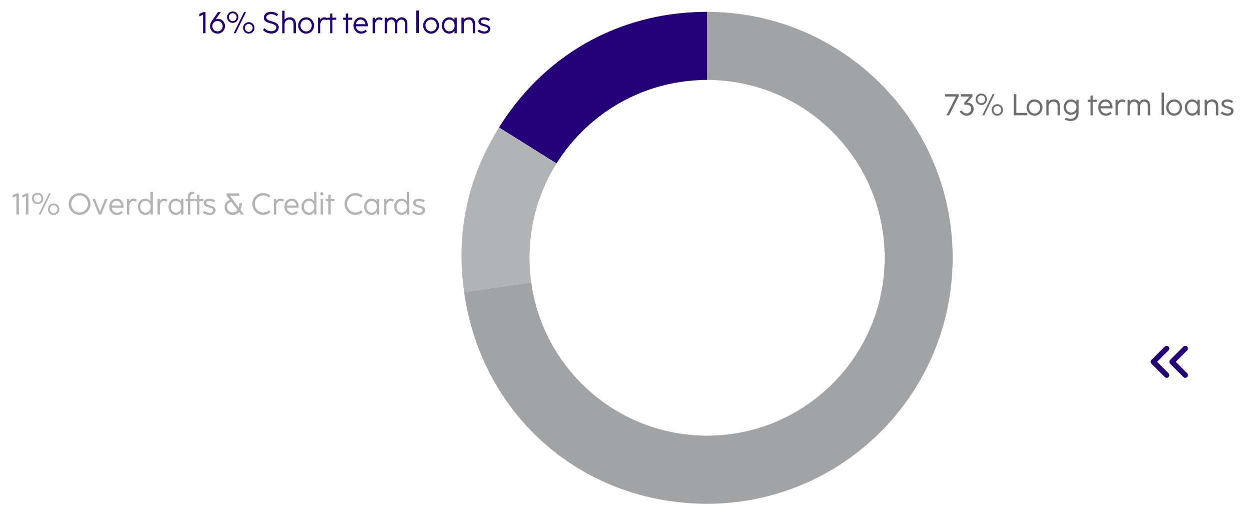
The main/key data on operations with corporate banking

Figure 15: Corporate segment



The main/key data on operations with corporate banking

000 EUR	2024	2023	Index 2024/2023
Amount of corporate & state loans (gross)	563,877	505,219	11.6%
Amount of corporate & state deposits	343,670	305,598	12.5%
Number of clients (active)	12,285	11,311	8.6%
Number of cards (debit)	14,942	17,691	-15.5%
Number of cards (credit)	909	1,147	-20.7%
Number of digital users (active)	11,033	8,618	28.0%
Number of E-banking (active)	4,356	3,907	11.5%
Number of M-banking (active)	8,489	6,001	41.5%



Our dedicated efforts have not only resonated positively with our clients but have translated into remarkable achievements in 2024. A significant highlight is the substantial growth of our loan portfolio by an impressive 12%, reaching a total of €545 million in gross loans. A key challenge remains the deposit base which is highly concentrated.

Overview
CEO Statement
Key Highlights
Business report
Strategy
Performance Overview
Segment Analysis
Risk Management
Sustainability Statement
Financial Report

We provide comprehensive banking and financial solutions – in one place.

We put our customers first by providing extensive, innovative and simple services – from banking products to investments, leasing and insurance. After nearly 30 years, we re-entered the Croatian market, becoming the only bank offering at least one form of financing across all the markets of a former common country.

Retail Banking

Despite the challenges encountered in 2024, our retail banking sector remained committed to its developmental trajectory, operating systematically in accordance with the bank's acquisition strategy and the NLB Group's highest standards. As a result, we improved our position as the second-largest bank in Kosovo and maintained our status as one of the top retail banks in the country, boasting an impressive 20 % market share in retail loans by increasing 28% YoY.

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

As a result of our persistent efforts and ongoing initiatives, we managed to maintain our retail clients base throughout 2024, which was a crucial prerequisite for expanding our retail loan portfolio and supporting the investment plans of our retail customers. By doing so, we facilitated our retail clients' ability to purchase homes and increase their family assets. Furthermore, we implemented additional measures to improve the lending processes and support the growth of our consumer lending sector. Through streamlining our retail operations, we achieved heightened levels of client satisfaction, as confirmed by an independent client satisfaction survey conducted by an outsourcing company. Automated process in loan origination for consumer lending as MVP has positive impact on sales efficiency and improved customer satisfaction. Automated consumer loan process has supported process of loan application more efficiently resulted in faster loan approvals and disbursals.

In 2024 Retail has intensified sustainable behavior through special approach towards Eco Loan for private individuals and supporting environmentally friendly needs of customers for financing eco-friendly home investment and energy-efficient appliances.

314,587

Individual Clients, or -2% decrease compared to 2023, due to prudent approach focused on maintaining our existing customer base and targeting new salary receiver clients in one hand and to clear the portfolio of inactive clients by closing inactive accounts on the other hand.

280,265

Debit and Credit cards, used by private individuals or -16% decrease compared to 2023, due to closing of non-active debit and credit cards.

120,295

M-click and E-click individual users, or 27% growth of digital users, compared to 2023.

35

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

Branch network

NLB Banka sh.a. maintains a physical presence in 9 major cities, strategically establishing 35 organization units to effectively reach a broad customer base. The branch network offers a convenient and accessible avenue for customers to access a range of products, services, and financial advice. Personalized support is a hallmark of our branches, catering to the unique financial needs of each customer.

The branch network plays a strategic role by not only providing valuable market insights based on customer preferences but also continuously leveraging this information at the Head Office level. The supportive Retail team utilizes these insights for the ongoing development and improvement of products and services. Additionally, the bank's presence is augmented by 101 ATMs, offering cash deposit options in over 65% of the network as a 24/7 service.

In 2024, the branch network transitioned to paperless activities, resulting in a positive impact on environmental sustainability, operational efficiency, and an enhanced customer experience. The cost reduction associated with paper-based processes reflects our commitment to implementing measures in compliance with regulations and therefore increasing operational excellence.

During the year 2024 NLB Banka transformed 3 branches from traditional banking into Cashless Branch concept.

Integral to our sales efforts are marketing campaigns that not only elevate brand visibility but also serve an educational purpose, particularly in terms of digital channels and bancassurance products. These marketing initiatives utilize appropriate channels to penetrate the market, contributing to the enhancement of corporate values and the brand image of NLB Banka.

New products and services – main activities:

In 2024, the Bank's strategy was centred on innovation, digital expansion, and operational efficiency. A key focus was the continuous analysis and enhancement of existing products and services to optimize internal processes and improve service delivery. This approach led to the successful introduction of new digital solutions, further strengthening the Bank's position in the market.

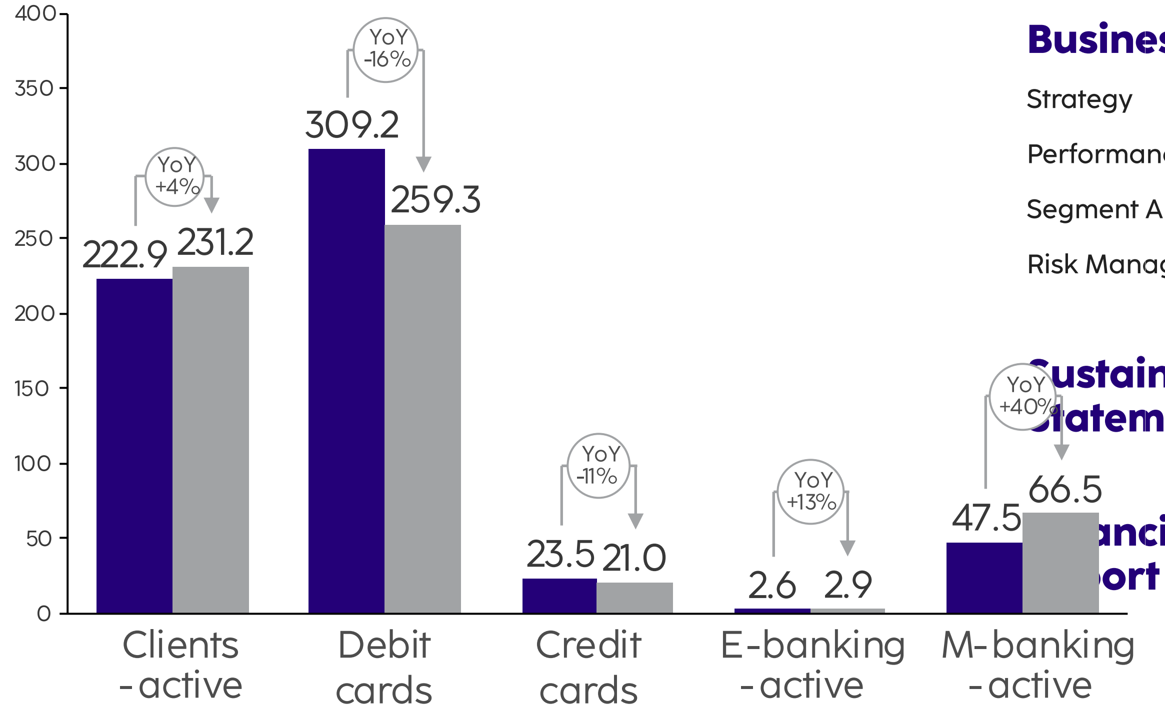
Additionally, the Bank's commitment to modernizing distribution channels resulted in significant growth in digital banking adoption, transaction volumes, and customer engagement. By leveraging technology and streamlining operations, the Bank reinforced its role as a leader in digital transformation while enhancing overall customer experience and operational effectiveness. Notably, the Bank introduced new services during this period, including:

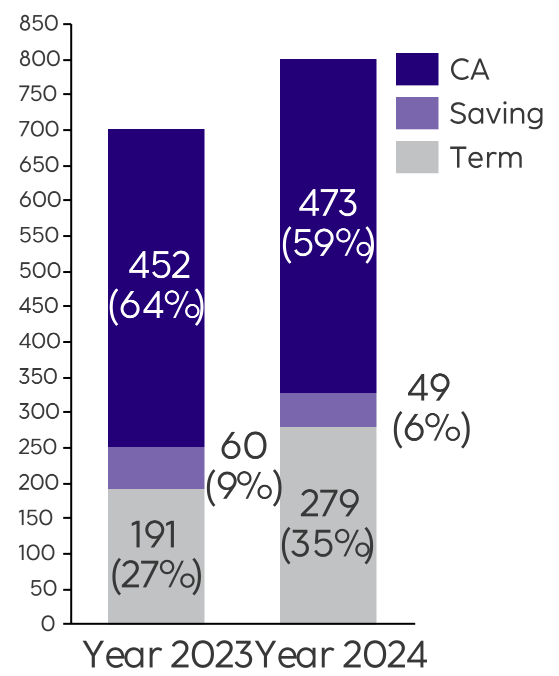
- Google Pay
- Smart POS
- Auto Premium Loan
- mKlik Loan (E2E process with Digital Signature)
- The main data on operations with retail banking:

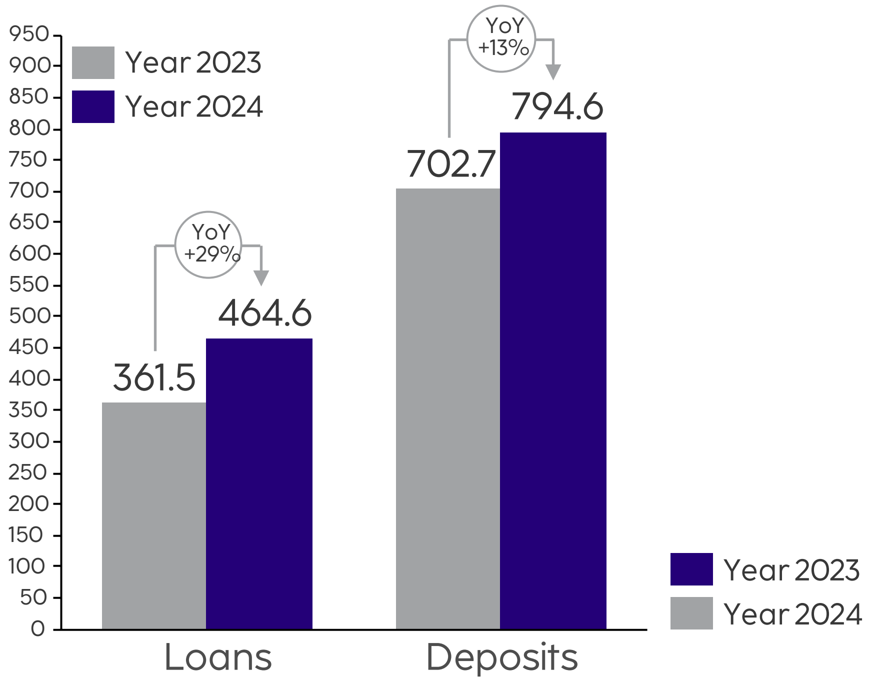
The main data on operations with retail banking:

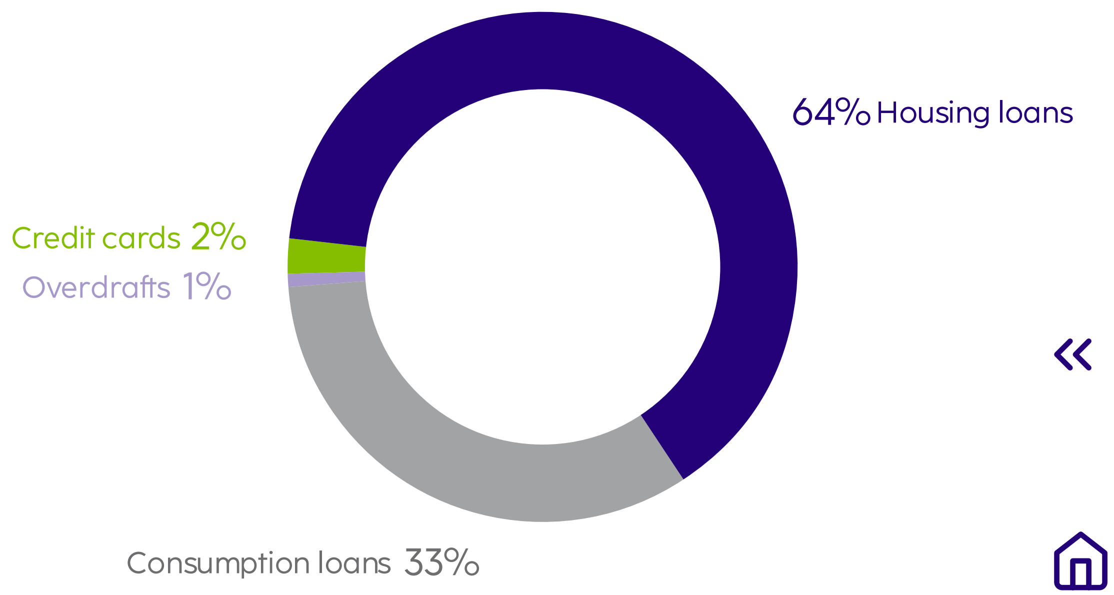
000 EUR	2024	2023	Index 2024/2023
Amount of retail loans (net)	464,643	361,511	28.5%
Amount of retail deposits	794,584	702,666	13.1%
Number of clients (active)	231,163	222,923	3.7%
Number of cards (debit)	259,307	309,225	-16.1%
Number of cards (credit)	20,958	23,492	-10.8%
Number of digital users (active)	67,742	48,989	38.3%
Number of E-banking (active)	2,936	2,601	12.9%
Number of M-banking (active)	66,455	47,539	39.8%

* Number of clients decreased on YoY basis due to activities during 2024 that Retail has undertaken to clear the portfolio of inactive clients by closing inactive accounts.
**Debit Cards and Credit Cards decreased on YoY basis due to activities during 2024 that Retail has undertaken to clear the portfolio of inactive clients and the cards issued and not used by this group of clients.









Modern distribution channels

- In 2024, the bank's strategy was centred on accelerating digital transformation and enhancing modern distribution channels to improve customer experience and drive transaction growth. By prioritizing the expansion and optimization of electronic banking platforms, the bank achieved remarkable progress in digital adoption, transaction volumes, and user engagement. Key initiatives focused on strengthening mobile banking, online banking, and NLB Pay, resulting in significant increases in active digital users, transaction volumes, and overall customer reliance on electronic payment solutions. The bank's commitment to innovation and convenience positioned it as a leader in digital banking, reinforcing its role in shaping the future of financial services.
- The continuous development of electronic channels has led to a significant increase in the number of transactions and turnover from clients utilizing modern distribution channels

- **ATM Withdrawal** - 6.6 % or 283,198 in absolute number **increase** of transactions.
- ▲ **ATM deposit** - 34.7 % or 141,470 in absolute number **increase** of deposit transaction.
- ▲ **POS payments -** have **increase** in total number and volume with following figures:
- ▲ 26.0 % or 35,747,465 EUR in absolute volume **increase** in volume of transactions.
- ▼ 12.3 % or 3,064,615 EUR in absolute volume **decrease** in volume of Our Card Our POS transactions.
- ▲ 34.5% or 38,812,081 EUR in absolute volume **increase** in volume of Our Card Not Our POS transactions.
- ▲ **Number of digital users** - 29.3 % or 23,940 in absolute number **increase** of digital users.
- ▲ **Number of active digital users -** 38.3 % or 18,753 in absolute number **increase** of active digital users.
- ▲ **e-Banking -** platform has **increase** of 5.5 % or 1,000 users in absolute number and **increase** of 12.9% or 335 active users in absolute number.
- ▼ 19.2 % or 22,910 in absolute number **decrease** in number of e-Banking transactions.
- ▲ 7.4 % or 5,029,566 EUR in absolute volume **increase** of e-Banking transaction volume.
- ▲ **m-Banking** - platform has **increase** of 31.7 % or 24,324 users in absolute number and **increase** of 39.8% or 18,916 active users in absolute number.
- ▲ 42.4 % or 136,747 in absolute number **increase** in number of m-Banking transactions.
- ▲ 53.0 % or 101,741,406 EUR in absolute volume **increase** of m-Banking transaction volume.
- ▲ **NLB Pay** - 256.3% or 4,078 in absolute number **increase** of registered NLB Pay users.
- ▲ 353.4 % or 622 in absolute number **increase** in number of active NLB Pay users.
- ▲ 89.0 % or 7,529 in absolute number **increase** of NLB Pay transaction.
- ▲ 1753.6 % or 254,214.00 EUR in absolute volume **increase** of NLB Pay transaction volume.

Sports inspire us and bring us together. That is why the NLB Group has been proudly supporting regional sports for decades.

A sporting mentality is something our economies need on the global stage and we incorporate it daily into our business operations.

Financial Markets and Payments Operations

Assets and Liabilities Management

In 2024, NLB Bank remained committed to robust Asset Liability Management practices, aligning strategies with our overarching goal of financial stability. Despite the challenges posed by changes in the interest rate environment, lower GDP growth, our ALM framework proved resilient, allowing us to navigate uncertainties while optimizing our balance sheet.

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

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

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

Ensuring liquidity adequacy is a top priority. Our approach encompasses maintaining ample high-quality liquid assets and robust stress testing. Our contingency funding plans provide additional layers of protection against unexpected liquidity events. Key performance indicators for 2024 reflect our commitment to sound financial practices. We maintained a net Ltd of 87.6% showcasing our resilience and efficiency in managing assets and liabilities. Throughout 2024, NLB Banka remained fully compliant with all relevant regulatory guidelines pertaining to ALM. We continue to adapt our practices to evolving regulatory landscapes, ensuring transparency and accountability.

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

Liquidity Risk

In 2024, NLB Banka remained steadfast in its commitment to maintaining a strong liquidity position, navigating uncertainties with a proactive and strategic approach to liquidity risk management.

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

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

Throughout 2024, NLB Banka continued to adhere to all regulatory guidelines related to liquidity risk management. Our commitment to compliance ensures that our liquidity risk practices align with evolving regulatory standards and expectations.

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

Foreign Currency Risk

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

Our bank diligently monitors currency risk by assessing foreign exchange open positions on a daily basis. Robust internal and regulatory limits are established for each currency, and compliance with these limits is closely monitored and reported to the management weekly. Currency risk arises from the fluctuation in the value of one currency relative to another. To mitigate this risk, our bank closely observes foreign exchange rates and implements measures to limit potential FX losses. It's noteworthy that NLB Bank maintains a very low FX risk due to the minimal exposure of open positions. Effectively managing foreign currency risk has allowed NLB Bank to minimize the impact of exchange rate fluctuations on its financial performance. This proactive approach instills confidence in our stakeholders. NLB Bank stands out as the sole provider of a range eight currencies, including USD, CHF, GBP, NOK, SEK, AUD, CAD and DKK.

Payment's systems

In 2024, our bank continued to strengthen its position as a provider of international payment services, achieving significant YoY growth. The increasing demand for fast, secure, and transparent cross-border transactions has driven a substantial rise in the volume and value of international payments processed.

Our commitment to digital transformation has enhanced transaction speed, reduced processing costs, and improved overall efficiency. As we move forward, we remain committed to innovation and service excellence, ensuring that our international payment solutions continue to meet the evolving needs of our global clients.

Automated Straight-Through Processing (STP) significantly improved the efficiency of international incoming payments by eliminating manual intervention, reducing processing time, and minimizing errors. By enabling seamless transaction flow, STP ensures that cross-border payments are credited faster, with greater accuracy and transparency.

Additionally, being part of SWIFT GPI (Global Payments Innovation) provides the bank with a competitive advantage by offering real-time payment tracking, end-to-end visibility, and faster settlement times. This not only enhances customer satisfaction but also optimizes liquidity management, reduces operational costs, and strengthens the bank's global connectivity. As a SWIFT GPI participant, the bank benefits from increased trust among international partners, improved compliance with regulatory requirements, and a stronger reputation in efficient global transactions.

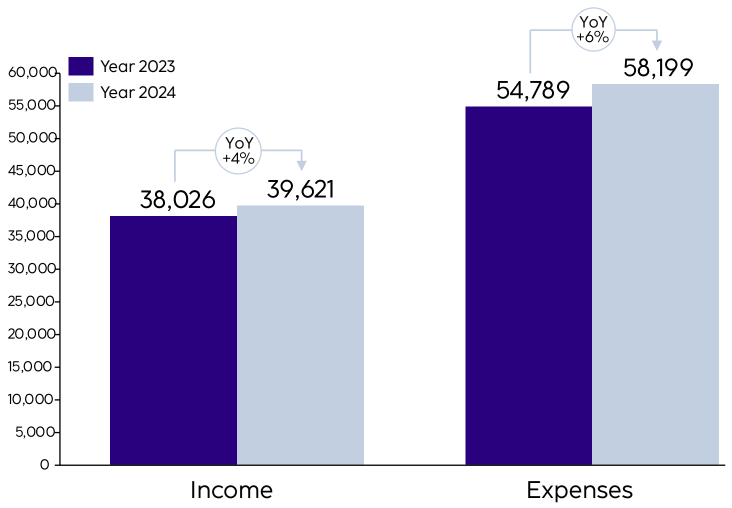
Our international payment activities experienced an increase compared to 2023. The total value of outgoing international payments rose by 4% in number and by 7% in amount, driven by expanded global partnerships and increased demand for our products/services.

The largest contributors to this growth were transactions involving the following countries: Germany, Albania, Turkey, Serbia, Slovenia, Italy, China, Croatia, Switzerland, which accounted for 32% of total outgoing international transactions, in number.

Similarly, incoming international payments, in 2024, grew by 6% in number compared to 2023.

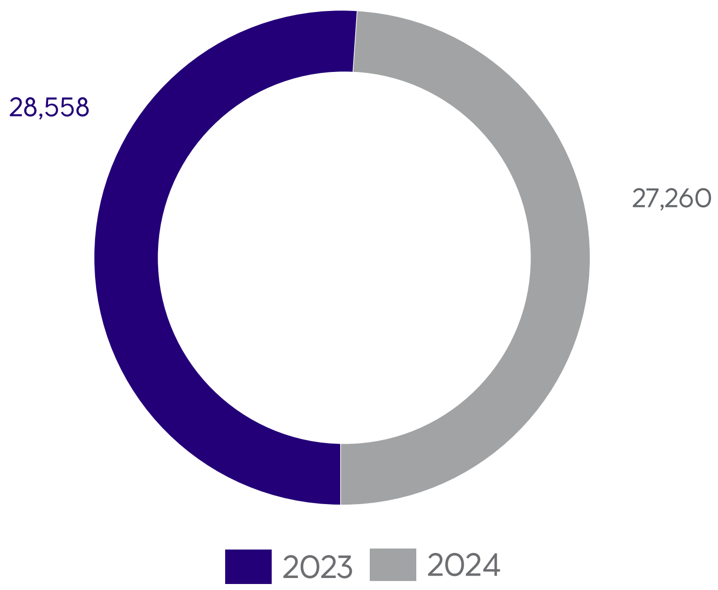
The following graph illustrates the year-over-year growth in international payments.

Figure 14: International outgoing and incoming payments (2024 vs. 2023)



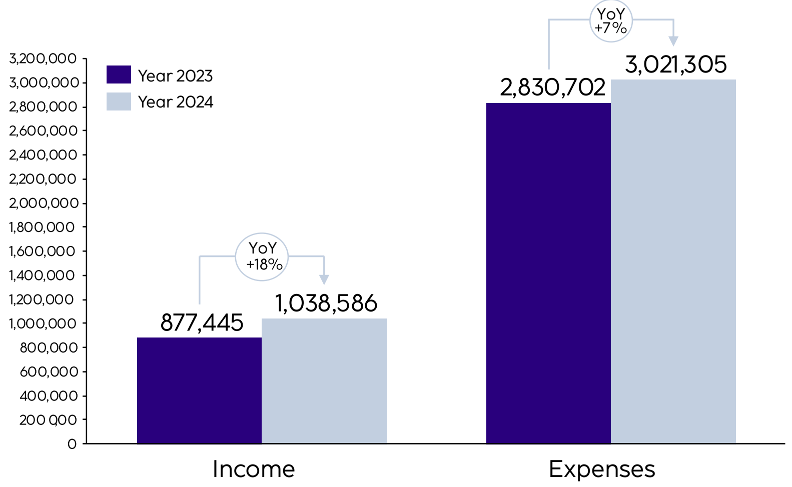
We see an increasing trend in e/m-baking in international outgoing payments, if we compare the data of 2024vs2023, we have an increase of number of international outgoing payments though e/m-banking by 5%.

Figure 15: Outgoing international payments via e/m banking)



Local interbank payment activities experienced significant growth compared to 2023, reflecting an increase in transaction volumes and values across various sectors. Both incoming and outgoing payments grew due to increased business activity, higher transaction efficiency, and greater reliance on digital banking solutions.

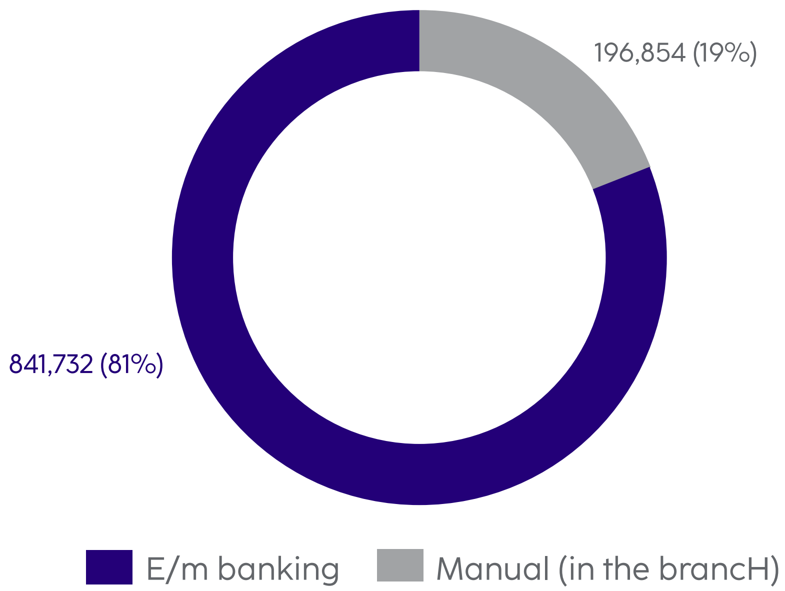
Figure 16: Incoming and outgoing interbank transfers (2024 vs. 2023)



Incoming Payments: Increased in number from 2,830,702 in 2023 to 3,021,305 in 2024, reflecting a 7% growth.

Outgoing Payments: Rose from 877,445 in 2023 to 1,038,586, marking a 7% increase.

Figure 17: Outgoing interbank payments (e/m banking vs. manual)



There is an increasing trend in e/m-banking versus manual payments (in the branch) as well. From the total interbank outgoing payments 81% are electronic payments.

Trade Finance

In 2024, our bank reinforced its role as a trusted partner in trade finance, supporting businesses with comprehensive solutions that facilitate both local and international trade. Trade finance plays a vital role in economic growth by mitigating risks, improving cash flow, and enabling businesses to expand confidently in global markets.

Our diverse range of trade finance services—including letters of credit, guarantees and factoring—has provided clients with the liquidity and security needed to navigate complex trade transactions.

Factoring has proven to be a valuable tool for businesses seeking immediate working capital by converting receivables into cash, enhancing financial stability. Through continuous innovation and strategic partnerships, we remain committed to delivering efficient and tailored trade finance solutions that empower businesses, strengthen supply chains, and drive sustainable economic development.

Being also a part of the European Bank for Reconstruction and Development (EBRD) Trade Facilitation Programme (TFP) provides significant advantages for banks engaged in trade finance. The programme enhances a bank's ability to support local and international trade by offering guarantees, cash advances, and risk mitigation for cross-border transactions. Through EBRD's strong network of confirming banks and financial institutions, participating banks gain increased credibility and access to wider global markets, enabling them to facilitate trade transactions in regions with higher risk.

As a member of NLB Group, our bank leverages the strength, reputation, and global reach of a leading financial institution to enhance its trade finance capabilities. This affiliation provides numerous advantages, enabling us to offer superior services and solutions to our clients engaged in domestic and international trade.

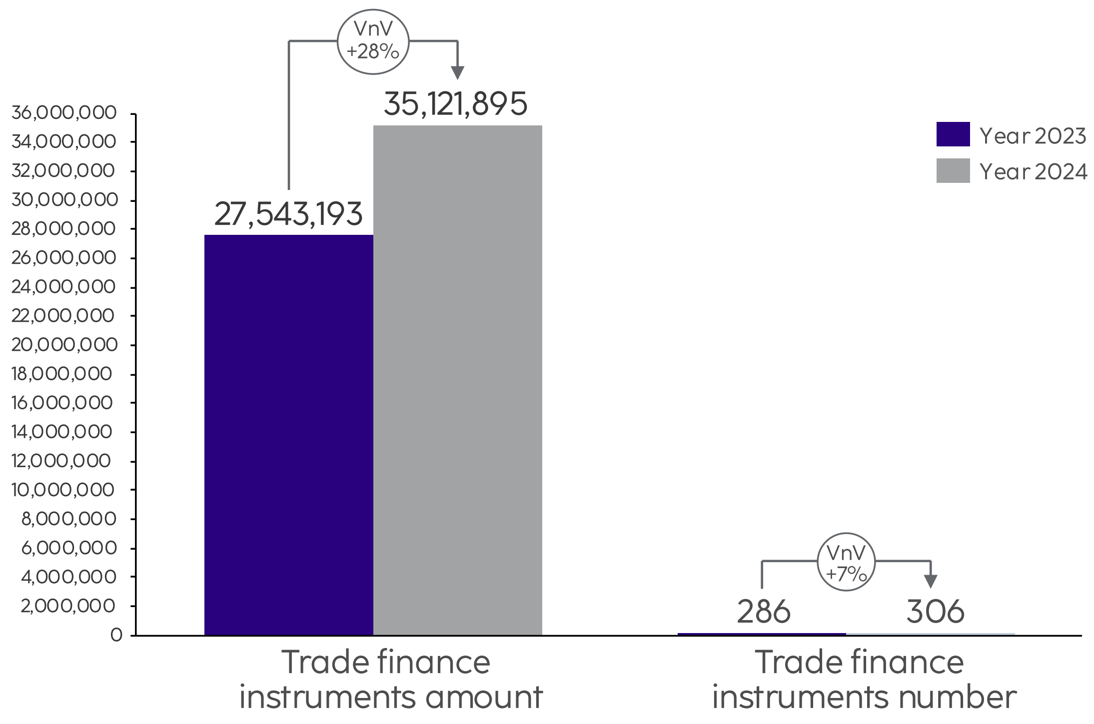
Compared to 2023, the total value and volume of trade finance instruments (guarantees and letters of credit) issued by our institution experienced the following growth:

· Bank Guarantees: Increased from 16,487,200.82 in 2023] to 21,298,573.42 in 2024, marking a 29% rise.

· Letters of Credit: Grew from 11,055,992.25 in 2023 to 13,823,321.88 in 2024, reflecting an 25% increase.

The following chart illustrates the year-over-year growth in trade finance instruments (guarantees and letters of credit).

Figure 17: Trade Finance



Information technology

IT Division was involved in continuous activities with a lot of engagements throughout 2024, achieving major milestones in infrastructure upgrades, cybersecurity enhancements, and project delivery. Significant efforts were made in modernizing technology systems, improving user support, and implementing innovative solutions that align with the organization's strategic goals. This report summarizes some of the key achievements in 2024.

Cybersecurity Enhancements.

In 2024 the bank has implemented Microsoft Purview as a comprehensive suite designed to address the evolving challenges of data governance, risk management, and compliance. As the bank deals with the complexities of an increased remote work, data fragmentation, and ever-evolving IT roles, it has closed a significant gap identified in the banks IT security infrastructure in terms of the visibility, accessibility, protection, risk management and empowerment of data by implementing Microsoft Purview. The solution is comprised of components that prevent data leakage through different channels ranging from Microsoft cloud services (Exchange Online, SharePoint, OneDrive, Teams) and the endpoint itself (external storage, network shares, document uploads through browsers, printing, etc.).

In order to gain a more comprehensive visibility into the network traffic, streamline and optimize datacenter and internet edge firewall configurations and maintain a strong security posture, the bank has implemented Tufin firewall analyzer which contributed to an enhanced network security and optimized firewall management by providing some key features like firewall optimization, real-time risk assessment, automated policy management and accurate firewall data and end-to-end network visibility.

With the implementation of above-mentioned solutions, the bank has developed a solid portfolio of security products from the top industry players ranging from endpoint security (MS Defender EDR and Sophos XDR), Network Detection and Response - NDR (Extrahop RevealX), Network Access Control – NAC (HP Aruba ClearPass), Database Security (IBM Guardium), Cloud WAF (Radware), Cloud DDoS (Radware Defense Pro), Security Information and Event Management – SIEM (IBM QRadar), Data Leakage Prevention – DLP (Microsoft Purview), Privileged Access management PAM (Wallix), firewalls (Checkpoint and FortiGate), Mobile Device Management MDM (Microsoft Intune) and Vulnerability Management (Qualys).

In 2024, the has permanently routed traffic to its online services (webchat, Viber chat and Always on VPN) through Radware scrubbing center for DDoS protection in order to ensure that the internet facing infrastructure of the bank is placed behind a protection layer provided by Radware thus making external internet facing infrastructure of the bank "invisible" to outside world.

We have continued our plan for education of bank staff either through several security awareness campaigns or simulated social engineering attacks with phishing emails. Bank staff is regularly tested for their knowledge on security awareness in collaboration with Bank Security department. Regular analysis and identification of vulnerable components of the information systems of the bank was conducted by an external partner through extensive tests with same tools and methodologies that are used in the wild by attackers.

Infrastructure upgrades

In 2024, the bank has gone through a very complex and resource demanding process of migration from NLB Group M365 tenant to its own tenant. This process took 5 months to complete and included the migration of all Microsoft Cloud services used by the bank such as Intune Device Management, Microsoft and Windows Defender, Exchange Online, MS Teams, SharePoint, OneDrive, Microsoft Information Protection (MIP), Microsoft DLP (Purview) and Always On VPN (AoVPN).

Datacenter Consolidation project has advanced in 2024 by setting up infrastructural prerequisites and implementing VMware Replication between NLB Banka Prishtine primary datacenter and Consolidated DRC in Ljubljana and integration with VMware Site Recovery Manager and the underlying data storage system. Various scenarios have been tested including 3 DC scenario with simultaneous replication with current DRC and future DRC in Ljubljana.

Business Continuity

As usually, the bank performed BCP testing of end-user applications with production data to validate disaster recovery procedures and to ensure that business operations can run without interruptions even if the primary datacenter would have been unavailable in case of Disasters. To test recoverability of data and business operations in disaster scenarios that cannot be compensated by switching over to Disaster Recovery Site, full recovery of applications and data from tape backups was tested successfully. In 2024, the bank has simulated DDoS attack on internet exposed services and has successfully routed Always on VPN traffic through scrubbing center for DDoS protection to ensure that end users can continue to remotely connect and work if the bank is experiencing DDoS attack.

Project Delivery

During 2024, IT provided full support to business developments and projects through development of tools, applications, interfaces and cooperation with third parties in development activities and projects like Loan Origination Application (Overdrafts and Credit Cards), AML, Robotics Process Automation (RPA) through automation of additional processes (maintenance fee, TDA interest calculation, black list updates, IBAN list updates, generation of orders, end of day procedure for Foreign Currency Payments module, etc.), Nexios Contact Center Solution, mKlik Loans product with digital signature and delivery of new versions of core banking modules.

Overview
CEO Statement
Key Highlights
Business report
Strategy
Performance Overview
Segment Analysis
Risk Management
Sustainability Statement
Financial Report

Risk Management

As a financial institution the Bank is inherently exposed to various types of risks as part of its business activities. Thus, responsible and efficient risk management enables healthy and sustainable growth of our bank. Having a sound risk management system underpins efficiently meeting our client needs while delivering value for our shareholder and stakeholders.

We take a comprehensive approach towards risk management, which is articulated through our risk strategy and risk appetite. Robust risk management practices are integrated within day-to-day activities of the Bank, through a well -established organizational structure supported and led by a sound risk management strategy ensuring appropriate overview and accountability within the Bank.

Therefore, the main role of the risk management is reflection and implementation of the risk appetite of NLB Banka sh.a, in integrated and consistent manner, which begins with understanding the specifics of the bank and market specifics, with a sole objective of maintaining and contributing on the effective and efficient risk management.

A well-established risk management function employing a structure of non-executive and executive directors enables independent and efficient risk governance. Employment of a three lines of defense model is the backbone of the risk governance structure of the Bank.

Lending activities as one of the core business activities of the bank exposures the bank towards the credit risk, which is also the key driver of credit risk exposure. Therefore, in order to establish a prudent approach towards risk management, the Bank has employed practices aligned with NLB Group risk management strategy and CBK regulations acknowledging local specifics and differences of business environment prevailing in the Kosovo market. Such an approach enabled installment of an efficient and effective credit risk management system.

Environmental and Social Governance (ESG) represents one of the key important topics for the Bank. ESG risks do not represent a new risk category, but rather one of the risk drivers of the existing type of risks. The Bank integrates and manages them within the established risk management framework in the areas of credit, liquidity, market, and operational risk. The management of ESG risks follows ECB and EBA guidelines, following the tendency of their comprehensive integration into all relevant processes.

The Bank has established an appropriate Environment and Social Management System (ESMS) which enables us to have a better understanding of our customers' activities, addressing issues/concerns, and minimize/mitigate risks related to ESG as well managing our stakeholder's expectations..

In the process of the transaction approval, collecting ESG data at the KYC stage was established. A regulatory compliance check represents the next important step and includes verification that a client is adhering to the applicable laws, regulations, and standards. If the transaction is classified with a high E&S risk, a strict deviation management process is in place that ensures further enhanced risk assessment. During a project's lifetime, ESG risk monitoring is established to assess the impact of each risk and create a strategy for its mitigation. With that, the Bank ensures that the risks are adequately addressed and that any changes or newly emerged risks are identified and addressed

On the portfolio level, the Bank does not face any large concentration towards specific NACE industrial sectors exposed to climate risk, with the role of transitional risk being more prevalent. Based on the industry segmentation of the portfolio and corresponding emissions, the Bank has a relatively low exposure to emission-intensive sectors in its corporate clients' businesses. The Bank does not finance companies that extract fossil fuels or operate coal-fired power plants as part of its strategy. Moreover, in December 2023, NLB, as a member of the UN Net-Zero Banking Alliance, publicly disclosed its Net-Zero commitment. With this step, the Bank pledged to align its lending and investment portfolio with net-zero emissions by 2050. The availability of ESG data in the region where the Bank operates is still lacking. Nevertheless, the Bank made significant progress in obtaining relevant ESG-related data from its clients, being the prerequisite for adequate decision-making and the corresponding proactive management of ESG risks. For larger corporate clients, the Group initiated direct Scope 1, 2, and 3 data-gathering processes, whereas for the SME and micro-segments, it developed its own proxies in cooperation with NLB dd an external expert.

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

Details on Risk Management including credit risk, liquidity risk, interest rate risk, capital management risk, etc. are disclosed in note (31) in risk management section of the audited financial statements.

Sustainability is embedded in our strategy and guides our efforts to improve the quality of life in our home region. In this chapter of the Business report we disclose our material impacts on people and the environment, related risks and opportunities, and explain their importance to the NLB Group's development, performance, and position.

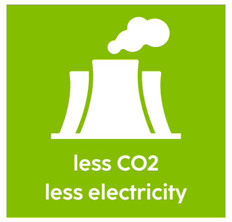
SUSTAINABILITY STATEMENT

Sustainability

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

Environmental and Social Governance (ESG) represents one of the key aspects for the Bank and is one of several risks management realms. The Bank has established an appropriate Environment and Social Management System (ESMS) which enables us to have a better understanding of our customers' activities, addressing issues/concerns, and minimize/mitigate risks related to ESG as well managing our stakeholder's expectations. In recent years, the Bank signed Framework Agreements with the EBRD, Contract of Guarantees with MIGA, and committed to the UN Principles of Responsible Banking. Consequently, the Bank established a mechanism for environmental and social screening of current or potential financing applications against the MIGA and EBRD Exclusion List and applicable environmental and social laws

ESG risk rating, similarly to credit rating, is a measurement of evaluation of a company, fund, or security's performance, except that it focuses on fulfilment of environmental (E), social (S) and governance (G) standards, instead of credit ability. During 2024 NLB significantly improved its ESG Risk Rating. This is the third ESG risk rating from Sustainalytics NLB has received in so many years, with each marking an improvement. In 2022, NLB received a risk rating of 17.7, being at the same time the first bank with headquarters and an exclusive strategic interest in Southeast Europe which has obtained this rating.



During 2024 the Banka has completed its sixth consecutive year of measuring and reporting the CO2 emission deriving form its own operations. The carbon footprint measurement is carried out based on the three scopes:

Scope 1: Direct GHG Emissions

Scope 2: Electricity indirect GHG Emissions

Scope 3: Other indirect GHG Emissions.

Bank's commitment on further decreasing CO2 emission from its operations were fostered by taking different actions such as, fleet replacement, limiting driving speed, AC adjustments, mounting solar panels, promoting cycling on employee commute and so forth, the bank will continue its dedication toward environment and social matters.

In June 2023, NLB successfully concluded the issuance process for its envisaged green senior preferred 4NC3 notes in the benchmark size of EUR 500 million. NLB intends to use the collected funds to support projects in the field of renewable energy, energy efficiency, green buildings, clean transport, sustainable water and wastewater management and pollution prevention and control.

In 2024, the Bank partnered with the European Bank for Reconstruction and Development (EBRD) to launch the SME Go-Green Program and the Women in Business Program, thereby providing clients with optimal offerings and aligning with Bank's green agenda. Furthermore, in 2024, the Bank collaborated with the International Finance Corporation (IFC) to enhance awareness regarding the construction and renovation of sustainable buildings.

Corporate social responsibility

NLB Banka recognizes its responsibility toward clients, employees, and society, viewing it not merely as an obligation but as a commitment to strengthening its credibility, reputation, and brand through various initiatives. As part of the NLB Group, one of the leading banking and financial institutions in Southeastern Europe, the bank integrates sustainability into its operations to contribute to the region's long-term development.

Committed to enhancing quality of life, NLB Banka supports socially responsible projects aligned with the UN Sustainable Development Goals. The bank focuses on key areas such as employee well-being, compliance and ethical integrity, entrepreneurship promotion, mentorship, sports sponsorship, humanitarian efforts, and environmental protection.

In 2024, NLB Banka reinforced its dedication to socio-economic development by actively engaging in Corporate Social Responsibility initiatives. These efforts included supporting health and education programs, reducing inequalities and poverty, encouraging fair employment and economic growth, and promoting environmental sustainability. All activities were conducted in alignment with the UN Principles for Responsible Banking.

Activities undertaken in supporting of clients/citizens

NLB Bank, is dedicated to helping individuals, businesses, and communities achieve financial stability and growth. We provide financial education programs, small business support, and affordable housing initiatives to empower our clients with the resources they need. Additionally, we invest in community development projects, enhance digital banking accessibility, and offer financial relief during economic hardships. Through these efforts, we aim to create long-term, positive change and ensure that our clients have the tools to succeed in an ever-evolving financial landscape.

NLB bank, believes that a strong financial foundation is key to individual and community success. That's why we are committed to supporting our clients and citizens through a range of initiatives designed to promote financial stability, growth, and resilience.

Our activities include:

- Financial Education and Literacy – We offer online tutorials and financial guidance to help individuals and businesses make informed decisions about savings, investments, and responsible borrowing.
- Small Business Support – Through tailored loan programs, mentorship opportunities, and business development services, we empower entrepreneurs to start and grow their businesses.
- Affordable Housing and Homeownership – We provide mortgage assistance programs (Three partied agreements), affordable interest for housing loans, and advisory services to help families achieve their dream of homeownership.
- Community Investment – We partner with local organizations to fund projects in education, healthcare, and environmental sustainability, ensuring long-term community development.
- Digital and Accessible Banking – We continuously innovate our digital services to make banking more convenient and inclusive, ensuring that clients can access financial services anytime, anywhere.
- Crisis and Hardship Support – During economic downturns or unforeseen crises, we offer relief measures such as loan restructuring, deferred payment options, and emergency financial aid to support those in need.

At NLB Bank, we are more than just a financial institution we are a trusted partner dedicated to helping our clients and communities thrive.

Social

NLB Bank is committed to making a positive impact beyond financial services by supporting social initiatives that strengthen our communities. We believe that responsible banking goes hand in hand with social responsibility, which is why we actively invest in programs that promote education, environmental sustainability, and economic empowerment. Through strategic partnerships, funding, and volunteer efforts, we aim to create meaningful change and improve lives. Our dedication to social initiatives reflects our core values of inclusivity, integrity, and long-term prosperity for all.

Therefor during 2024 NLB Bank supported several social activities listed below:

- We financialy supported the trip to Albania in honor of the holiday of March 7 and 8 for blind women
- We supported financialy the organization of the anniversary of the Kosovo miners' strike
- SOS childrens village continuation of the partnership:
  - covering the expenses of education at the summer camp for 37 children without parental care
  - covering the education costs for over 332 children at risk of abandonment for the Pristina region for one year
  - the coverage of education costs for over 107 children at risk of abandonment for the Gracanica region for one year
  - The total coverage of education and summer camp expenses for 476 children without parental care and at risk of abandonment for one year
- The traditional ""Let's Dance"" event organized by Action for Mothers and Children. The funds raised at the event will be used to provide equipment along with the spare materials for controlling glucose levels and managing diabetes in the University Clinical Center of Kosovo through the campaign ""Diabetes Does Not Stop Dreaming"".

The funds will also be set up for the educational room at the Pediatric Clinic where children with diabetes and their parents can receive advice on best and healthy practices to manage diabetes.

- "The Gala Charity Dinner" has become traditional every year and is organized by the American Chamber in Kosovo with the aim of raising funds for charity. This time, the funds where collected for 5 cause:
    - STEM education for girls – 20% of the funds raised
    - Scholarships for students of marginalized groups – 20% of the funds raised
    - Rural School Library project to expand to minority areas – 20% of the funds raised
    - Mental health support for children and adolescents – 20% of the funds raised
    - Digital education for rural areas – 20% of the funds raised

As part of NLB Group initiative for supporting people of Bosnia and Herzegovina, NLB Prishtina has made a donation to support the heart-felt efforts of rescue services who were engaged to eliminate the consequences of the destruction. Being part of these initiatives, the bank aims to ensure swift assistance for affected communities, demonstrating its commitment to social responsibility.

Environmental

NLB Banka actively engages in various initiatives aimed at improving the environmental conditions of our living and working spaces.

A key focus is the digitization of banking services, which significantly reduces paper consumption and supports environmental sustainability. By expanding digital platforms such as e-banking and mobile banking, the bank enables customers to access services electronically, minimizing paper usage and contributing to tree preservation.

As part of its ongoing environmental efforts, NLB Banka continues its "To Love and Protect Nature" initiative. Last year, the bank planted trees at two elementary schools in Prishtina, and additionally, during 2024 bank extended its tree-planting efforts by planting over 200 trees in Prishtina, specifically on Nazim Gafurri Street and Ahmet Krasniqi Street. This initiative underscores the belief that even small actions can have a significant impact on a shared sustainable future.

Through the "To Love and Protect Nature" initiative, NLB Banka not only promotes the protection of existing trees through paperless banking operations but also contributes to the greening of public spaces.

Also, as part of Sustainability Festival bank has donated to Kosovo Mountain Search and Rescue Service (KMSRS), a professional organ which directs, advises and coordinates the work of mountain search and rescue teams throughout the territory of the Republic of Kosovo, and sometimes beyond. KMSRS rescuers have repeatedly aided hikers in difficulty, and recently they carried out extensive searches for a missing hiker.

Furthermore, the bank has taken steps to reduce its carbon footprint by adjusting its lending and investment strategies. It refrains from financing coal-related businesses and instead supports projects that foster a low-carbon economy.

Employees

During 2024, the Bank continued with the NLB Employee Fund – an initiative established in 2023 to provide support to our colleagues facing health challenges or the consequences of natural disasters. This fund remains an important pillar of our culture of care and solidarity.

Another important impetus has been the engagement of employees in initiatives with a sustainable impact on the environment and community. During the year, our team became part of tree planting initiatives, contributing to the creation of greener and healthier spaces for future generations. Also, in the spirit of knowledge sharing and professional empowerment, our employees organized lectures at the faculty, sharing their expertise with students and promoting continuous development.

These activities reflect our core values – caring for each other, responsibility towards the environment and building a more connected and empowered professional community. With this approach, we continue to build a work culture where support, commitment and sustainability are transformed into concrete actions.

Some of the activities that where organized:

· Celebration of International Education Day - January 24.

· On International Earth Day, we give you honey - we donated honey to all bank employees.

· Lecture on the topic "Green Finance and Social Inclusion" by our colleague Mehdi Kamberaj, at the University of Applied Sciences in Ferizaj

· NLB Group Data & AI Days

· Visit from SHFMU "Emin Duraku" in our branch in Kaçanik

· Special chess training for the children of our employees

· NLB Sustainability Festival - Wednesday Exercises

· Visit of our CEO and colleagues to SOS Children's Villages

Culture

Recognizing culture as a cornerstone of national identity and social unity, NLB Banka actively invests in initiatives that enrich communities and foster creative expression. By supporting cultural projects, the bank contributes to both economic development and the preservation of collective heritage.

In 2024, NLB Banka reinforced its commitment to the arts through various initiatives in music, gastronomy festivals and art exhibitions. A key highlight was its sponsorship of the **Photo and video report exhibition marking the 25th anniversary of the NATO bombing in Kosovo** which plays a vital role in cultural preservation and promotion. It serves as a historical archive, fostering national identity, awareness, and reflection on Kosovo's past. The exhibition also provides educational value by offering firsthand visual documentation of the events.

Beyond preserving history, the exhibition promotes Kosovo's artistic and journalistic contributions, engages the global community, and inspires future generations of filmmakers and historians. It also strengthens cultural institutions by fostering collaborations with museums and galleries.

Overall, this initiative ensures that Kosovo's history remains part of its collective memory while promoting cultural awareness, education, and artistic expression.

The bank also played a vital role in the Gastronomy Festival and Rock Blues festival, events featuring performances by celebrated musicians. Beyond celebrating music and culinary artistry, the festivals also served as platforms for raising awareness about cashless transactions, aligning with the bank's mission to modernize financial services.

Sport

In the field of sports, the Bank has consistently been one of the leading supporters, demonstrating unwavering commitment to athletes and sporting events. Through continuous sponsorship and active involvement, it has played a vital role in promoting excellence and fostering a strong sports culture.

During year 2024, bank has sponsored these clubs and events:

- Sponsorship of the Judo Federation in Kosovo
- Sponsorship of the Kosovo Handball Federation
- Sponsorship of football club "FC Prishtina"
- Sponsorship of Women's Handball club "KHF Istogu"
- Sponsorship of 4 different sport clubs U12 according to initiative NLB sport for youth
- Sponsorship of basketball club "KB Bashkimi"
- Sponsorship of Chess activities, participation in Chess Federation Competitions and other actions related to the advancement of chess.

"The Chess Memorial Tournament" dedicated to former Bank worker, Mustafa Ibrahimi. This tournament has been held for years and the Bank has continuously supported it, Ibrahimi held several positions in the Bank as Finance Director, Retail Director, Branch Director and recently Coordinator at BO and was also known as chess master.

We constantly invest in the development of our employees. In 2024, an NLB employee received an average of 8.85 days or 53.10 hours of training, mostly in the fields of banking, personal development, generative AI, data analytics and ESG. All these programmes are carefully selected and provided by NLB's Education Centre with more than 50 years of experience.

Each expert in our field cultivates knowledge and growth across the entire financial sector.

Human Resources Management

Human resource management and organization

In a rapidly changing world, our values at NLB Banka remain unwavering: we empower people, support entrepreneurship and improve lives. These principles guide every decision, every initiative and every step towards the future.
The year 2024 has been a testament to our commitment to creating more opportunities for clients, partners and, above all, for the people of our Bank. We have invested in professional development, supported new ideas and strengthened our role as an institution that not only follows change, but leads it. This report is a reflection of our journey – a year of growth, innovation and commitment to a more sustainable and stronger future for all.

NLB Banka sh.a. – Employer of the year 2024

Kosovo Chamber of Commerce, on December 6, 2024, organized a Gala Evening with the main players of the development processes, where NLB Banka accepted the award; Taxpayer and Employer of 2024.

The “Employer of the Year 2024” award is a testament to our commitment to creating an inclusive, innovative and motivating work environment. This recognition obliges us to continue to empower people, invest in their development and continuously improve our practices, making the Bank a place where talent flourishes and success is built together.

Year 2024 - Year of employees’ commitment Opportunity for everything you are.

During 2024, employee engagement has been at the heart of our strategy, becoming a key pillar of the Bank’s success. Through open communication, investment in professional development and support for employee well-being, we have built a culture where every employee feels valued and is empowered to give their best. This shared commitment has enabled us to face challenges and achieve extraordinary results, reinforcing our position as a Bank that puts people at the center. Here, we are creating together a region of opportunities for an even better future.

Training and development

During 2024, the Bank continued its commitment to supporting the professional and personal development of employees, considering it a key factor for increasing individual capacities and strengthening organizational culture. In a changing and increasingly competitive environment, investment in knowledge and skills is a necessity to guarantee high performance and adaptability to the demands of the financial market.

As part of its human resources development strategy, the Bank has offered a wide range of training opportunities, combining traditional and innovative methods, in line with the specific needs of employees and the objectives of the institution. One of the most important programs has been the continuation of the cooperation with the global platform Udemy for Business, which has enabled access to over 7,000 online courses in various professional and technical fields for 350 employees of the Bank.

In addition to online training, dedicated trainings with physical participation focused on developing technical and managerial skills, as well as increasing the strategic competencies of employees, were also organized during 2024. Field experts, certified trainers and experienced professionals participated in these programs, bringing a practical and applicable approach to everyday work. It is worth highlighting the two-day workshop with the well-known professor Joe Pons.

Training and Education	2024
Internal trainings	7,262
External trainings	524
NLB Group trainings	1,098
CBK	32
Average hours of training attended per employee	50

Greenline Conversations©

Scientifically-based methodology for having more skillful conversations – even when there’s tension. It enables conversations to be more productive, create greater engagement and get better results. This methodology is achieved through a combination of neuroscience and a simple set of red and green cards that show the things to do and not to do, to achieve the best possible outcome in every conversation.

During 2024, several trainings and workshops were held by the professional external company, which were then continued by HR officers who were certified to hold trainings and workshops on the topic; effective communication through the Greenline methodology.

Other Activities

In addition to the activities that the Human Resources and Organization Sector deals with every day, during 2024 the following activities were also carried out:

- “Hybrid” work model for some units of the Bank
- Flexible working hours for employees who do not work directly with clients
- Employee engagement assessment, with the external company “Interpretacija” from Slovenia
- Organizational culture measurement by the external professional company selected by NLB Group
- Continuation of voluntary health insurance for the Bank’s employees
- Performance assessment and bonus distribution
- “Open Door” program with the Bank’s Board of Directors
- NLB Sustainability Festival - Wednesday exercises
- Special training from the chess club in Prishtina for the game of chess for the children of the Bank’s employees
- 24th edition of the NLB Group Summer Sports Games in Moravske Toplice, Slovenia
- Enrichment of the book corner with new titles.

Teaching practice agreements

NLB Banka has continued to provide students and recent graduates with opportunities for internships throughout 2024, where experienced employees share their experiences and knowledge. The Bank supports the future building and career development of students. Moreover, for students, it means a better connection between theory and practice, where 48 students and recent graduates were accepted for internships at the Bank, with a minimum duration of two weeks and a maximum of six months. Many of them are engaged in the project “For the improvement of customer data”.

Structure by age	2024	2023	Index 2024/2023
Up to 30 years	50	45	11.1%
From 31 to 40 years	133	145	-8.3%
From 41 to 50 years	201	181	11.0%
From 51 to 60 years	69	67	3.0%
Over 60 years	25	30	-16.7%

Structure by gender	2024	2023	Index 2024/2023
Female	281	276	1.8%
Male	197	192	2.6%

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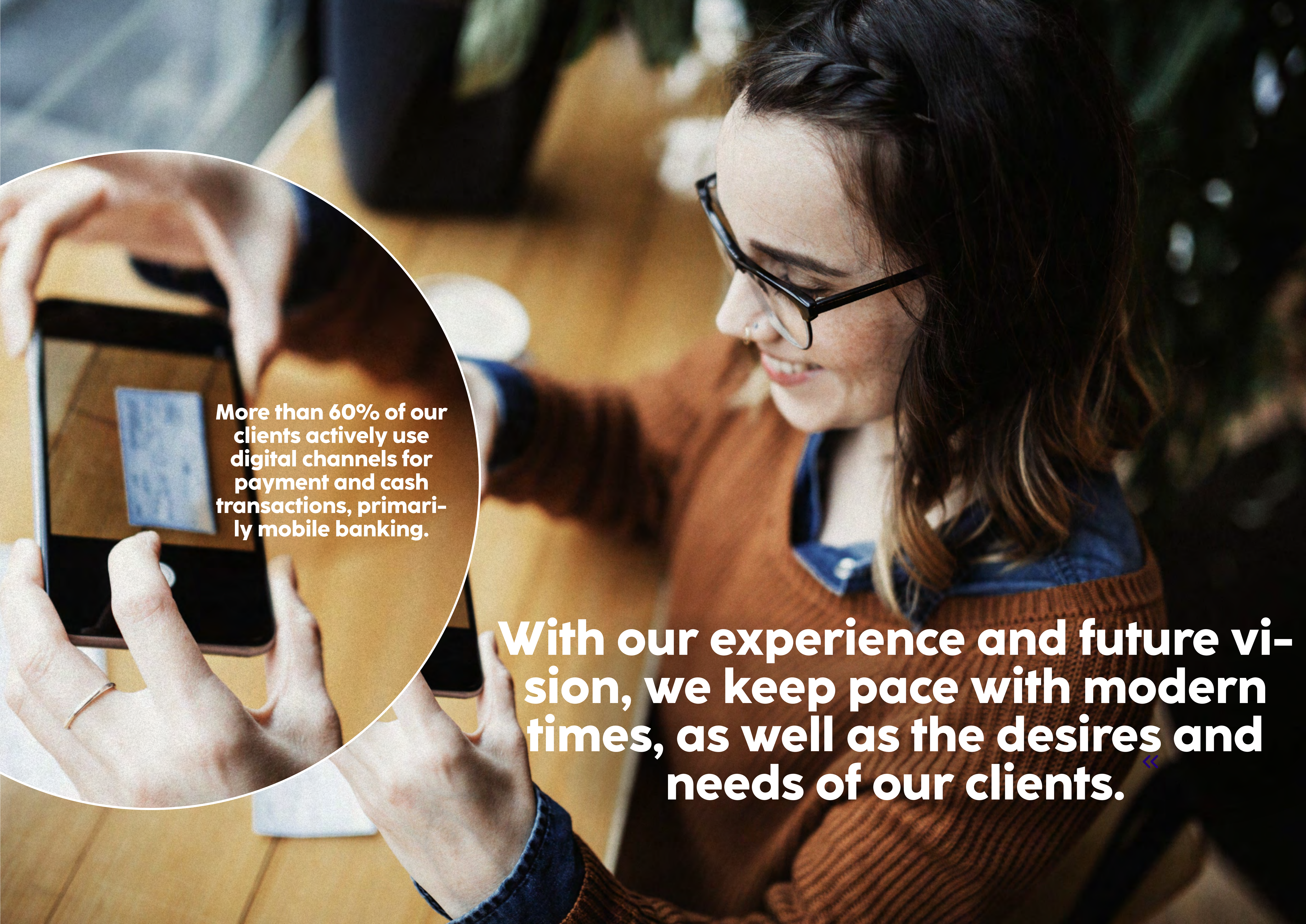


More than 60% of our clients actively use digital channels for payment and cash transactions, primarily mobile banking.

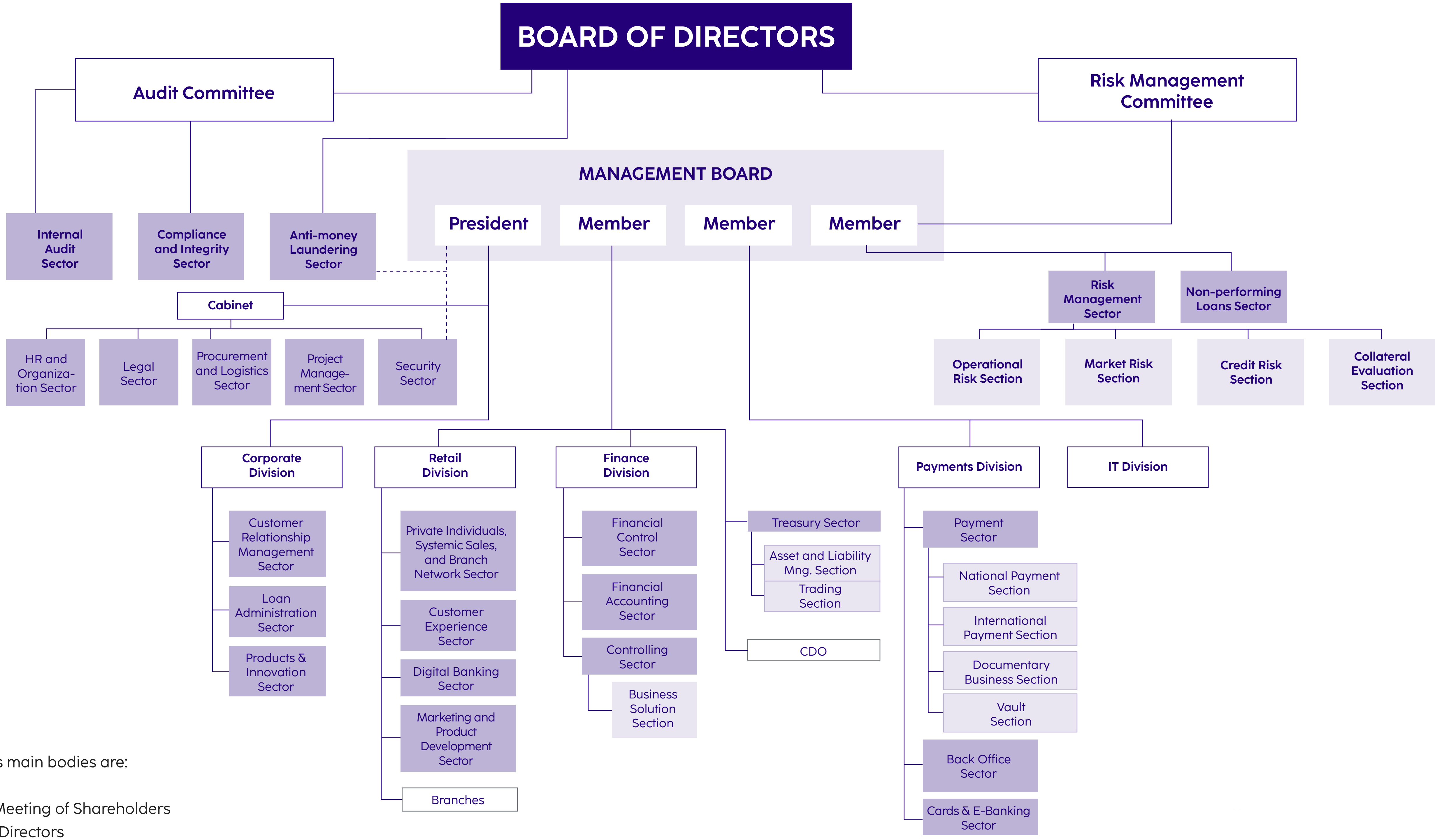
With our experience and future vision, we keep pace with modern times, as well as the desires and needs of our clients.

Corporate Governance

Corporate Governance and Management Bodies

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

The organizational structure of NLB Banka in 2024 was as follows:



The Bank's main bodies are:

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

General Meeting of Shareholders

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

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

During 2024, General Meeting of Shareholders had one regular meeting. and two extraordinary meetings..The regular meeting was held on March 270, 2024 whereas several documents have been approved, among which the following: External Auditors report for 2023, Business plan for the period 2024-2028, appointment of external auditor for the year 20234 supplements and amendments of the Statute and dividend distribution for the year 2023.

Composition of Board of Directors

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

The Board of Directors during the year 2024 had 10 meetings, 6 regular meetings and 4 extraordinary.

The structure of BoD of NLB Banka j.s.c. Prishtina as of December 31, 2024, was as follow:

- Mr. Antonio Argir, chairman
- Mr. Peter Zelen, vice chairman
- Mrs. Mateja Treven, member
- Mr. Abdylmenaf Bexheti, member
- Mrs. Ardiana Bunjaku, member
- Mr. Gem Maloku, member – Acting President of MB of NLB Banka as per function with no voting right.

Audit Committee

The Audit Committee members as of December 31, 2024 were:

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

The Audit Committee has been established based on the law for banks and activities are defined in the Rules of Procedure of the Audit Committee. Audit Committee is held on quarterly basis in the Bank. During 2024, in total five (6) Audit Committee sessions were held,

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

Risk Committee

As of December 31, 2024, the members of Risk Committee were as follows:

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

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

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

Risk Management Committee meets on quarterly basis in order to monitor the risk exposure and risk management of the Bank. During 2024 in total four (6) Audit Committee sessions were held. As such the Risk Committee supervises the area of credit risk, market risk and operational risk, with the aim of efficient and effective implementation of risk management appetite and risk strategy of NLB Banka.

Composition of the Management Board

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

As of December 31, 2024, the Management Board of NLB Banka consisted of three members:

- Mr. Gem Maloku, Acting President of the Management Board
- Mr. Mirsad Haskaj, Member of the Management Board and
- Mr. Ardian Hasa, Member of the Management Board

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

1. Collegium
2. Internal Audit Committee
3. Risk Management Committee
4. Assets and Liabilities Committee (ALCO)
    - Pricing sub-committee
5. Credit Risk Management Committee
6. Operational Risk Management Committee
7. Credit Committee
8. HR Committee
9. Security Committee,
10. Procurement Committee
11. Marketing Committee
12. Information Technology Committee.
13. Anti-money laundering (AML) Committee
14. Data Management Committee

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15. ESG Committee
16. Project Management Steering Committee
17. Recovery Committee
18. Liquidity Committee
19. New and Existing Product Development Committee

Internal Audit

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

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

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

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

During 2024, Internal Audit Sector performed 35 audit engagements in line with the audit plan 2024 and one (1) irregular audit, the productivity of our sector has increased for 30% in comparison with 2023. The internal audit reports mainly consist of the internal auditors' opinion, findings, causes, risks and recommendations as well as actions agreed to be taken from process owner for implementing the given recommendations. The reports are approved by Audit Committee of the Bank on quarterly basis. The given recommendations in the audit reports are regularly followed up and reported to Management Board as well as to Audit Committee of the Bank. After, the Board of Directors of the Bank is also informed on key observations on quarterly basis.

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

Compliance and Integrity Sector

The Compliance and Integrity sector is an independent unit in the Bank, advising senior management and reporting to the Board of Directors (Audit Committee). It operates under NLB Group Minimum Standards and local CBK Regulation on Corporate Governance. The sector comprises three employees: a Head of Sector and two senior compliance officers. Compliance and integrity activities include executing tasks from the 2024 annual working plan, following recommendations from Compliance Competence Line NLB d.d. and Internal Audit, applying Enterprise Compliance Risk Assessment measures, updating internal compliance documents in line with Compliance and Integrity Standards in the NLB Group, conducting regular and special compliance reviews in different banking processes, and tracking the implementation of measures issued from compliance reviews and investigations.

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

In the following, are listed the most important activities performed by Compliance and Integrity Sector during 2024:

- Enterprise compliance risk assessment (ECRA) – update for 2024, based on the Instructions for the Implementation of the Enterprise compliance risk assessment.
- Compliance reviews on areas and processes – Life insurance contract; assessment of applying policy against discrimination, harassment, equal treatment; Intensive Care List (annual monitoring) etc.
- Research (survey) on ethics and compliance 2024, with the purpose of establishing the employees' view (perception) on the situation in the Bank concerning compliance and ethics, their observations, experience, and attitude towards specific practices.
- Advancement/partly automatization of the procedures on identification and monitoring of legal/regulatory changes with effects on the bank's operations; information of bank employees related regarding legal/regulatory changes (periodic e-bulletin) and other awareness activities on compliance and integrity.
- Regular annual e-learning and other education and awareness activities on Compliance & Integrity topics - Ethics, Integrity and Code of Conduct, Prevention of conflict of interest and corruption, gifts, Prevention of misconduct and harmful behavior, Prevention of abuse on financial instruments market.
- Supporting OU's by giving opinions, advice and proposals in solving different banking issues.
- Investigation of suspected cases of harmful conduct.
- Activities related to assessment of suitability of key function holders in the bank (Fit and Proper).
- Investor relations activities based on Rules on

Inside Information - communication with employees regarding closed period (period during which certain identified persons are prohibited from engaging in transactions involving shares and other financial instruments of NLB d.d., Ljubljana).

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

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

- Implementation of Internal Audit recommendations.
- Group AML thematic review.
- Quantitative and Qualitative AML Risk Assessment – Group methodology.
- Red Flag Project – enhancement transactions monitoring scenarios
- Implementation of Customer Risk Rating Project Plan - Siron KYC
- Approval of Policy on the implementation of restrictive measures (financial sanctions and embargo), 4th version.
- New version of instruction upon KYC profile and Customer Due Diligence measure on purpose and envisaged nature of the business relationship especially on cash and cross border transactions
- New instruction on PEP and clients from high-risk 3rd Countries
- New instruction on negative media screening
- Thematic review of 2 branches
- Ad hoc second level controls on PEP clients, High risk industries, non-resident clients
- Face to face training have been organized for sales staff where more than 320 attended training in numerous sessions.
- Coordination and communication with AML Group regarding new sanctions as result of Russian invasion in Ukraine.
- Performance of second level controls on KYC data.
- Performance of second level controls on financial sanctions.
- Coordinating the KYC Review for high and medium risk clients and monthly reporting to Group AML.
- Implementation of Group e-learning methodology.
- Attendance of AML staff to trainings, business line meeting and AML conferences.

Disclaimer on Events after balance sheet date

After approval of dividend pay-out from Central Bank of Kosovo for net profit of 2023, on February 26, 2025 the Bank has procced 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.

FINANCIAL REPORT

Transparency and accuracy are the cornerstones of our integrity. This chapter provides comprehensive explanations of the financial data, additional disclosures, detailed notes on the financial statements and supplementary information offering deeper insights into the NLB Group's financial performance and operations.

Content

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The Management Board hereby confirms its responsibility for the preparation of the financial statements of the Bank for the year ended December 31, 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

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INDEPENDENT AUDITOR'S REPORT

Grant Thornton

Independent Auditor's Report

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F +383 (0)38 247 802
E Contact@ks.gt.com
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To the Shareholders of

NLB Banka Sh.a.

Opinion

We have audited the financial statements of NLB Banka Sh.a. ("the Bank"), which comprise the statement of financial position as at 31 December 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.

Grant Thornton

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Grant Thornton LLC
Prishtina,
13 March 2025

GRANT THORNTON L.L.C. KOSOVO

Suzana Stavrikj
Statutory Auditor

STATEMENT OF FINANCIAL POSITION

	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
Repossessed 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 though 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.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		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.

STATEMENT OF CHANGES IN EQUITY

	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					
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	***240***	***240***
Changes in fair value of equity instruments measured at FVOCI (Note 28)нь	-	-	-	240	240
Items that has been or may be reclassified subsequently to profit or loss	**-**	**-**	**-**	***(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					
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	***176***	***176***
Changes in fair value of equity instruments measured at FVOCI (Note 28)	-	-	-	176	176
Items that has been or may be reclassified subsequently to profit or loss	**-**	**-**	**-**	***(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.

STATEMENT OF CASH FLOWS

	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.

NOTES TO THE IFRS FINANCIAL STATEMENTS

1. GENERAL

NLB Banka sh.a. is a commercial bank (the "Bank") registered with the Kosovo Registry under Certificate of Registration no. 70053484 dated December 18, 2007. The Bank was established by the merger of two banks, NLB Kasabank and NLB New Bank of Kosova (during 2007 both banks were in control of Nova Ljubljanska Banka d.d.) and it obtained the license for banking activities on December 19, 2007 from Central Bank of Kosovo ("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.

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.

2.3 Comparative amounts

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

2.4 Functional Currency

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

2.5 Interest income and expense

Interest income and expenses for all financial instruments measured at amortised cost, and financial assets measured at fair value through other comprehensive income are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest rate method. Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is recognised using the contractual interest rate.

The effective interest rate method is used to calculate the amortized cost of a financial asset or financial liability, and to allocate the interest income or interest expense over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash payments or receipts over the expected life of the financial instrument, or a shorter period (when appropriate) on the net carrying amount of the financial asset or financial liability. Interest income includes coupons earned on fixed-yield investments and trading securities, and accrued discounts and premiums on securities. The calculation of the effective interest rate includes all fees and points paid or received by parties to the contract and all transaction costs, but excludes future credit risk losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets, in which case is applied over the net carrying amount.

2.6 Fee and commission

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. fee and commission income is recognized at an amount that reflects the consideration to the Bank expects to be entitled in exchange for providing the service, and expenses services are used.

Loan management fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee and commission income and expenses also include fees from letters of guarantees and letters of credit issued by the Bank in favor of the clients, fees arising from domestic and international bank charges, and other services provided by the Bank.

2.7 Financial instruments

a) Classification and measurement

From a classification and measurement perspective, IFRS 9 requires all debt financial assets to be assessed based on Bank's business model for managing the assets and the instruments' contractual cash flow characteristics.

Measurement categories of financial assets are as follows:

- Financial assets, measured at amortised costs (AC);
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets held for trading (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 though 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 though 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 though 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 though 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 though 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.

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 though 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. Possible changes of contractual characteristics and the performance of qualitative tests are: Modification of contractual cash flows that is in bank's commercial interests (loan renewal and extension); Restructured financial assets for clients in financial difficulties.
When contractual cash flows of a financial asset are modified, the Bank assesses if the terms and conditions have been modified to the extent that, substantially, it becomes a new financial asset. The following factors are, amongst others, considered when making such assessment:

- reason for modification of cash flows (commercial or client's financial difficulties);
- change in currency of the loan;
- introduction of an equity feature;
- replacement of initially agreed debtor with a new debtor that is not related party to initial debtor; and
- if the modification is such that it changes the result of the SPPI test.

If the modification results in derecognition of a financial asset, the new financial asset is initially recognised at fair value, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. If the derecognised asset was classified in Stage 3 as defaulted, the new asset recognised is classified as POCI (Purchased or Originated Credit Impaired).
If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

b) Reclassification

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

c) Day one gains or losses
The best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by a comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or based on a valuation technique whose variables only include data from observable markets.
If the transaction price on a non-active market is different than the fair value from other observable current market transactions in the same instrument or is based on a valuation technique whose variables only include data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement ('day one gains or losses').
In cases where the data used for valuation are not fully observable in financial markets, day one gains or losses are not recognised immediately in the income statement. The timing of recognition of deferred day one gains or losses is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

d) Derecognition
A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset is transferred, and the transfer qualifies for derecognition.
A financial liability is derecognised only when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled, or expires.

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

f) Fair value measurement principles
The fair value of financial instruments traded on active markets is based on the price that would be received to sell the assets or transfer liability (exit price) being measured at the reporting date, excluding transaction costs. If there is no active market, the fair value of the instruments is estimated using discounted cash flow techniques or pricing models.
If discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates; and the discount rate is a market-based rate at the reporting date for an instrument with similar terms and conditions. If pricing models are used, inputs are based on market-based measurements at the reporting date. The methods used by the Bank in estimation of fair value are further detailed in Note 2.34.

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 though 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 Banks considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Bank's historical data, experience, expert credit assessment, and incorporation of forward-looking information.

Classification into stages
The Bank prepared a methodology for ECL defining the criteria for classification into stages, transition criteria between stages, risk indicators calculation, and the validation of models. The Bank classifies financial instruments into Stage 1, Stage 2, and Stage 3, based on the applied ECL allowance methodology as described below:
- Stage 1 – performing portfolio: no significant increase of credit risk since the initial recognition, the Bank recognises an allowance based on 12-month period,
- Stage 2 – underperforming portfolio: significant increase in credit risk since the initial recognition, the Bank recognises an allowance for lifetime period, and
- Stage 3 – impaired portfolio: Defaulted clients are rated D or E based on the bank's internal rating system and contain clients with material delays over 90 days, as well as clients that were assessed as unlikely to pay. The retail clients are rated on the facility level, however the rating can be deteriorated based on the rating of other credit facilities of the same client.

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

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

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

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

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

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

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

Expected Life

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

Forward looking information

The Bank incorporates forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECL. The Bank considers forward-looking information such as macroeconomic factors (e.g., unemployment rate, GDP growth, interest rates, and housing prices) and economic forecasts. The baseline scenario represents the more likely outcome resulting from the Bank's normal budgeting process, while the better and worst-case scenarios represent more optimistic or pessimistic outcomes (similar as by ICAAP).

Recalculation of all parameters is performed annually or more frequently if the macro environment changes more than it was incorporated in previous forecasts. In such a case all the parameters are recalculated according to new forecasts.

b) Individual assessment of allowances for impaired financial assets

Assets carried at an amortised cost

The Bank assesses the impairments of financial assets separately for all individually significant assets classified in Stage 3. All other financial assets obtain collective allowances. The materiality threshold is set at EUR 50 thousand.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, which are discounted to the estimation date at the original effective interest rate of the asset. The scenario of expected cash flows can be based on the 'going concern' assumption, where the cash flow from operations is taken into account along with the sale of collateral that is not crucial for future business. In the case of the 'gone concern' principle, the repayments are based on expected cash flows from the collateral sale. The expected payment from the collateral is calculated from the appraised market value of the collateral, the haircut used as defined in the Haircut Methodology, and discounted. Off-balance sheet liabilities are also assessed individually and, where necessary, related allowances are recognised as liabilities.

The carrying amount of financial assets measured at amortised cost is reduced through an allowance account and the loss is recognised in the income statement item 'Impairment of financial assets.' If the amount of allowances for ECL decreases subsequently due to an event occurring after the impairment was recognised (e.g. repayment in the collection process exceeds the assessed expected payment from collateral), the reversal of the loss is recognised as a reduction in the allowance account and gain is recognised in the same income statement item. For off-balance exposures, the amount of ECL is recognised in the statement of financial position in item 'Provisions' and in the income statement in item 'Provisions for credit losses.'

The ECLs for debt instruments measured at fair value through other comprehensive income do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit or loss upon derecognition of the assets or when the amount of allowances for ECL decreases due to an event occurring after the impairment was recognised.

If the amount of allowances for ECL decreases subsequently due to an event occurring after the impairment was recognised (e.g. repayment in the collection process exceeds the assessed expected payment from collateral), the reversal of the loss is recognised as a reduction in the allowance for loan impairment and the gain is recognised in the income statement

2.9 Cash and cash equivalents

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

2.14 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.

1.15 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

1.16 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.

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 of 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.

2.22 Taxation

Current income tax is calculated based on the income tax regulations applicable in Kosovo, using tax rates enacted at the balance sheet date. The tax rate on corporate income is set at 10% in accordance with Kosovo tax regulations currently in force, Law no. 06/L-105 "On Corporate Income Tax".
The income tax charge in the profit and loss for the year comprises current tax and changes in deferred tax.
Current tax is calculated on the basis of the expected taxable profit for the year using the tax rates enforced or substantially enacted at the balance sheet date. Taxable profit differs from profit as reported in the profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxes other than income taxes are recorded within operating expenses.
Deferred income tax is accounted for using the balance sheet liability method for temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted on balance sheet date. Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority.

2.23 Off-balance sheet commitments and contingencies

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

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

2.24 Provisions

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

2.25 Employee benefits

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

2.26 Leases

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

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

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

Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that

depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Bank as a lessor
Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. For the year ended December 31, 2024 the Bank does not have any contracts as lessor.

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

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

2.28 Impairment losses on financial assets

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

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

2.29 Provisions and other contingent liabilities

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

2.30 Effective interest rate

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

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

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

2.32 Estimating the incremental borrowing rate

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

2.33 Taxation

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

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

2.34 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Bank 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
Amounts held at the Central Bank of Republic of Kosovo		
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**

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)**

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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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)**

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:

Gross carrying amount	December 31, 2024	December 31, 2023
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**

Less: Allowance for ECL	December 31, 2024	December 31, 2023
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.

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**

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**

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**

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 Landing	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**

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

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)**

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**

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**

	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**

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.

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**

Movement in allowance for ECL for financial instruments at Fair Value Though 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)**

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.

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**

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.

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**

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**

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**

16. BORROWINGS AND SUBORDINATED DEBTS

	December 31, 2024	December 31, 2023
Current portion		
Interest payable in Borrowing	8	-
Interest payable in subordinated debt	18	10
Total current portion	**26**	**10**
Non-current portion		
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).

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

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

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

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

Shareholders	Percentage ownership	December 31, 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
Interest income calculated using the effective interest method	**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
Other interest and similar income	-	-
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
Interest expenses calculated using the effective interest method	**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**

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**

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**

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 Though 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 Though Other Comprehensive Income revaluation reserve (equity)	2	(24)
Deferred tax asset as at December 31,	**694**	**520**

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 THOUGH 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 though 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 though 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 though 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 though other comprehensive income securities	(330)	(382)
Net gain/losses on equity instruments at fair value of Fair Value Though 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.

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)**

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)**

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:	Year ended December 31, 2024	Year ended December 31, 2023
Secured		
Secured by cash deposits	5,010	4,316
Secured by other collateral	16,451	14,830
	21,461	**19,146**
Unsecured	7,076	2,829
Total	**28,537**	**21,975**

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;

(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:

Tier 1 capital	December 31, 2024	December 31, 2023
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%**

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 though other comprehensive income		
Financial assets at fair value though 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.

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**	

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
Assets:		
Impact on cash, due from banks and financial assets at FVOCI	2,135	(2,135)
Liabilities:		
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
Assets:		
Impact on cash and due from banks and financial assets at FVOCI	2,315	(2,315)
Liabilities:		
Impact on due to banks and customers	(2,251)	2,251
Net impact on profit and loss and equity	**64**	**(64)**

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**

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.

Interest rate risk management in the Bank's book is carried out based on Gap analysis and Basis Point Value methodology.
Gap analysis relates to an interest rate risk measurement technique by means of which asset, liabilities and off-balance sheet assets are categorized into corresponding time buckets by the earlier of contractual re-pricing (for instruments with floating interest rate) or maturity date (for instruments with fixed interest rate).
Assets and liabilities with no maturity date (e.g. on-demand deposits) or with maturity dates which may be different from the original maturity dates defined by the contracts are categorised into corresponding time buckets based on the Bank's estimate and considering its previous experience.
With a view to more adequate interest rate risk management and measurement, BPV (Basis Point Value) methodology is used, measuring the financial instruments' sensitivity to changes of market interest rates. Based on this method, it is estimated how the position value will change if the market interest rates change by +/- 200 basis points.
The main tool for management of interest rate exposure is gap analysis, i.e. gap analysis for interest bearing assets and liabilities. The Assets and Liabilities Committee (ALCO) based on the proposal suggested by expert services, adopts the strategy of adjusting the assets and liabilities items based on the estimated changes in market interest rates.

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

	Sensitivity of the profit and loss and equity	
Interest rate sensitivity	**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%

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 though 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 Assets	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest bearing
Cash and cash equivalents and balances with central banks	137,074	28,577	-	-	-	108,497
Due from banks	68,245	65,292	1,463	1,490	-	-
Debt and equity instruments at fair value though 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)**

g. Credit risk

The Bank is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. In this respect, the credit risk for the Bank stems from the possibility that different counterparties might default on their contractual obligations. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

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

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

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

Terms and conditions of use of collateral

Collateral held under loan agreement can only be possessed by the bank in case of borrower's default and conduct of legal procedures in accordance with legislation of Kosovo which enable the bank to take full legal title and ownership. Only after the completion of these procedures, the bank can sell or transfer the collateral.

In addition, the Bank recognises seized collateral as an asset only when it has full legal title and physical possession of the collateral and the fair value of collateral can be determined reliably.

The Bank cannot sell, transfer or re-pledge the collateral while the borrowers are performing or legal procedures for transfer of ownership as a result of default have not been completed.

***Maximum exposure to credit risk*:**

December 31, 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)**

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)**
Guarantees	**19,376**	**(175)**
Financial guarantees	7,936	(67)
Letter of guarantees	11,440	(108)
Loan commitments	69,858	(589)
Letters of credit	2,598	(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**

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**

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**

Category A
All direct loans or facilities and off-balance sheet exposures of the bank that carry normal banking risk. Available information concerning the credit exposure, the performance of the customer's account, and the financial data all indicate that the settlement of the exposure is reasonably certain without difficulties, (or the obligation is fully

secured by eligible collateral). Similarly, within A graded clients/exposures *are* all direct loans or facilities and off-balance sheet exposures of the bank which are risk free. Exposures which have as collateral cash deposit or a guarantee issued by a bank which has an external credit rating of grater the BBB, grade evaluated by Moody's or S&P credit rating agencies.

Category B- Watch

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

Category C-Substandard

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

(a) If deposits/cash flows into the customer's overdraft account are insufficient to liquidate the outstanding balance within 60 days from the expiration date of the facility.

(b) If the customer exceeded the authorized limit of the facility by 5% or more for over 60 days without paying this excess or without bank management formally raising the authorized limit.

(c) If the customer is overdue in repaying contractual instalments (including interest) for over 60 days.

(d) If the maturity of the loan or facility is over 60 days past due without repayment.

Category D-Doubtful

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

vi. Impairment of financial assets

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

(a) If deposits/cash flows into the customer's overdraft account are insufficient to liquidate the outstanding balance within 90 days from the date of expiration of the overdraft facility.

(b) If the customer exceeded the authorized limit of the facility by 5% or more for over 90 days without paying this excess or without bank management formally raising the authorized limit.

(c) If the customer is overdue in repaying any contractual instalment (including interest) for over 90 days.

(d) If there are deficiencies in the customer's financial condition that have caused negative equity.

(e) If the maturity/expiration date of the loan or facility is over 90 days past due without repayment.

Category E- Loss

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

a) If deposits/cash flows into the customer's overdraft account are insufficient to liquidate the balance of the outstanding overdraft within 180 days from the expiration date of the overdraft facility.

b) If the customer exceeded the authorized limit of the facility by 5% or more for over 180 days without paying the excess or without bank management formally raising the authorized limit.
(c) If the customer fails to repay a contractual instalment (including interest) for over 180 days.
(d) If the maturity/expiration date of the loan or facility is over 180 days past due without repayment.
Impairments and provisions for the remaining part of the portfolio of companies, sole proprietors and retail clients (receivables from clients which are not individually relevant) and for the receivables from individually significant clients (except banks) for which there is no evidence of impairment is calculated on group basis (portfolio approach). Loans in group are further divided in categories, as companies and sole proprietors' group of retail clients on balance sheet. All the three groups are further divided in to five sub categories A, B, C, D, and E. When a loan is considered to be uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the profit or loss. If the amount of the provision for loan impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the profit of loss.
As of December 31, 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.

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

	Fully/over collateralized financial assets		Financial assets not or not fully covered with collateral	
December 31, 2024	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**

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

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

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.

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**

j. 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.

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As of December 31, 2024 and 2023, an analysis of loans to customers and banks by industry sectors was as follows:

Industry concentration

	December 31, 2024				December 31, 2023			
Industry sector	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.

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 though 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**

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 though 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**

l. 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:

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.

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

b) ***Analysis by fair value hierarchy of financial instruments carried at fair value***
The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

a) **Level 1**: Quoted market price (unadjusted) in an active market for an identical instrument
b) **Level 2**: Valuation techniques based on observable inputs other than quoted prices, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
c) **Level 3**: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
d)The following table shows the distribution of fair values over the different fair value hierarchies.

December 31, 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.

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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.

	December 31, 2024			December 31, 2023		
Assets	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents and balances with the Central Bank	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 procced 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.