BANKA KOMBETARE TREGTARE

ANNUAL REPORT

2022

STAY CONNECTED THROUGH THE BKT KOSOVA GRID

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OUR JOURNEY
THROUGH THE YEARS

The roots of Banka Kombëtare Tregtare were founded on 20th of November, 1925 with the establishment of the first branch in the historical building in Durrës that represents the oldest financial institution in Albania.

BKT, with the name it holds today, was established in January 1993, by the jointventure Bank Tregtare Shqiptare with Banka Kombëtare e Shqipërisë. BKT was registered as a shareholder in 1997, and today is the largest and oldest bank in Albania. BKT accomplished its privatisation prcess in 2000 and on30th of June 2009, Çalik Holding became the only shareholder of BKT.

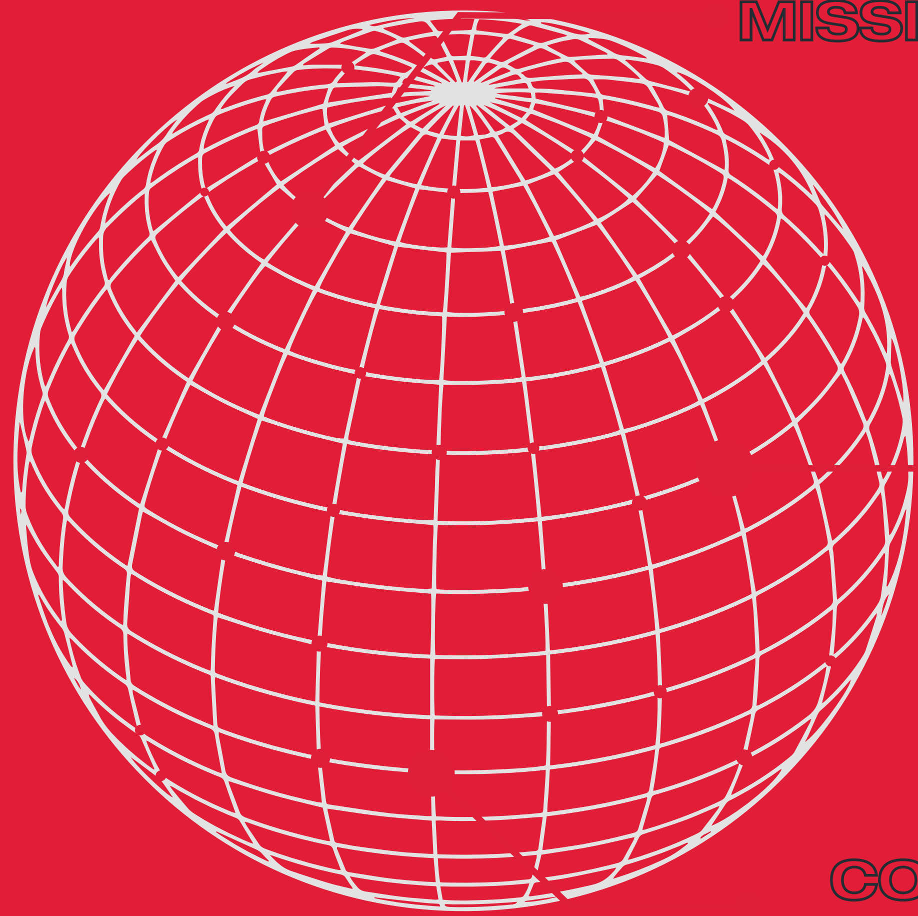
Having a consolidated capital structure and with extensive and dynamic competitive advantages, BKT began a new phase of growth and sustained success. Being the oldest bank and the first provider of financial services in the country, BKT has deep-rooted experience, in-depth local knowledge, a solid corporate corporate culture and a more innovative approach to support its vision.

BKT opened its first branch in Kosova, respectively, in November of 2007, a few months prior to Kosova's declaration of Independence (17th of February 2008). BKT brought its long experience and heritage to this newborn country. From that moment on, BKT and Kosova grew together and help each other prosper. With maximum dedication, starting with a staff of 11 people, Banka Kombëtare Tregtare expanded its network in 15 cities of Kosova by positioning closer to clients with 21 branches and at the same time increasing the number of employees to more than 400.

On 30 April 2018, Banka Kombëtare Tregtare Kosova Branch, changed its status from branch of a foreign Bank to a subsidiary Bank. Now, it is a Bank licensed by the Central Bank of the Republic of Kosova, with the change of the status, the bank changed its name from Banka Kombëtare Tregtare Kosova Branch to Banka Kombëtare Tregtare Kosovë J.S.C.

BKT Kosova operates with a strong focus placed on international banking and global partnerships, as well as on enhancing its customer service with the aim to provide access to banking for all customer categories: Individuals, Corporations, SMEs and Micro-enterprises. BKT Kosova is one of the fastest growing banks in the Kosova market and it runs the fastest and most innovative pace of digitalization in the banking industry of the country.

MISSION, VISION & CORE VALUES



MISSION

To contribute to rising standards of living by using our talents and energy to develop solutions that add value to people's lives, by providing people with peace of mind, convenience, and possibilities in the banking sector.

VISION

To grow and become a leading bank in Kosova, by adding value to every life we touch, in each of our areas of operation, with reliable teams empowered by our innovative and entrepreneurial spirit.

CORE VALUES

Our bank is commited to fairness, heart-guided work, innovation, transparency, sustainability, and agility. We value these principles and are pleased to see our efforts pay off in various ways, building trust with customers and stakeholders, making a positive impact on communities, and staying ahead of the curve.

MILESTONES

MILESTONES
MILESTONES
MILESTONES

1925

The inauguration of the Bank's Durrës headquarters on the 20th of November 1925

1993

Following the merging of the Albanian Commercial Bank (ACB) and the National Bank of Albania (NBA), BKT assumes its present name.

1997

BKT is established as a Joint Stock Company in July 1997, with assets reaching ALL 2.7 billion.

2000

BKT accomplishes its privatization process. The new shareholders invest US$ 10 million, resulting in the strong capitalization of the Bank.

2001

The new shareholders structure brings BKT major transformations including the development of a new infrastructure and the restructuring of all aspects of the Bank's operations.

2006

60% of the BKT shares are transferred to Çalik - Seker Konsorsiyum Yatirim A.S.

2007

A new branch opens in Pristina, Kosovo in November 2007 as the foreign investment of BKT.

2009

BKT becomes a 100% subsidiary of the Çalik Group following the acquisition of the remaining shares by Çalik Finans Hizmetler.

2010

BKT celebrates its tenth anniversary of privatization and the 85the anniversary of its first branch in Durrës.

2013

The first Islamic Leasing Company in Albania, Albania Leasing Company, was established in a partnership with BKT.

2014

BKT officially becomes the largest bank by assets within the Albanian banking system.

2015

BKT celebrates its 90th anniversary.

2017

BKT made the first dividend payment by 30 million USD.

2018

Banka Kombëtare Tregtare Kosovo Branch changed its status from foreign branch to Joint Stock Company. Its bank license has changed to Banka Kombëtare Tregtare J.S.C Kosovo, BKT Kosovo.

2020

BKT Kosova is honored with prestigious award by the Banker as "Bank of the Year in Kosova for 2020".

2021

BKT Kosova was awarded as "The Best Bank in Kosova for 2021" by The Banker and "Best Bank in Kosova" by Euromoney and Global Finance.

2022

- Successful implementation of Robotic Process Automation (RPA) technology.
- BKT Kosova was awarded as "The Best Bank in Kosova for 2022" by Global Finance for the second consecutive year.
- BKT Kosova was awarded as "2022 Outstanding Innovator in FX & Trading for Smart Invest Platform" by Global Finance.
- BKT Kosova was awarded as "Best Banking Group Kosovo 2022" by World Fonance.

- **Global Finance**
  Best Bank In Kosovo 2022
  2022 Outstanding Innovator in FX & Trading for Smart Invest Platform

- **World Finance**
  Best Banking Group Kosovo 2022

- **Global Business Review Magazine**
  Best Bank In Kosovo 2022

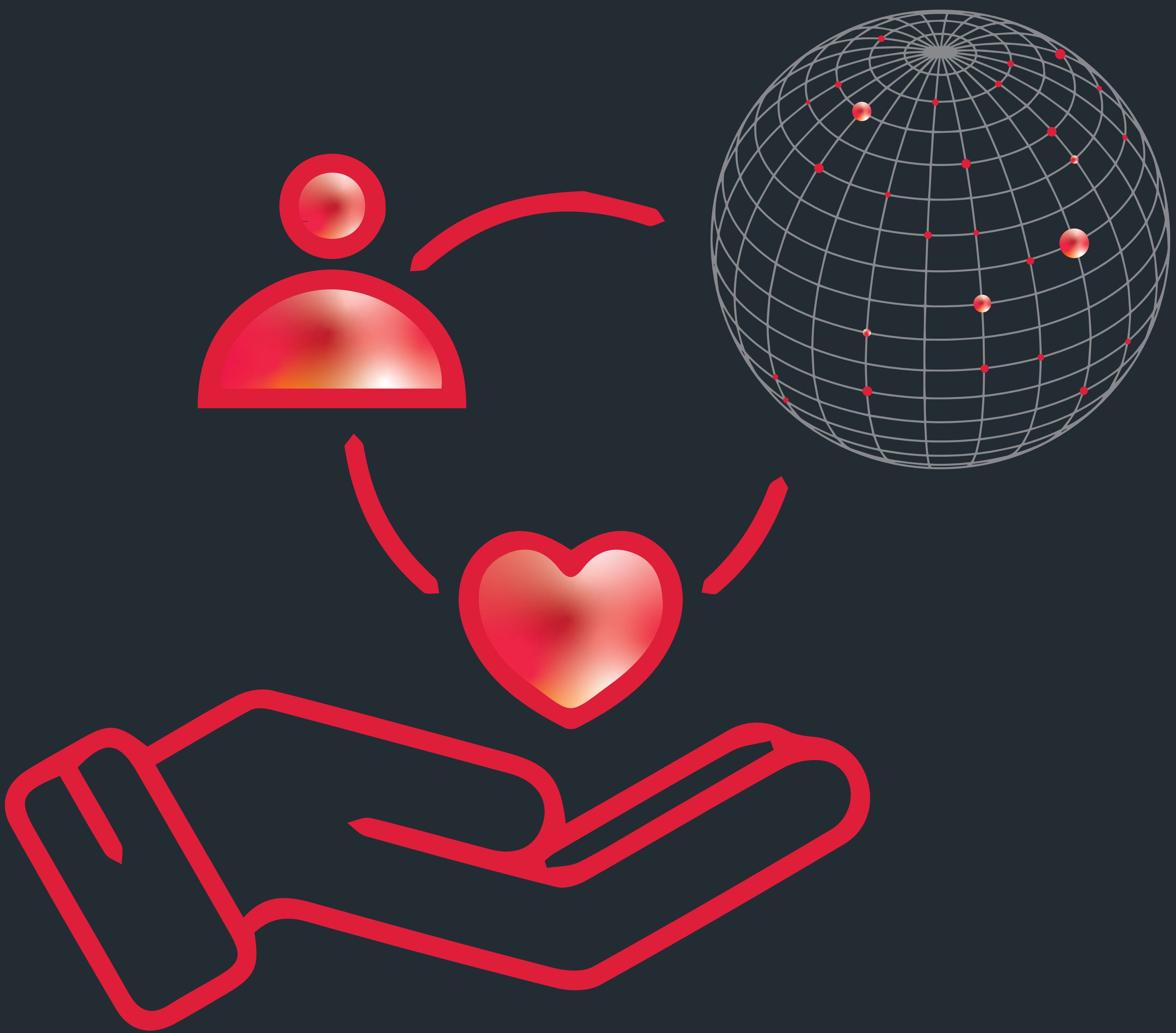
- **The Finance Derivative Magazine**
  Best Commercial Bank Kosovo 2022

- **International Business Magazine**
  Best Bank Kosovo 2022

- **World Business Outlook Awards 2022**
  Best Private Banking Award Kosovo 2022
  Best Retail Banking Award Kosovo 2022
  Best Digital Banking Award Kosovo 2022
  Most innovative Micro Enterprise Kosovo 2022
  Fastest Growing SME bank Kosovo 2022

- **Cosmopolitan The Daily Business Awards 2022**
  Best Retail Bank - Kosovo 2022
  Most Innovative Digital Transformation Bank - Kosovo 2022

AWARDS 2022



CORPORATE SOCIAL RESPONSIBILITY

"Through the bank's Corporate Social Responsibility Framework, the bank participates in key projects that make a difference in Kosovar people's lives on a daily basis."

BKT Kosova is dedicated to providing support to combat social challenges in Kosovo and improve the lives of its people and institutions alike.

Through the bank's Corporate Social Responsibility Framework, the bank participates in key projects that make a difference in Kosovar people's lives on a daily basis.

To date, the bank has been part of many undertakings which aim to provide financial and social support to the people of Kosovo who are most in need.

The bank is proud to be partnered with other likeminded organizations which are also doing great work in fundraising and providing humanitarian aid.

These projects will be ongoing yearly and the bank will continue to be a pillar of the community through many initiatives aimed at helping improve society as a whole.

BKT KOSOVA MAIN PARTNER OF THE OLYMPIC COMMITTEE OF KOSOVO

BKT Kosova along with the Kosovo Olympic Committee will journey together towards the Paris 2024 Olympic Games, in addition to all other sport activities both local and international. This partnership will allow the bank to create a sustainable and prosperous future for Sports in Kosovo. This opportunity will allow the bank to help athletes who are up and coming and well established, attain their goals and bring pride to their country when they compete internationally. Kosovar athletes are a source of inspiration to many and are deserving of our help and support as they provide a major service in improving the image of our country.

BKT Kosova has supported Sports in Kosovo since the beginning and continues to do so today. The bank has supported many projects which have had a positive impact in the field of culture, sports and especially in young people and children in their efforts to achieve great things.

The bank has the opportunity and dedication to support young talented Athletes of Kosovo in order to advance Sports in the country while at the same time supporting athletes who excel at the highest levels and become strong ambassadors for Kosovo when they compete abroad. As a new country, Kosovo has gained a good Sports reputation, winning three gold medals at the Olympics in recent years. Their success has echoed around the world, making Sport the biggest export for Kosovo. The bank is very proud to be involved in their success and many more success stories in the future.

BKT Kosova has made a big contribution through this partnership towards furthering the development and promotion of sports and athletes of Kosovo at a higher level. The bank strongly believes that this partnership will lead to great achievements for our athletes who will go on to represent Kosovo in the biggest arenas in the world which will bring a positive and long-lasting impact on improving and empowering the image of our country.

BKT KOSOVA SPONSOR OF THE HUMANITARIAN MINI-MARATHON "VRAPO BABADIMËR"

BKT Kosova joined the Humanitarian Mini-Marathon "Run Santa Claus" organized by the NGO Project 5cent to help children admitted to the Oncology Department at QKUK. The event was a great way to raise funding and awareness for a great cause while also providing entertainment and cheer during the holiday season.

BKT Kosova supports families and children in need every year and always takes part in supporting such humanitarian initiatives. That is why the bank will continue to take part in events such as the mini-marathon "Vrapo Babadimër", and provide support to Kosovar citizens, especially during the holiday season when good will and charity are needed the most.

BKT KOSOVA GOLD SPONSOR AT THE ANNUAL CHARITY GALA DINNER ORGANIZED BY THE AMERICAN CHAMBER OF COMMERCE

BKT Kosova, is and always will be committed to playing a big role in improving the societal conditions in the community in which it operates. Within the framework of Social Responsibility, it has supported the Annual Charity Gala Dinner organized by the American Chamber of Commerce by becoming a Gold Sponsor. This convention allows the bank and other like-minded organizations to contribute greatly towards improving the livelihoods of everyone in Kosovo through many initiatives and groups that are doing great work for the community.

The American Chamber of Commerce Foundation hosted the annual Gala Charity Dinner which raised funds for helping the following organizations: KAEF Scholarship Fund, SOS Village Children's Scholarship Fund, and Lifeline, the Suicide Prevention Hotline. The bank is grateful to support such important causes and looks forward to seeing further great work from this Foundation.

“DONATE BLOOD, SAVE A LIFE”

Once again, this year, BKT Kosova continues its initiative of blood donation in coordination with the National Blood Transfusion Center, a tradition that is ongoing for several years now. The bank’s goal has been to provide as much donation of blood and awareness for the cause as possible. This is a cause which can make a big impact in society, helping to provide crucial support in emergencies and natural disasters.

Many of the bank’s employees participate yearly in the donation which has made a positive impact and has set a good example in society. Furthermore, we have worked to instill a sense of benevolence and goodwill in the community through such blood drives and we will continue to do so with every chance the bank gets.

"Donate blood, save a life" is part of the bank's social responsibility program, based on the principle "Contribute to society", which addresses the support of BKT Kosova for charity activities. These undertakings are a core part of the culture at BKT which guides us in all of our endeavors aimed at providing support and charity to society.

BKT KOSOVA CONTINUES ON ITS YEARLY SUPPORT OF CHILDREN WITH AUTISM

BKT Kosova has once again fulfilled its promise to support people with special needs in Kosovo.

Special needs individuals need our help and support through financial aid and many other forms of support. For this reason, we continue to provide support to the NGO Autism and people with special needs in Kosovo. BKT Kosova, in cooperation with the Autism Association, continues to help create a better social environment for children with autism. We will continue to support such initiatives in order to better the living standards of those who are most in need in our society.

ÇALIK HOLDING

ÇALIK HOLDING AT A GLANCE

Maintaining a strong growth performance since its establishment in 1981, Çalık Holding has more than 16 thousand employees in 31 countries, operating mainly in 6 sectors: energy, construction, finance, mining, textiles and digital.

Çalık Holding generates most of its income from international projects and investments and as part of its global operations has equity partnerships with large-scale and well-known public companies such as Mitsubishi Corporation, SECOM, SSR Mining and Sand Storm, as well as long-standing business and solution partnerships with General Electric, Honeywell, and Siemens. The Holding also works in close cooperation with major global financial institutions and export credit agencies such as JBIC, JICA, HERMES, and UKEF. Çalık Holding is the first Turkish company invited to become a member by Keidanren, the Japanese Business Federation.

As one of the signatories to the United Nations Global Compact, Çalık Holding prioritizes diversity, sustainability and durability in all sectors and regions in which it operates; acts in line with the principle of treating all cultures, faiths, ethnicities and genders equally and adopts an environmentally-friendly business approach.

Recognized for its reputation, reliability, and long-term collaborations with global companies due to its ongoing operations in various regions of the world, Çalık Holding develops innovative business models and forges ahead by achieving sustainable growth in its lines of business. With the value it places on human resources and its employee-oriented management approach, Çalık Holding adheres to its economic, environmental, and social sustainability goals in all its investments, projects, and business.

Acting in line with the principle of creating lasting values in every region in which it operates, Çalık Holding implements leading projects for society and the business world utilizing its business processes, services and products developed with sustainability approaches.

A MESSAGE FROM THE CHAIRMAN

The economic environment in 2022 was marked by major uncertainties, mainly due to the war in Ukraine, significantly contributing to energy and commodity shortages and the resulting high inflation. During another year of extraordinary circumstances, we leveraged our experience and demonstrated that our bank is robust and sustainably profitable. Guided by our vision of offering the best possible service to customers and facilitating access to financial services, BKT Kosova continued creating lasting value for the country, economy, and society in 2022.

During the reporting year, it is clear that our discipline, continuous investment in digital infrastructure and in the development of our people, enabled us to persevere in our steadfast dedication to support our customers while increasing market shares with outstanding quality of services.

The bank's 2022 financial results were fundamentally strong, generating record profitability and setting numerous other records in each of our lines of business. The bank recorded one of the highest growth rates in Kosovo with assets growing by 23%, reaching €1 billion in size. We grew our deposits by 20%, the loan portfolio by 25%, achieved the highest increase of market share across our businesses, and continued to make significant investments in products, people and technology, all while maintaining a very low NPL ratio and a strong balance sheet. It is safe to say that we have closed another financially successful year in which we managed to clearly outpace the market in terms of our agility and resilience as well as our financial indicators. The achieved results ensured a net profit of €19.7 million for the reporting year.

As we welcomed new clients and strengthened existing relationships through our branches, digital channels and partnerships with our merchant network, our strong performance allowed us to invest in our business and our people. Innovation and customer-focus remained essential parts of the bank's strategy and over the past few years, we made numerous strategic investments in innovation and digitalization, launching market-leading products, services and channels to drive further growth.

This approach positioned us to generate record results, demonstrating the resilience of our business model and reinforcing the value of our diverse and complementary businesses.

Our commitment was highly valued and recognized through a number of awards and recognitions. BKT Kosova has been honored with multiple prestigious awards in the areas of retail banking, private banking, digital banking, SME banking, FX & Trading for Smart Invest Platform and innovation. In recognition of its efforts and achievements, BKT Kosova received thirteen international awards from seven reputable and prestigious institutions/magazines, including "Best Bank in Kosovo 2022" for the second consecutive year from Global Finance.

Looking ahead to 2023, our business is strong, and our focus is clear. While we made significant progress, we have a lot more to do. Our strategic focus for 2023 is to develop innovative and productive services to our existing and potential customers while adding more partners and projects to the Bank's portfolio and investing in strategic alliances to complement our offerings.

Ultimately, we remain deeply committed to our purpose of being the most trusted and innovative financial institution, delivering value for our customers, employees and to our stakeholders. We have a great journey ahead of us. As the Board of Directors, we are confident in the strength of our people and their abilities to continue to deliver sustainable future growth for our shareholders.

Sincerely,

Dr. Serdar Sümer
Chairman of the Board of Directors

"Despite this challenging environment, our business model remained resilient"

A MESSAGE FROM THE CEO

Over the past decade, Kosovo's economic growth has exceeded that of its immediate vicinity, followed by a significant degree of financial inclusivity. However, year 2022 produced many significant events, including the easing of the COVID-19 pandemic, the war in Ukraine and unprecedented rates of inflation, prompting turmoil and volatility in the financial markets.

Despite this challenging environment, our business model remained resilient. We remained focused on robust risk management practices, with a primary emphasis on introducing a diverse range of new products and services to support our customer needs. We delivered on our key strategic goals through our persistent execution, supported by a positive organizational culture and delivery on our ambitious transformation projects, across businesses and functions.

The year has undoubtedly been a momentous one for BKT Kosova. We accelerated our growth momentum across all key business' indicators, achieved numerous records, gained market share in our segments of focus and improved on our key operating metrics. During this challenging year, we attained the most significant growth in the market, as witnessed by the unprecedented value of our assets, loan and deposit portfolios. To this end, we leveraged our experience, our business diversification as well as commitment to pioneering innovative banking services and products, which provide clients with a seamless and efficient banking experience. The bank's unwavering pursuit of excellence resulted in a remarkable increase in its balance sheet, surpassing EUR 1 billion.

BKT Kosova's success can be attributed to its focus on meeting the evolving needs of its clients by offering personalized and convenient banking experiences through its Hybrid banking model. Our investments in technology, products, people, and new capabilities enabled us to meet the needs of our customers with a vast geographical spread of twenty-one branches throughout Kosovo, as well as the most innovative digital services and products.

Our digital transformation journey is a thrilling one. The bank stayed ahead of the curve by introducing several new digital products and services in the market. Several significant milestones were achieved, including the launch of a number of digital platforms and products. Digital packages now include the full range of digital products, including digital loan, digital credit card and digital overdraft.

We have advanced the implementation of automated digital systems. The bank embarked on the next chapter of its digital evolution during 2022 by incorporating the utilization of Robotic Process Automation (RPA) technology in loan origination, allowing for faster, more accurate processing of loan applications. This technology has reduced the processing time by up to 80%, resulting in an improved turnaround time for loan approvals, providing customers with a more streamlined banking experience. With the success of the RPA implementation, the bank will continue to explore opportunities to expand the use of automation in other areas.

As ever, social responsibility has been a core strategy of the Bank. We believe our contribution extends far beyond delivering customer excellence, as we are also at the heart of the community's wellbeing and quality of life. With a vision to be a leading bank of sustainable practices that add value to employees, customers, stakeholders, and the community, BKT Kosova aligns its practices with, and recognizes the importance of sustainability and integrating, environmental, social, and governance (ESG) considerations into all its business practices.

In recognition of its efforts and achievements, BKT Kosova received thirteen international awards from seven reputable and prestigious institutions/magazines, including “Best Bank In Kosovo 2022” for the second consecutive year and “2022 Outstanding Innovator in FX & Trading for Smart Invest Platform” from Global Finance, among several other international recognitions received during the year.

BKT Kosova is committed to maintaining its leadership position in the industry and will continue to pursue innovation and excellence in all its operations. The bank's success is attributed to the dedication and hard work of its employees, who continue to be exceptional and in turn we have endeavored to increase their skills, provide greater incentives, possibilities and further reward their efforts and outstanding performance. Moving forward we will continue investing on our digital platforms and innovative solutions, across all of our business segments, building on the strengths that deliver more value to clients. As we strive towards our vision, we will deliver convenience, speed, quality and remain fully focused to delivering on our purpose: to enrich the lives of our customers, colleagues and community.

Finally, I would like to thank each of the bank's customers, shareholders and all related stakeholders for their trust and support. But above all, thank you to my colleagues across the organization for being the solid foundation of our vision, mission and shared values.

Sincerely,

Suat Bakkal,
CEO and Board Member

BOARD OF DIRECTORS

SERDAR SÜMER
CHAIRMAN OF THE BOARD

GALIP TÖZGE
BOARD MEMBER

ABDURRAHMAN BALKIZ
BOARD MEMBER

SEYHAN PENCABLIGIL
VICE CHAIRMAN OF THE BOARD

MERT TURGUT ÇALıK
BOARD MEMBER

SUAT BAKKAL
CEO & BOARD MEMBER

SENIOR MANAGEMENT

SUAT BAKKAL

CEO and Board Member

NJOMZA BUXHOVI AHMETAJ

Retail Banking Group Head

ELTON XHAFAJ

Internal Audit Group Head

ALBION MULAKU

Corporate and Business Banking Group Head & First Deputy CEO

HAMDI ONDER

Risk Management Group Head

KUSHTRIM ALIU

Central Operations, Information, Technology and Human Resources Group Head

AGON SKEJA

Finance and Administration Group Head & Second Deputy CEO

MUHARREM INAN

Treasury, Financial Institution and Private Banking Group Head

NAIM RATKOCERI

Loan Management and Legal Group Head

RETAIL BANKING

"Many investments were made to enhance and enrich the brand and improve customer experience, to resonate on creativity, innovation and putting customers at the heart of decision making."

YEAR IN REVIEW

2022 marked yet another successful year for Retail Banking, with successful strategic execution, ongoing investment and developments, enabling the Group to succeed in its customer focused areas. Driven by its commitment to make its customers' life easier, Retail Banking delivered continuous improvement and innovation and achieved an upwards momentum with its innovative products and services and its investments in digital channels. Thanks to a business model that is based on digital banking and innovative channels, recorded a successful year in 2022 as it continued to make a difference through customer-focused innovation.

Retail Banking delivered a strong performance, growing across all indicators that rank in the top level of the banking industry. and of its peer set. While the overall market in retail deposits grew by 9%, BKT Kosova retail deposit portfolio grew by 18%. The positive trend was also reflective in retail loans, with BKT Kosova increasing by 31%, in comparison to the market that showed 17% increase in overall retail loan portfolio. Retail Banking growth in deposits and loan portfolios contributed directly to enhanced market presence and growth of market share across all business indicators.

Many investments were made to enhance and enrich the brand and improve customer experience, to resonate on creativity, innovation and putting customers at the heart of decision making. As such, Retail Banking kept focused on innovative and state-of-art product offerings with the aim to make the customer experience superior and easy.

EXPANDING TOGETHER

Retail Banking continued to enhance business processes in all areas of operation, and consistently updated products and enriched channels of service for customers. The ongoing investment in customer relationship management tools allowed the teams to stay close to customers, communicating regularly and in targeted, meaningful ways.

The bank continued to support individual clients' investment plans and quick access to funds with great financing conditions during the year. Although banking through branches certainly continued to be an important part of financing for each category of the clients, further expansion of merchant partner channel, enabled client's easy access to banking services and financing through third-party intermediary relationships. Throughout the year the Bank further expanded its offer to customers from many merchant partners, for big ticket items such as real estate and cars, to smaller-ticket items such as furniture and white/grey/brown goods, as well as real estate agents, offering clients a wider choice of options to purchase their homes.

In order to be able to provide extensive number of service points to the bank's customers, the bank extended its cooperation partnerships with non-bank financial institutions whereby the clients can be served as if they were visiting the authentic branches of the bank. Contextually, the contracted agencies, which are located throughout the entire territory of Kosovo, currently offer various banking services on behalf of the bank, such as depositing and withdrawing funds, applying for a credit product (loan, credit card or overdraft) or other account-related services. By this simple measure undertaken and promoted by the bank, the network of physical distribution points of the bank has tripled. Most importantly, apart from being available 24/7 to customers via bank's online platforms, the bank now offers the largest and most efficient branch network which fosters the bank's acquisition strategies, meets customers' expectations and increases the general satisfaction in conducting banking transactions.

Recognizing the value of bank branches in a digital era, Retail Banking continued to enhance the customer experience and embrace new technology, including a digital-first business model that creates more opportunities to connect with customers. As a leader in the digitization of banking services in the Kosovo market, BKT Kosova continues to lead the developments in this field by launching the most innovative services/products in the banking sector.

DIGITALIZATION

Throughout 2022, the bank further enriched the Digital Package in its BKT Mobile application. Apart from Digital Account Opening and Digital Loan, BKT Mobile application now includes the full range of digital products. The launch of new digital products now enables BKT customers to apply for a Digital Credit Card and Digital Overdraft through BKT Mobile application, in a process that finishes within 4 (four) short steps, getting the response of approval instantly. This new product adds value to digital channels and provides the quickest service and convenience to the customers.

As a result of developments through digital channels, bank transformed the way for customers to manage their finances, marking a tremendous increase. BKT Kosova reached a 97% increase in app penetration, 38% in number of new users and 45% increase in number of transactions.

With the aim of establishing and cultivating strong, long-term relationships, the Bank initiated the process of Customer Satisfaction Survey, with the main goal to analyse customer feedback and take actions based on the measurement results from the survey to improve the customer experience and consequently achieve a high customer satisfaction and customer loyalty. The strength of our customer relationships leaves us well positioned to grow in the years to come.

CORPORATE AND BUSINESS BANKING

YEAR IN REVIEW

The private sector in Kosovo is considered to be a key factor in the economic development of the country, therefore, BKT Kosova through the Corporate and Business Banking Group further strengthened its position as a strategic partner in business development and financing.

The Corporate and Business Banking Group achieved to maintain significant increase in overall business loans and business deposit portfolio. While the overall market in business loans increased for 13%, BKT Kosova business loan portfolio increased for 16%. Accordingly, the bank managed to increase the market share on business loans further in 2022. Also, the positive trend continued for business deposits, while BKT managed to increase deposit portfolio for 24% and market share participation for deposit reached 14%. Non-cash financing portfolio increased for 27% while the market share is 11%, whereas, the overall banking sector increase in non-cash financing portfolio increased for 22% in 2022 compared to the previous year. The quality of the loan portfolio is a priority for business group, besides the increase in portfolio, the percentage of non-performing loans remains below the overall NPL of the sector.

The trade finance business is an important segment in the overall business of the group, hence the bank continued to have stable market share in this category. In response to the challenges resulting from global developments, the bank ensured to finance their business partners to help them maintain their financial stability.

In 2022 the bank increased cooperation with Green for Growth Fund (GGF), to further influence mind-awareness for potential in “energy saving” and MSME support. Throughout the year, bank increased cooperation with Kosovo Credit Guarantee Fund-KCGF, to further support Agri and MSME Businesses.

The Bank continued to finance business clients in the Project Financing, completing several projects in various sectors like construction, trade and other sectors.

The trade finance business during 2022 has been a primary objective as non-cash financing opportunity. This type of financing is the option which will is offered and promoted regularly to bank clients as a business opportunity which creates ease of trade activities especially on international trade agreements. As the trade finance, Letter of Credit and Letter of Guarantee, became attractive business opportunity in last years to avoid “advance payment” of our clients to their trading partners in order to mitigate their risk and financially be more profitable.

DIGITALIZATION

Throughout 2022, the Corporate and Business Banking Group continued investments in automation and digitalization of its services. Online transactions increased rapidly and new channels were created and updated to ease clients’ transactions.

Alternative Banking Channels such as business e-banking and mobile banking have been advanced by offering additional features so the bank can create flexibility for the clientele.
Advancement of technologies towards digitalization, enabled not only to improve client experience, but also create a competitive advantage for the bank, including:

- Increased Efficiency
- Improved Customer Experience
- Lower Costs: Better Security
- Faster Payments

The digitalization of services and products by BKT Kosova enabled ease on performing daily business activities without restrictions during the process. The card-less service has put BKT Kosova on another level at the financial sector, being the first bank to implement such a service to its customers.

Apart from these advancements, in 2022, BKT Kosova continued to expand the functions of its Business e-Banking platform by adding new services. As an outcome client no longer has the need to spend their time visiting the bank to carry out simple transactions.

VIRTUAL POS

The Virtual POS – e-Commerce service was implemented by the bank as a new tool providing a broader range of services in the market, taking into consideration the recent sales developments in the world and towards online sales.

AUTOMATED AND DIGITAL COOPERATION WITH FINTECHS

Starting from a standpoint that the Bank and Fintech partnerships are leading the way to the future of financial services, BKT Kosova has established a few partnerships with Fintech Companies in this regard.

As such, the main aim of the bank is to involve the unbanked clients into the financial system, from which the overall benefit will be digitization of general economy as a bottom line.

TREASURY, FI & PRIVATE BANKING

YEAR IN REVIEW

The year 2022 was characterized by many events including here the ease of COVID-19, Invasion of Ukraine by Russia, the high rate of inflation consequently affected by energy prices, commodity prices causing turmoil and volatility in financial international markets. In this environment Treasury, Financial Institutions and Private Banking Group has shifted its focus to risk management practices by mainly concentrating on balance sheet management, by introducing new product developments, offering a variety of investment opportunities for its clients, automating systems, increasing and establishing new international cooperation with banks, unique products in order increase efficiency and to optimize the profitability of the bank.

Treasury Department, having a significant portion of assets under its management, has been very active in local and international markets throughout the year by also offering a variety of investment opportunities for its clients. The bank has launched a XAU product which is the first gold deposit in the country, and by means of further increasing the possibilities for its clients, then launched multi-currency deposit which is a very favorable product for the clients, and it offers them the chance to switch between currencies during the lifetime of the product, thus giving the chance to benefit from fixed interest rate over term deposit, and at the same time benefiting from exchange rate movements. Bank now is in the final phase of launching USD account under Smart Invest platform which will enable clients to avoid FX risk while doing investments in USD instruments.In pursuit of digitization, bank has agreed with one white-label provider to automate its' FX business with corporate clients.

So far, such transactions have been performed in a traditional way through phone calls or mail confirmations, while with the new solution clients will be able to automatically perform FX transactions. In this way clients will execute transactions in a faster and more efficient way with direct access to the platform. As there is thin liquidity in secondary market for Kosovo government bonds and no readily-available source to track Kosovo Government Bond Prices, the bank has started to publish daily prices for each outstanding ISIN in order to contribute to development of capital markets and to increase know-how for clients. This will eventually pave the way for higher secondary market activity and increased transparency for retail investors.

Financial Institutions Department's main focus was to enhance its international presence and establish relationships with reputable international financial institutions. Throughout the year, FID expanded correspondent banking network by adding new names in the counterparties' list with participation in international prestigious events such as "Euromoney Central and Eastern European Forum" and "Sibos" in order to represent the country and the bank itself. Besides, FID supported the bank by onboarding new names to perform treasury transactions including FX, Money Market, fixed income trading and so on. Besides, FID facilitated trade finance transactions with its wide network of correspondent banks when financing costs were increasing. In this regard, new correspondent accounts have been opened in currencies which comprise a good portion of remittance flow and trade activity.

In an environment where capital market activities lowered and financial conditions tightened significantly, FID successfully coordinated process successfully to retain the first sustainability linked sub-ordinated loan for the country from European development funds. In this regard, the bank has agreed to commit certain ESG linked KPI's which would help minimize the negative impact on the environment and encourage sustainable growth. The sub-ordinated loans are Basel-III compliant Tier 2 which strengthen financial capacity of the bank, while it is intended to provide funding for MSME's and the agriculture sector and to increase energy and resource efficiency in Kosovo.

Besides, 2022 has been another year when the bank's success has been recognized internationally by multiple reputable institutions and magazines. International recognition of financial success paves the way for bank to increase its activities beyond borders.

PRIVATE BANKING

Private Banking Department has focused on unique and custom-made products for Premier clients, for whom the best terms of products and services were designed in a time of high inflationary pressures on households. Premier Banking provides its Premier clients with unique website, social media accounts, and call center line. The call center's separation line ensured exceptional flow by giving priority to calls from Premier Clients by prioritizing premier marked clients with changing waiting parameter. During 2022 BKT Premier Banking has been awarded by the prestigious organization as "Best Private Banking in Kosovo" as a result of customized services for this special segment of clients, while intending to create a portfolio management structure in branches to increase customer satisfaction. Last but not least, Private Banking Department has launched a green marketing strategy by cooperating with taxi company operating only electrical cars for sustainability objectives. Moreover, in order to offer exclusive services with a bonus structure or targeted discount from specific merchants and stores inside and outside Kosovo, the bank will soon introduce BKT Premier Platinum Credit Card membership.

LOANS MANAGEMENT AND LEGAL

YEAR IN REVIEW

Despite the challenges caused by the pandemic, the banking sector has continued to maintain a high level of capitalization, liquidity and profitability, as well as high quality loan portfolio. Lending activity continued the upward trend it had before the onset of the pandemic, while deposits continued to grow at high rates, all while maintaining a very low level of non-performing loans (NPL).

Throughout 2022, the NPL/s rate returned to pre-pandemic downward trends, although almost all restructured loans ended their repayment extended deadline.

Non-performing loans marked a decreasing market trend in comparison to the previous year, by closing the year 2022 with NPL rate to total loans at 2.0%, compared to 2021 that was 2.3%. Compared to the countries of the region, Kosova continues to have the lowest rate of NPL/s, including Albania, Macedonia, Montenegro, Serbia, etc. This low level compared to other countries in the region, shows the high quality of the credit portfolio that the banking industry has in the country.

Credit Risk Management continued to be in focus throughout 2022. Loan collection activities impacted the further improvement of credit portfolio. Bank undertook additional measures to prevent the deterioration of credit portfolio quality, by implementing additional measures to avoid overburdening customers with debt, credit portfolio regular monitoring, overdue credit exposures management, as well as prevention of the deterioration of loan exposures with early delays.

During 2022, the Loan Collection & Restructuring Department remained focused and engaged in the highest monitoring and collection activity. Furthermore, during this year, field visits were increased, whilst other forms of contacts, communications with clients were in the focus of Department in order to have early reaction and prevention measures towards clients showing difficulties in repayment

NPL ratio continued with a downward for BKT Kosova, further dropping NPL ratio to 1.44% compared to 2021 which was 1.51%.

Legal Department continued to effectively address the requirements of business and customer needs, ensuring facilitations in performing legal services through online platforms (mortgage registration), and the adoption of the Law on Electronic Identification and Trust Services in Electronic Transactions. These legal solutions, contributed directly to the achievement of the Bank's objectives and priorities.

The establishment of the Commercial Court, opened in August 2022, directly affected the efficiency of work and the execution of contracts in the interest of the Banking sector. The work of this Court has also affected the achievement of concrete results for the legal department of the Bank. Despite positive developments, the large number of cases in the Courts and the delays in handling cases, continues to be a challenge, a situation which has a direct impact on the implementation of uncollateralized contracts.

Loan Assessment Department continued with its coordinated activities during the year, to ensure that all loan requests were treated on time by meeting the client financial needs. On the other hand, besides daily operations, the department remained fully engaged to achieve many other milestones by contributing on process automation and process improvements. Hence, the relevant department with related parties were involved on the projects for digitalization of credit products and other internal projects by reviewing and evaluating existing processes for optimizing retail and business operations, for faster and more accurate decision-making.

The engagement of the specialized team within the group, for monitoring and assessing progress works of construction bank partners for real estate financing, contributed to higher service efficiency and customer satisfaction.

RISK MANAGEMENT

YEAR IN REVIEW

As a banking financial institution with a focus of supporting the financial needs of clients for short or long term investments and maintenance of their funds, the risk function is committed to ensure a financial stability and security for both sides, the organization and its clients. For an efficient and healthy risk management function, it follows the approach of putting in place internal control points over each process / activity in first, second and third line of protection.

The Risk Management function in the frame of organization structure is independent from the business lines, it is not part of the execution and reports directly to the Risk Management Committee (all members are non-executive Board Members) and Board of Directors. This structure ensures to have a strong and independent risk function in place without the interference of the execution side. The risk is managed mainly within the three pillars of credit risk, market and liquidity risk and operational risk, with a full engagement in setting the risk appetite and tolerance of the bank in line with the strategic decision of shareholders in close coordination with the legislation and regulatory framework requirements.

The involvement into day to day operation is crucial in ensuring an effective managing and monitoring of a risk. Therefore, in managing the most volumize risk, the credit risk, the risk members are part of the credit committees as observer with the aim to closely monitor the treatment of new credit exposures whether are in line with bank's policies and strategic decision. This function ensures that quality of portfolio remains within the risk appetite and act prior any potential deterioration may take place, which information/ action is shared with Risk management Committee and the Board of Directors.

Being a leader of Treasury portfolio in the banking sector in Kosovo requires a big experience in managing the risk arising from market fluctuations in prices and rates on a real time. To manage and monitor the market and liquidity risk, the bank uses a comprehensive infrastructure and appropriate risk tools to assess the extent of any liquidity and asset/liability mismatch, the probability of losses in their investment portfolios, their overall leverage ratio, interest rate sensitivities and the risk to economic capital. In this regard, constraints are widely used in risk management in the form of risk budgets, position limits, scenario limits, stop-loss limits, capital allocation, etc.

The managing of the operations risk starts from bottom to top approach, where the first infrastructure is built within the first line of defense who are directly involved in the execution of operational duties and continue to centralized department for further identification and managing of operational risk. The operational risk function assesses the identified risk, monitor and reports to respective parties/ committees, while taking a proactive role in improvement of processes in order to minimize and prevent the potential losses arise
from operational mistakes.

As the main activity of the function remain the step up of the risk appetite of the institutions and create the appropriate infrastructure to fully comply with it on real time, the RMG is fully engaged to support the business lines in development of new products and services in order to be in line with the bank's strategy and objectives.

Details of the risk management function in regard to the credit risk, market and liquidity risk are presented in the financial audited report.

HUMAN RESOURCES

YEAR IN REVIEW

The Bank is proud to report another successful year at Human Resources field, with a continued focus on attracting and retaining top talent, fostering a diverse and inclusive workplace culture, providing comprehensive benefits and opportunities for growth and development of bank employees. Commitment to these values has been essential to the bank's ongoing success and continued progress in HR area in the coming year.

The talent turnover rate, employee engagement, diversity and inclusion, recruitment and retention, employee benefits and satisfaction, talent development and compliance, and legal issues are among the key indicators which were measured and assessed continuously. Based on these results HR initiatives and programs were tailored, leading to significant impact on the overall performance of the bank.

The bank has implemented new recruitment strategies to attract the best candidates in the industry, and have also increased employee retention rates through engaging and fulfilling work experiences. In addition, significant investments were made in employee benefits and development opportunities, including offering competitive salaries, comprehensive health coverage, and professional development programs to help employees reach their full potential.

These initiatives have helped to create a highly engaged and motivated workforce that is dedicated to serving our clients and contributing to the bank's success.

In 2022, BKT Kosova announced the start of new Leadership Development Program, which is designed to cultivate the next generation of bank leaders, executives, and managers. This comprehensive program will provide high-potential employees with the skills, knowledge, and experiences necessary to succeed in leadership positions within the bank.

Through a combination of on-the-job training, mentorship, and formal courses, participants will gain hands-on experience and exposure to key leadership competencies, including strategic thinking, decision-making, communication, and relationship building. This program is a key part of a long-term talent strategy and will help to ensure the continued success and growth of the bank for years to come.

This program will be a valuable resource for banks employees and will help building a pipeline of talented leaders who will shape the future of the bank.

Another important initiative launched in 2022 is the introduction of flexible work schedules for eligible employees. Recognizing the changing demands of the modern workforce, bank has implemented flexible options for employees to balance their work and personal commitments, such as telecommuting, part-time arrangements, and flexible start and end times where applicable.

These flexibilities have been very well received by banks employees and has helped to improve morale and job satisfaction. By offering these options, HR Department has been able to attract and retain top talents, as well as support the well-being and productivity of employees.

BKT Kosova believes that a flexible work schedule is a key component of a positive work-life balance, and is committed on providing employees the support and resources needed to be successful.

In addition, the bank is focused on enhancing skills of her employees and empowering them to focus on tasks that add value to the organization. As technology continues to advance, BKT Kosova continues to acknowledge the importance of automation in streamlining manual, repetitive tasks and freeing up our employees to focus on higher-level tasks that require human interaction and intelligence.

During the year, BKT Kosova has implemented different trainings and development programs to help employees acquire new skills and adapt to the changing demands of the workplace. The goal is to create a workforce that is well-equipped to meet the challenges of the future. The bank continues to be committed on providing the resources and necessary support to help the employees grow and succeed.

BKT Kosova believes that a strong and committed workforce is the foundation of a success, and will continue to prioritize HR initiatives that support employees and the growth of the bank.

CENTRAL OPERATIONS

YEAR IN REVIEW

BKT Kosova's Central Operations had a successful year, completing several transformative projects in year 2022. These initiatives have the potential to revolutionize banking workflows and enhance the overall customer experience.

The implementation of Robotic Process Automation (RPA) technology in loan origination was one of the most prominent projects of the year. This technology has reduced the processing time by up to 80%, resulting in an improved turnaround time for loan approvals, providing customers with a more streamlined experience. The Bank plans to expand the use of automation in other areas.

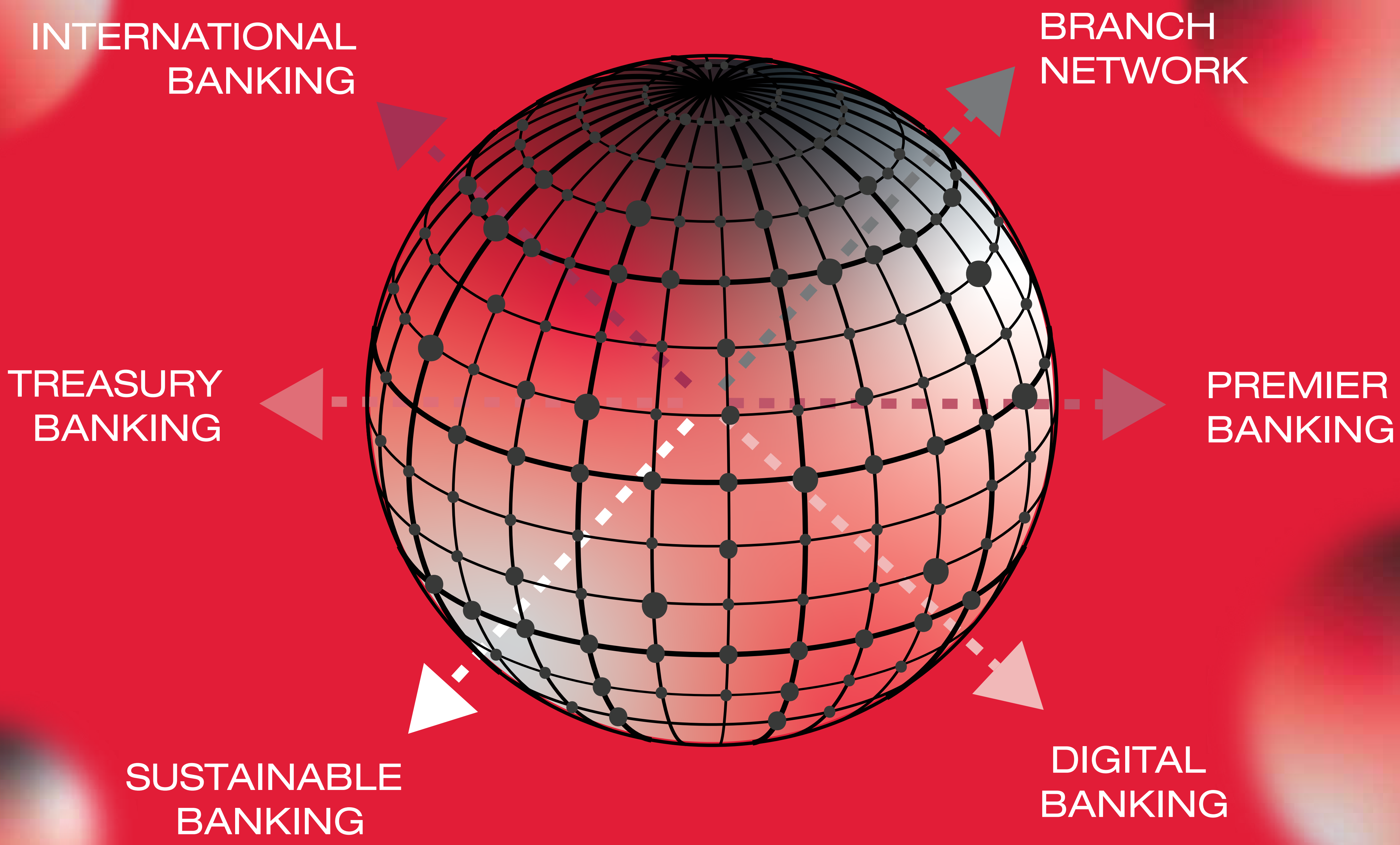
In order to enable branch staff to focus more on customer relationship building and sales, the Bank has centralized branch operational work. By automating back-office functions such as account opening, customer service inquiries, and transaction processing, staff members have more time to focus on enhancing the customer experience. This has resulted in increased productivity, improved customer satisfaction, and has allowed the bank to maximize its workforce while still providing quality service.

BKT Kosova has also upgraded its ATM infrastructure with the latest industry standard CX platform. Customers can now access a more modern and intuitive interface, with faster transaction processing times, making ATM banking simpler and more convenient. The new platform also features additional security measures, including biometric authentication, which provides customers with a safer and more secure banking experience.

In order to improve the efficiency and security of ATM operations, the Bank has outsourced offsite ATM cash handling. This move has allowed for faster, more accurate cash management, freeing up internal resources to focus on other critical areas of the Bank. By outsourcing cash handling, the Bank has also reduced the risk of fraud and theft, improving overall ATM security.

The bank has upgraded its core banking system to integrate automation, digitalization, and banking-as-a-service platforms. This enables the Bank to offer more modern and sophisticated services to its customers, expand its reach into new markets and improve operational efficiency.

In summary, BKT Kosova's Central Operations had completed several transformative projects in 2022, which have had a significant impact on the Bank's overall efficiency, security, and customer experience. These initiatives enabled the Bank to stay ahead of the curve in the rapidly evolving world of banking, while also providing customers with the best possible service.



JOIN THE FUTURE OF BANKING IN OUR ADVANCED ECOSYSTEM

BANKA KOMBËTARE TREGTARE Sh.a

Financial Statements as at and for the year ended December 31st, 2022 with the Independent Auditor's Report there-on

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mazars

Ukshin Hoti Str., 45/6
10000, Pristina
Kosovo
Tel: +381 38 609 029
www.mazars.al

INDEPENDENT AUDITOR'S REPORT

To management and Shareholders of Banka Kombëtare Tregtare Kosovë sh.a

Opinion

We have audited the financial statements of **Banka Kombëtare Tregtare Kosovë sh.a** (the Bank), which comprise the statement of financial position as at December 31, 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank within the meaning of ethical requirements applicable in the audit of financial statements in Kosovo and have fulfilled our other responsibilities under those ethical requirements and IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Financial statement of the Bank for the year ended December 31st, 2021 were audited by another auditor who expressed an unmodified audit opinion on April 29th, 2022.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Bank in accordance with the requirements of the Law No. 04/L-093. The Annual Report of the Bank is expected to be made available to us after the date of our audit report.
Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit, or appears to be materially misstated. When reading the Annual Report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 planning and performance of 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 entity'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 consolidated 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

March 15, 2023

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Ukshi Hoti Str., 45/6 Build.,
10000, Prishtinë, Kosovo
Cert of Reg.: 811335597

Teit Gjini
Statutory Auditor

Banka Kombëtare Tregtare Kosovë sh.a.
Statement of Financial Position as at 31st December 2022
(Amounts in EUR, unless otherwise stated)

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and balances with Central Bank	6	106,104,701	115,840,781
Placements and balances with banks	7	75,433,754	29,492,205
Financial assets at fair value through other comprehensive income	8	155,208,007	166,435,895
Financial assets at amortized cost	8	64,997,243	48,885,792
Due from BKT Albania	25	42,001	221,756
Loans and advances to banks and other syndication loans	9.1	53,655,814	18,741,863
Loans to customers, net	9.2	523,680,973	417,474,266
Property and equipment	10	15,484,143.0	15,705,453
Right of use assets	10.1	3,445,652	4,168,264
Intangible assets	11	98,803	93,539
Income tax receivables	27	-	-
Deferred tax asset	27	1,669,589	285,934
Other assets	12	12,502,013	8,491,967
Total assets		**1,012,322,693**	**825,837,715**
Liabilities			
Customer deposits	13	797,152,824	665,173,509
Due to banks	14	25,616,377	20,675,623
Liabilities based on Repo Transactions	14	52,830,360	30,093,037
Due to BKT Albania	14	570,339	552,999
Income tax liability	27	555,273	235,431
Provisions	24	398,570	379,007
Accruals and other liabilities	15	3,879,323	3,888,452
Lease liabilities	10.1	3,560,310	4,250,239
Borrowings	16	8,908,949	13,347,815
Subordinated debt		22,066,271	-
Total liabilities		**915,538,596**	**738,596,112**
Equity			
Share capital	17	31,000,000	31,000,000
Accumulated profit from previous years		56,008,996	40,071,621
Profit for the year/ period		19,664,880	15,937,375
Fair value reserve and Securities measured at FVOCI provision		(9,597,777)	524,609
Other reserves		(292,002)	(292,002)
Total shareholder's equity		**96,784,097**	**87,241,603**
Liabilities and shareholder's equity		**1,012,322,693**	**825,837,715**

The audited statement of financial position is to be read in conjunction with the notes set out in pages 7 to 83 that form part of the audited financial information.
The audited financial information was authorised for release by the Board of Directors on 14 March, 2023 and signed on its behalf by:

Suat Bakkal
CEO and Board Member

Agon Skeja
Deputy CEO, CFO

Banka Kombëtare Tregtare Kosovë sh.a.
Statement of profit or loss and other comprehensive income for the year ended 31st December 2022
(Amounts in EUR, unless otherwise stated)

		For the year ended December 31, 2022	For the year ended December 31, 2021
Interest income calculated using the effective interest method	18	39,481,558	30,359,980
Interest expense calculated using the effective interest method	19	(7,905,218)	(6,153,931)
Net interest income		**31,576,340**	**24,206,049**
Fees and commissions, net	20	7,466,034	6,103,498
Foreign exchange revaluation gain, net		(86,598)	76,861
Gain/(Loss) from sale of Investment securities measured at FVOCI	8	2,038,642	1,575,165
Profit / (loss) from FX trading activities, net		(159,333)	501,999
Other (expenses) / income, net	21	455,059	173,654
Total non-interest income, net		**9,713,804**	**8,431,177**
Operating expenses			
Personnel expenses	22	(6,366,239)	(5,468,484)
Administrative expenses	23	(7,505,996)	(6,098,909)
Depreciation and amortization	10, 10.1, 11	(1,487,000)	(1,530,729)
Total operating expenses		**(15,359,235)**	**(13,098,122)**
Impairment losses on loans to customers	9.2	273,296	(1,320,491)
Impairment losses on financial assets, other than loans to customers, and provisions for off balance items	24	(4,739,141)	(665,235)
Profit before income tax		**21,465,064**	**17,553,378**
Income tax expense	27	**(1,800,185)**	**(1,616,003)**
Current year income tax expense		(1,879,179)	(1,601,600)
Deferred income tax		78,994	(14,403)
Profit for the period		**19,664,880**	**15,937,375**
Revaluation of investment securities and provision of securities measured at FVOCI		(10,122,386)	(2,437,269)
Total of other comprehensive income for the period		**(10,122,386)**	**(2,437,269)**
Total comprehensive income for the period		**9,542,494**	**13,500,106**

The audited statement of comprehensive income is to be read in conjunction with the notes set out in pages 7 to 82 that form part of the audited financial information.

Banka Kombëtare Tregtare Kosovë sh.a.
Statement of changes in equity for the year ended 31st December 2022
(Amounts in EUR, unless otherwise stated)

	Share capital	Fair value reserves	Other reserves	Retained earnings	Total
Balance as at 1 January 2022	**31,000,000**	**2,961,878**	**(292,002)**	**40,071,621**	**73,741,497**
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners	-	-	-	-	-
Increase in share capital	-	-	-	-	-
Total transactions with owners recorded in equity	-	-	-	-	-
Total comprehensive income for the year					
Profit for the year				**15,937,375**	**15,937,375**
Net change in fair value of financial assets through other comprehensive income		(2,437,269)			**(2,437,269)**
Total comprehensive income for the year		**(2,437,269)**	-	**15,937,375**	**13,500,106**
Balance at 31 December 2021/01 January 2022 as stated	**31,000,000**	**524,609**	**(292,002)**	**56,008,996**	**87,241,603**
	-	-	-	-	-
Balance at 31 December 2021/01 January 2022-restated	**31,000,000**	**524,609**	**(292,002)**	**56,008,996**	**87,241,603**
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners	-	-	-	-	-
Increase in share capital	-	-	-	-	-
Total transactions with owners recorded in equity	-	-	-	-	-
Total comprehensive income for the year					
Profit for the year	-	-	-	19,664,880	19,664,880
Net change in fair value and FVOCI provision of financial assets through other comprehensive income (Note 8)	-	(10,122,386)	-	-	(10,122,386)
Total comprehensive income for the year		**(10,122,386)**		**19,664,880**	**9,542,494**
Balance at 31 December 2022	**31,000,000**	**(9,597,777)**	**(292,002)**	**75,673,876**	**96,784,097**

The audited statement of changes in equity is to be read in conjunction with the notes set out in pages 7 to 82 that form part of the audited financial information.

Banka Kombëtare Tregtare Kosovë sh.a.
Statement of cash flow for the year ended 31st December 2022
(Amounts in EUR, unless otherwise stated

	Notes	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
Cash flows from operating activities:			
Profit before income tax		**21,465,064**	**17,553,378**
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Interest expense	19	7,905,218	6,153,931
Interest income	18	(39,481,558)	(30,359,980)
Depreciation	10, 10.1, 11	1,487,000	1,530,729
Gain/ Loss on disposal of property, plant & equipment		6,698	-
Gain/loss on sale of investment securities		(2,038,642)	(1,575,165)
Gain on recovery of written off loans to customers		(167,112)	(245,089)
Write-off of loans to customers		884,966	769,999
Other non-monetary income		-	-
Impairment of loans to customers, net		(273,296)	1,320,491
Impairment of other financial assets, net		4,739,140	665,235
Impairment of other assets		-	-
Cash flows from operating profit before changes in operating assets and liabilities		**(5,472,522)**	**(4,186,471)**
(Increase)/decrease in operating assets:			
Restricted balances with Central Bank		(10,197,561)	(7,823,458)
Placement and balance with banks		(25,476,179)	2,146,751
Loans to banks and other syndication loans	9.1	(35,176,000)	13,176,000
Loans to customers	9.2	(106,037,212)	(66,930,955)
Due from BKT Albania		179,755	(183,098)
Other assets		(5,273,729)	(1,453,472)
		(181,980,926)	**(61,068,232)**
Increase/(decrease) in operating liabilities:			
Due to customers		132,705,907	125,552,554
Due to banks and syndication loans		27,995,666	16,193,145
Due to BKT Albania		17,340	(767,572)
Accruals and other liabilities		394,455	1,538,527
Lease liabilities		0	272,007
Impairment losses on financial assets, other than loans to customers, and provisions for off balance items		- 154,973	-
		161,268,341	**142,788,661**
Interest paid		(9,021,248)	(5,837,026)
Interest IFRS 16 paid		(123,842)	(116,543)
Interest received		39,094,363	31,334,154
Income taxes paid		(1,943,358)	(1,270,675)
Net cash flows from / (used in) operating activities		**1,820,808**	**101,643,868**
Cash flows used in investing activities		-	-
Proceeds from sale of investment securities		(17,865,534)	(88,358,437)
Purchases of property, equipment and intangible assets		(596,017)	(562,326)
Proceeds from sale of Properties, plant & equipment		-	-
Net cash from/ (used in) investing activities		**(18,461,551)**	**(88,920,763)**
Cash flows from financing activities			
(Repayments of)/ Proceeds from due to banks		17,699,254	(4,904,223)
Paid in capital		-	-
Change in lease principal		(566,087)	(864,244)
Net cash generated from financing activities		**17,133,167**	**(5,768,467)**
Net increase in cash and cash equivalents		**492,424**	**6,954,638**
Cash and cash equivalents at the beginning of the period	6	98,090,167	91,135,529
Cash and cash equivalents at the end of the period	6	**98,582,591**	**98,090,167**

The audited statement of cash flows is to be read in conjunction with the notes set out in pages 7 to 82 that form part of the audited financial information.

1. General

Banka Kombëtare Tregtare Kosovë sh.a (the "Bank") is a commercial bank offering a wide range of universal services. The Bank provides banking services to public and privately-owned enterprises and to individuals in Kosova.

Banka Kombëtare Tregtare J.S.C. Kosova (the "Bank") is a fully owned subsidiary of Banka Kombëtare Tregtare J.S.C in Albania. BKT – Kosova, registered on 30 August 2007 with the Central Bank of Republic of Kosova ('CBK') to operate as a foreign branch in the Republic of Kosova and is subject to CBK regulations. On April 30, 2018, Banka Kombëtare Tregtare Kosova Branch changed its status from foreign branch to Joint Stock Company. Now its bank license has changed from Banka Kombëtare Tregtare Kosova Branch to Banka Kombëtare Tregtare J.S.C Kosova. The Bank offers a wide range of products and services to public and privately-owned enterprises and to individuals in the Republic of Kosova. The main source of funding for the Bank are deposits, which are accepted in various forms including current accounts, demand and term deposits, in both EUR and foreign currency. BKT offers a variety of corporate and consumer loans, debit and credit cards, ATMs, sophisticated alternative channels, qualified international banking services and various treasury products. The network of BKT Kosova consists of 21 units. Seven units are located in Prishtina, and the other units are located in Prizren, Peja, Gjilan, Ferizaj, Mitrovica, Gjakova, Vushtrri, Fushe Kosova, Podujeva, Drenas, Rahovec, Viti, Lipjan and Skenderaj. The number of employees at the end of 2022 was 427 (2021: 394).

Share capital
On 31 December 2022 the authorised share capital is EUR 31,000,000 (2021: EUR 31,000,000). The Bank is a joint stock company 100% owned by Banka Kombëtare Tregtare J.S.C in Albania. All issued shares are fully paid. The holder of ordinary shares is entitled to receive dividends, if declared. All shares rank equally regarding the Bank's residual assets.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). They have been prepared under the assumption that the Bank operates on a going concern basis.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments measured at FVOCI which are measured at fair value.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Functional and presentation currency

These financial statements are presented in EUR, which is also the Bank's functional and presentation currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Banka Kombëtare Tregtare Kosovë sh.a.
Notes to the Financial Statements for the year ended 31 December 2022
(Amounts in EUR, unless otherwise stated)

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4 and 5.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historic cost, are translated at the foreign exchange rate ruling at the date of the transaction.

The assets and liabilities of foreign operations are translated into Euro at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at spot exchange rates at the dates of the transactions. Foreign currency differences on the translation of foreign operations are recognised directly in other comprehensive income.

The Bank during the normal course of business enters into spot foreign exchange transactions with settlement dates 1 or 2 days after the trade date. These transactions are recorded in the financial statements on the settlement date. Foreign currency differences are recognised in profit or loss on the settlement date.

Currency	31-Dec-22	31-Dec-21
USD	1.06660	1.13260
GBP	0.88693	0.84028
CHF	0.98470	1.03310
ALL	114.23000	120.76000
TRY	19.96490	15.09500

(b) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3. Significant accounting policies (continued)

(c) Fees and commission

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

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

(d) Current and deferred income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Bank considers the impact of uncertain tax positions and whether additional taxes and interest may be due.

The Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The applicable corporate tax rate in Republic of Kosovo is 10% (31 December 2021: 10%). Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to four years.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities

(i) Recognition

The Bank initially recognises financial assets and liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset, with the exception of spot foreign exchange transactions which are recognized on settlement date. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value corrected by (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(ii) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(ii) De-recognition (continued)

When a loan is classified as non-performing Bank will settle it out of the balance sheet by the following criteria and terms:

a) Credit exposures that are not secured by collateral, either in pledge form or in mortgage form and are classified as non-performing exposure, shall be written off from the balance sheet within eighteen (18) months of the period when these exposures have been classified in this category
b) Credit exposures that are secured by pledged (movable) collateral and are classified as non-performing must be written off from the balance sheet within thirty-six (36) months of the period when they were classified non-performing;
c) Credit exposures that are secured by immovable collateral/mortgages and are classified as non-performing exposure must be written off from the balance sheet within sixty (60) months from the period when they are classified as "non-performing".
d) Credit exposures that are secured with combined collateral in form of pledges and mortgages and in cases when the mortgages are securing more than 50% of the credit exposures at the moment of approval then in order to proceed with write off from the balance sheet, these exposures will be treated as per the paragraph: c of this article

(iii) Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).
Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets are recognised in profit or loss.

– ***Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)***
As per the new standard, one of the conditions for financial assets to be classified either under 'amortised cost' or 'Fair Value Through Profit or Loss ("FVTPL") category is that the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank has performed the SPPI test and has determined the business models for its financial assets.

– ***Business model assessment***
There are three business models under IFRS 9 – 'Held to Collect ("HTC")', 'Held to Collect and Sell ("HTCS")' and 'Other ("Other BM")'.

1. Under the HTC model, cash flows result from collecting contractual payments. If an SPPI product is HTC, it is measured at amortised cost.
2. Under HTCS, cash flows result from contractual payments, as well as from selling the financial assets. If an SPPI product is HTCS, it is measured at fair value though other comprehensive income ("FVOCI").
3. Other BM are those that are neither HTC, nor HTCS. One example could be a model under which trading is the primary purpose with contractual payment collection not constituting an integral part of the model. If a product (SPPI or not) is held under Other BM, it is measured at fair value though profit or loss ("FVTPL"). The Bank has assessed the business model for its financial assets as follows;

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(iii) Classification and initial measurement of financial assets (continued)

Treasury
Treasury assets consist of cash or equivalents, Government Bonds, Investment securities such as Eurobonds, Bonds and Certificates.

Investment securities are accounted for depending on their classification as either Financial instruments measured at amortized cost or Financial instruments measured at FVOCI and in some cases as HTC.

The business model of the Bank under IFRS 9 is:
- "HTC" for HTM products. Such products shall be measured at amortised cost;
- "HTCS" for AFS products. Such products shall be measured at FVOCI; and
- "Other BM" for TRD products and shall be measured at FVTPL.

Retail
The Retail assets consist of various financing facilities to individuals (e.g. Mortgage loans, Consumer loans, Home improvement loans, Car loans, Credit cards). These products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are held for collection of contractual cash flows of principal and interest.
The fair value of the Retail assets is not a critical aspect in the Bank's management of the portfolio.

The business model of the Banks under IFRS 9 is "HTC" and the Retail loans shall be measured at amortised cost.

Corporate
The Corporate assets consist of various financing facilities to corporates (e.g. Cash loans, Non-cash loans, Agro loans, Project & structured finance, Business credit cards). These products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are held for collection of contractual cash flows of principal and interest.
The fair value of the Corporate assets is not a critical aspect in the Bank's management of the portfolio.
The business model of the Banks under IFRS 9 is "HTC" and the corporate loans shall be measured at amortised cost.

(iv) Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method.
Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and cash equivalents, loans and most of other receivables fall into this category of financial instruments as well as government bonds and forfeiting instruments that were previously classified as held-to-maturity under IAS 39.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(iv) Subsequent measurement of financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.
The category also contains an equity investment. In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Bank determined that in the current period the Fair Value of these investments approximates to their carrying amount. Government bonds that are held for trading are classified as held-for-trading under IAS 39 fall into this category.

Financial assets at fair value through other comprehensive income (FVOCI)
The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon de-recognition of the asset. The Bank's government bonds, treasury notes and treasury bills, corporate bonds, promissory notes, assets backed securities and equity portfolio that were previously classified as available for sale fall into this category.

(v) Offsetting

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

(vi) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(vii) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

In many cases the transaction price equals the fair value (that might be the case when on the transaction date the transaction to buy an asset takes place in the market in which the asset would be sold). When determining whether fair value at initial recognition equals the transaction price, the Bank considers factors specific to the transaction and to the asset or liability.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(viii) Impairment of financial assets
IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.
Restructured loans are kept directly in Bucket 2 for minimum 2 years based on the payment process in line with Central Bank regulation on NPE.
Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.
In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(viii) Impairment of financial assets (continued)

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. Significant changes defines: IFRS 9 has advised to take into account qualitative factors such as watch lists or financial analysis by experts. Similarly, to the previous case, there is also a second time threshold. In case the repayment of an asset is overdue for more than 30 days and less than 90 days, it is assigned to "Bucket 2". Relative Threshold: if the counterparty has suffered significant deterioration in credit risk, that is if its credit quality since initial recognition has dropped more than a specific pre-defined relative threshold, then it is assigned to "Bucket 2".

Write off loans

The bank takes measurements to write a loan off in three below conditions have been met:

Category 1 - Credit exposures not covered by collateral, either in pledge form or in mortgage form, classified as non-performing exposure shall be written off from the balance sheet within eighteen (18) months of the period when they are classified in this category;

Category 2 - Credit exposures that are covered by pledged collateral classified as non-performing must be written off from the balance sheet within thirty-six (36) months of the period when they were classified non-performing;

Category 3 - Credit exposures that are covered by collateral in the form of mortgages classified non-performing exposure must be written off from the balance sheet within sixty (60) months from the period when they are classified as "non-performing";

Category 4 - Credit exposures that are covered by combined collateral, in pledge form and in mortgage form, in cases where the mortgage covers more than fifty percent (50%) of the exposure at the time of approval, then for the purpose of repayment, the credit exposure be treated according to paragraph 2.3 of this article;

(ix) Classification and measurement of financial liabilities

The Bank's financial liabilities include Customer deposits, borrowings from banks and other financial institutions, subordinated debt and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(x) Derivative financial instruments and hedge accounting

The Bank applies the new hedge accounting requirements in IFRS 9 prospectively.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

• There is an economic relationship between the hedged item and the hedging instrument

• The effect of credit risk does not dominate the value changes that result from that economic relationship.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(x) Derivative financial instruments and hedge accounting (continued)

• The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item. If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.

If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

(f) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(g) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

(h) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Bank chooses to carry the loans at fair value through profit or loss as described in accounting policy 3(f), (iii).

(i) Property and equipment and intangibles

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3. Significant accounting policies (continued)

(i) Property and equipment and intangibles (continued)

(ii) Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

• Leased hold improvements	1 to 10 years
• Motor vehicles and machinery	5 years
• Office furniture	5 years
• Computers and electronic equipment	5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting dates.

(iv) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives, which at 31 December 2022 and 2021 is from 1 to 20 years.

Intangible assets consist of software licences.

(v) Leased property and equipment

For contracts in place, the Bank has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

At this date, the Bank has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Bank has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

Initial direct costs

An entity may exclude initial direct costs from the measurement of the Right of Use asset at the date of initial application.

Based on IFRS 16, if a lessee elects to apply the standard with the modified retrospective application, the lessee shall choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

Option 1 – its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. The practical expedient to exclude initial direct costs from the measurement of the Right of Use asset at the date of initial application is applicable under Option 1 or;

3. Significant accounting policies (continued)

(i) Property and equipment and intangibles (continued)

(v) Leased property and equipment (continued)

Initial direct costs (continued)

Option 2 – an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. Although it is not stated explicitly in the new standard, the practical expedient on initial direct costs is not relevant under Option 2. The Bank does not adjust the Right of Use asset for historical amounts e.g. initial direct costs.

The Bank has opted to apply the modified retrospective method under Option 2.

Low-value assets

Lessees can also make an election to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low-value. IFRS 16 does not define the term low-value.

Banka Kombëtare Tregtare Kosovë Sh.a uses the EUR 5,000 as a threshold and simultaneously analyses the nature of the asset in order to assess whether a leased asset qualifies for the low-value asset exemption. The types of assets that qualify for the low-value asset exemption might change over time if, due to market developments, the price of a particular type of asset changes.

Incremental Borrowing Rate

The rate used for calculation of the RoU asset and the Lease liability has taken into consideration the term, FX denomination, risk associated with the bank, security, risk associated with the asset and economic environment.

The closest values matching this definition are Funds Transfer Pricing (FTP) rates. The term and FX denomination are taken into consideration when constructing the EUR yield curves. The Bank considered at the initial application date the rates published by 31 December 2018.

After consideration, the Bank determined that there are no differences in terms of security, due to the fact that the lessor effectively has security of owning the asset. Therefore, no adjustments were required. Since the starting point is in the same jurisdiction and in the same currency as leases, no adjustment is required for this segment as well. In addition, for assets such as office buildings and ATM space, considering that they are in a frequented area, are not highly illiquid or specialized assets, specific asset premium would be nil.

The incremental borrowing rate is determined as the base rate yield curve plus the credit spread.

a. Base rate yield curve

Input data in the model are money market rates (inter-bank rates in maturity bucket ON-1Y). These data are published on daily basis in "Reuters" (inter-bank trading platform). For higher maturities, the rate is calculated by extrapolating starting from the money market rates of December 2018.

The Bank uses the Cubic spline interpolation for EUR yield curve construction. Cubic spline interpolation is a special case of spline type interpolation that is used very often to avoid the problem of Runge's phenomenon. This method gives an interpolating polynomial that is smoother and has smaller error than some other interpolating polynomials such as Lagrange polynomial and Newton polynomial. Cubic smoothing splines fitted to univariate time series data can be used to obtain local linear forecasts. The approach is based on a stochastic state space model which allows the use of a likelihood approach for estimating the smoothing parameter, and which enables easy construction of prediction intervals. In essence the same mathematical mechanic is followed by the NSS (Nelson-Siegel-Svensson) model. Whereas an interpolation typically begins with specifying a functional form either to approximate discount function or forward rates, and then estimates the unknown parameters. The cubic spline approach, brings more flexibility on the shape of a yield curve and is thus good for financial practitioners who are looking for small pricing anomalies.

3. Significant accounting policies (continued)

(i) Property and equipment and intangibles (continued)

(v) Leased property and equipment (continued)

b. Credit spread

For the credit spread calculations, the Bank has approached the following logic:

1) Identify the international long-term Issuer Default Rating of the financial institution ("Bank"). International long-term IDR is given by the External Credit Rating Agency such as Moody's, Fitch or Standard & Poor. The Bank will use only the official, world-wide accepted, external credit rating agencies such as Fitch, Moody's and S&P because only these 3 agencies do the analyses world-wide, make and publish the studies on PDs, LGD's (where credit spread will be determined as PD*LGD) etc. on the global level. These three agencies are also the only ones allowed to be used for the purpose of relying on the expert-data parameters for e.g. in EU (as per CRD/CRR regulation etc.).
2) If the financial institution (Bank) does not have such a rating and it is part of a Bank, the lower rating of the country ceiling for the country where Bank is located and the external agency's international long-term Issuer Default Rating of the ultimate parent is used. The underlying reason for this approach is that when a bank is part of a Bank, support is more likely.
3) If neither of these steps results in a rating, country ceiling for the country in which Bank is located is identified and at least one notch is subtracted. The country ceiling is the best rating that an entity based in that country can receive, so this is used as a benchmark as we tend to work with the biggest and most robust institutions. Additionally, the downward risk adjustment is made for the sake of prudence.

   The state of Kosova does not have a credit rating.

The credit rating of BKT Kosova (B-) is determined by starting from the credit rating of BKT Albania (B), as the parent company, deducted by one notch for the sake of prudence.

In this manner, is determined the credit rating of the Bank at B-. That particular rating of the Bank is assigned proper probability of default rate (PD rate), which is externally calculated – expert data given by the external credit rating agency. However, PD is just a probability. In order to approximate full credit risk, LGD is needed. By multiplying the PD rate and LGD rate, credit loss rate is obtained and this is the approximation of credit risk. It is recommended to use Basel LGD value as fixed at 45% at all times.

BKT Kosova	B-

At initial application date, the credit spread of the Bank is 3.51%. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.86%.

The Bank has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

For leases previously classified as operating leases under IAS 17, a lessee recognizes a lease liability measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2022.

3. Significant accounting policies (continued)

(j) Assets acquired through legal process (repossessed collateral)

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. The Bank applies its accounting policy for non-current assets held for sale or disposal groups to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

Collaterals repossessed by the Bank represent the repossessed collaterals of some unrecoverable loans, the ownership of which was taken by the Bank. The Bank has established an Asset Sale Committee, responsible for the disposal of these assets. These assets are accounted for as foreclosed assets. The fair value of these assets at the reporting date is determined with reference to the current market prices. For the cases that the collateral has been re-possessed before making the write off, the remaining exposure will be written off by CRD. These cases will be part of regular reporting to Risk Management Committee and Board of Directors.

(k) 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 if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(l) Deposits and borrowings

Deposits and borrowings are part of the Bank's sources of funding. When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo" or "stock lending"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements. Deposits and borrowings are initially measured at fair value net of directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3. Significant accounting policies (continued)

(m) Provisions

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

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

ECL is estimated under Baseline (typical), Best (favourable) and Adverse (unfavourable) conditions.

The only Point-in-Time estimates are for Probability of Default. LGD assumes Basel estimates and EAD uses amortisation type payment schedules. Once all components (PD, EAD, LGD) have been computed, the ECL is estimated under three different scenarios: Baseline (typical), Best (favourable) and Adverse (unfavourable) condition, with weights 52%, 30% and 18% respectively.

(n) Financial guarantees and loan commitments

The Bank's liability under each commitment is measured at the higher of the amount initially recognized minus the cumulative depreciation recognized in the income statement, and the provision measured by HPK. To this end, the Bank assesses HPKs based on the present value of the expected payments to reimburse the holder for a credit loss it causes. Deficiencies are deducted from an interest rate adjustment adjusted by the risk associated with the exposure. HPKs related to financial guarantee contracts are recognized within the provisions. Financial guarantees are contracts that oblige the Bank to make specific payments to reimburse the holder for a loss that arises when a specific debtor fails to pay on time under the terms of a lending instrument. Loan commitments are defined commitments to secure loans under pre-defined terms and conditions. Such financial commitments are recorded in the statement of financial position, if and when they become payable.

(o) Dividends

Dividend is declared at the General Meeting of Shareholders, based on the recommendation of the Board of Directors. The shareholders can decide on any dividend amount, within the range of payable dividend proposed by the Board of Directors.

The decision regarding dividend shall be taken only by the General Meeting of Shareholders and not by a Committee of the Board or by any way of a Resolution passed by circulation.

Final dividend shall be paid only after approval at the General Meeting of Shareholders of the Bank.

Dividends shall be distributed proportionately to the par value of shares, unless the Articles of Association of the Bank provides otherwise.

(p) Employee benefits

(i) Defined contribution plans

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

3. Significant accounting policies (continued)

(p) Employee benefits (continued)

i. Short-term benefits

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

3.1 New Standards adopted as at 1 January 2022

There are no accounting announcements which have become effective from 01 January 2022 that have a significant impact on the Bank' financial statements.
Other Standards and amendments that are effective for the first time in 2022 and could be applicable to the entity are:

- Reference to the conceptual Framework (Amendments to IFRS 3)
- Covid 19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts -Cost of fulfilling a contract (Amendments to IAS 37)
- Annual Improvement (2018-2020 Cycle)
- Subsidiary as a First-Time Adopter (Amendments to IFRS 1)
- Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)
- Taxation in Fair Value Measurements (Amendments to IAS 41).

These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

The International Board of Accounting Standards has issued a number of standards and interpretations that are effective in future accounting periods, which the company has decided not to apply in advance. The company plans to apply these standards and interpretations when they become effective.
The following standards and interpretations have been issued but are not mandatory for the current reporting period ended 31 December 2022:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)- Effective from January 1st, 2023
- Definition of Accounting Estimates (Amendments to IAS 8)- Effective from January 1st, 2023
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)- Effective from January 1st, 2023
- IFRS 17 – Insurance Contacts – Effective January 1st, 2023

None of these Standards or amendments to existing Standards have been adopted early by the Bank.
Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Bank's financial statements.

4. Use of estimates and judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 5).

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test (note 3, (f), (iii)). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

ECL Determination

Significant increase of credit risk: As explained in note 3 (f) (viii) and 5 (b) (ii), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank considers qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3 (f) (viii) and 5 (b) (ii), for more details on ECL and note 3 (f) (vii) for more details on fair value measurement.

4. Use of estimates and judgements (continued)

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (f) (vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgments made in applying the Bank's accounting policies include:

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 3 (f) (vii).

The Bank measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. 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. 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 financial markets.

For more complex instruments, the Bank uses proprietary valuation models, which usually are developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

4. Use of estimates and judgements (continued)

Fair values

The table below sets out the carrying amounts and fair values of the financial assets and liabilities by the level in the fair value hierarchy into which the fair value measurement is categorised:

31-Dec-22			Fair Value			
	Note	Carrying Amount	Level 1	Level 2	Level 3	Total
Placement and balances with banks	7	75,433,754	-	-	75,433,754	75,433,754
Investment securities	8	220,205,250	155,208,007	-	64,997,243	220,205,250
Due from BKT Albania	25	42,001	-	-	42,001	42,001
Loans and advances to banks and other syndication loans	9	53,655,814	-	-	53,655,814	53,655,814
Loans to customers	9	523,680,973	-	-	523,680,973	523,680,973
Total financial assets		**873,017,791**	**155,208,007**	-	**717,809,785**	**873,017,791**
Customer deposits	13	797,152,824	-	-	797,152,824	797,152,824
Due to banks	14	26,186,716	-	-	26,186,716	26,186,716
Liabilities based on Repo Transactions	14	52,830,360	-	-	52,830,360	52,830,360
Borrowings	16	8,908,949	-	-	8,908,949	8,908,949
Subordinated debt	16.1	22,066,271	-	-	22,066,271	22,066,271
Total financial liabilities		**907,145,120**	-	-	**907,145,120**	**907,145,120**

31-Dec-21						Fair Value
	Note	Carrying Amount	Level 1	Level 2	Level 3	Total
Placement and balances with banks	7	29,492,205	-	-	29,492,205	29,492,205
Investment securities	8	215,321,687	166,435,895	-	48,885,792	215,321,687
Due from BKT Albania	25	221,756	-	-	221,756	221,756
Loans and advances to banks and other syndication loans	9	18,741,863	-	-	18,741,863	18,741,863
Loans to customers	9	417,648,803	-	-	417,648,803	417,648,803
Total financial assets		**681,426,314**	**166,435,895**	-	**514,990,419**	**681,426,314**
Customer deposits	13	665,173,509	-	-	665,173,509	665,173,509
Due to banks	14	21,228,623	-	-	21,228,623	21,228,623
Liabilities based on Repo Transactions	14	30,093,037	-	-	30,093,037	30,093,037
Borrowings	16	13,347,815	-	-	13,347,815	13,347,815
		-	-	-	-	-
Total financial liabilities		**729,842,984**	-	-	**729,842,984**	**729,842,984**

4. Use of estimates and judgements (continued)

Going Concern

With stabilization of Covid-19 pandemic and recovery in economics, the world experienced unprecedented war in Ukraine which heightened geopolitical risks and directly impacted global financial markets. The effects were wide-range causing problems with energy security and supply problems resulting in higher energy prices, higher prices for agricultural commodities and prolonged supply chain problems. These have led to spikes in both consumer and producer inflations. Therefore, this has resulted in one of the most aggressive monetary policy tightening in history across different economies.
In such a volatile environment, the bank has shifted its focus to risk management practices by mainly concentrating on balance sheet management. Liquidity risk has been managed very proactively and efficiently to meet obligations in each currency on a timely and cost-efficient manner. That's why, bank has maintained stable level of liquidity ratios throughout the year. Foreign exchange risk has been kept at lowest level by implementing necessary hedging activities while bank achieved increasing its profit for FX trading by expanding its customer base. In regard of interest rate risk, pricing strategy has changed to extend maturity of liabilities to protect bank against potential interest rate increases. Treasury has shifted a good portion of investments to short-term floating rate products. Also, group has executed interest rate hedges through future contracts contributing to profitability. Lastly, capital risk has been managed proactively by starting a Tier 2 sub-ordinated loan process in 2021 and closing in mid-2022. This has helped bank mitigate capital risk arising from financial markets volatility.

The geopolitical situation affected also the bank, the changes in provisions for Ukraine exposures is set at below table:

Counterparty	Market Segment	Nominal Amount	Provision 2022	Provision 2021	Provision charge for the year
GOVERNMENT OF UKRAINE	Sovereign	500,000	177,402	5,933	171,469
GOVERNMENT OF UKRAINE	Sovereign	3,000,000	800,662	44,512	756,150
GOVERNMENT OF UKRAINE	Sovereign	5,000,000	1,878,709	71,526	1,807,183
Total		**8,500,000**	**2,856,773**	**121,971**	**2,734,802**

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. Financial risk management

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risks
- operational risks

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

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments result in certain risks to the Bank. The most significant risks facing the Bank are credit risk, liquidity risk and market risk. Market risk includes foreign currency risk, interest rate risk and other price risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank Asset and Liability Committee (ALCO), Risk Management Group and Credit Committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All these bodies report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

(b) Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's Loans to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). BKT Kosova has formed a Credit Committee to oversee the approval of requests for credits up to the limit of 500,000 EUR. Credit requests with amounts over EUR 500,000 up to EUR 1,000,000 are approved by only two Board Members, while credit requests with amount over EUR 1,000,000 are approved only upon decision of the Board of Directors (all members). There is a continuous focus on the quality of credits extended both at the time of approval and throughout their lives.

Each business unit is required to comply with Bank credit policies and procedures. Regular audits of business units and Credit Risk Management processes are undertaken by Internal Audit.

5. Financial risk management (continued)

(b) Credit Risk (continued)

i. Maximum credit exposure

The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets. Maximum exposures to credit risk before collateral and other credit enhancements as at 31 December 2022 and 31 December 2021 are as follows:

Financial Instruments Credit Risk	Note	31-Dec-22 Exposure before impairment	31-Dec-22 Impairment	31-Dec-22 Net exposure for credit risk	31-Dec-21 Exposure before impairment	31-Dec-21 Impairment	31-Dec-21 Net exposure for credit risk
A. Credit risk exposure relating to balance sheet items							
Cash and Cash Balances with Central Banks		106,104,701	-	106,104,701	115,840,781	-	115,840,781
Placements and Balances with the Banks		75,450,841	(17,087)	75,433,754	29,494,207	(2,002)	29,492,205
Investment securities - measured at FVOCI		155,208,007	-	155,208,007	166,435,895	-	166,435,895
Investment securities - measured at amortised cost		68,565,864	(3,568,621)	64,997,243	49,353662	(467,870)	48885,792
Loans to customers		535,816,156	(12,135,183)	523,680,973	430,854,609	(13,380,343)	417,474,266
Loans and advances to banks		54,162,770	(506,956)	53,655,814	18,868,183	(126,320)	18,741,863
Other Assets		12,502,013	-	12,502,013	8,491,967	-	8,491,967
Total Assets		**1,007,810,352**	**(16,227,847)**	**991,582,505**	**819,339,304**	**(13,976,535)**	**805,362,769**
Off balance sheet items							
Undrawn credit commitments		61,845,025	(398,570)	61,446,455	53,140,755	(379,007)	52,963,284
Swap foreign currency contract	29	39,945,717	-	39,945,717	56,464,609	-	56,464,609
Collaterals for loan portfolio		1,135,420,087	-	1,135,420,087	922,955,613	-	922,955,613
Securities pledged as collateral		-	-	-	-	-	-
Total off-balance sheet		**1,237,210,830**	**(398,570)**	**1,236,812,260**	**1,032,560,977**	**(379,007)**	**1,032,383,506**
Total credit risk exposure		**2,245,021,181**	**(16,626,417)**	**2,228,394,764**	**1,851,900,281**	**(14,355,542)**	**1,837,746,275**

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. This credit quality depends on the extent of credit deterioration since initial recognition and will spread over three stages:

"Stage 1" comprises of assets that have not suffered any significant deterioration of credit quality since initial recognition;

"Stage 2" comprises of assets that have suffered significant deterioration since initial recognition;

"Stage 3" concerns all assets where a default has occurred.

Under this general approach, the ECL for an asset is calculated over different time horizons according to the stage it was assigned to:

ECL over one year for assets in stage 1;

ECL over remaining lifetime for assets in stage 2 and stage 3.

The stage assignment is done according to the following rules:

Impairment: if the counterparty for the considered asset has defaulted, the asset is assigned to "Stage 3". An asset is considered as having defaulted if any repayment (principal or interest) is overdue for more than 90 days or if the counterparty is in a proven situation of default (bankruptcy).

Rating D (lower than C): Assets with this rating are currently considered to be in stage 3.

Qualitative factors: IFRS 9 has advised to consider qualitative factors such as watch lists or financial analysis by experts. Similarly, to the previous case, there is also a second time threshold. In case the repayment of an asset is overdue for more than 30 days and less than 90 days, it is assigned to "Stage 2".

Relative Threshold: if the counterparty has suffered significant deterioration in credit risk, that is if its credit quality since initial recognition has dropped more than a specific pre-defined relative threshold, then it is assigned to "Stage 2".

All assets that are not in the previous cases are assigned to "Stage 1".

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible.

Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The Bank has three main portfolios, which are:

– Loan portfolio

This category includes wholesale and individual/retail accounts loans.

– Treasury portfolio

This category includes bonds, treasury bills and equity accounts.

– Project and Structured Finance

This category includes letters of credit and bank guarantees.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

Significant Deterioration through relative threshold

The bank computes a relative threshold matrix that gives for each rating a prediction of what the expected rating for each time horizon should be.

Through-the-cycle (TTC) transition matrices give the percentage of counterparties which moved from one rating to another over a specific time interval. TTC matrices over a 10-year horizon are taken since this gives a comfortable horizon for a relative threshold.

Credit risk grading

The bank relied on proxies provided by external credit rating agencies. External TTC transition matrices for all European entities provided by international credit rating agencies are used. The following steps are then carried out:

First the mapping between the internal and external rating systems is performed;

From there, a TTC transition matrix with the number of observations (number of entities that changed from one specific rating to another) is used and a weighted average per mapped rating is computed in order to compute the internal ratings TTC matrix.

Forward-looking information incorporated in the ECL models

The TTC PDs are transformed into PIT PDs by taking into account the macroeconomic environment through a set of macroeconomic variables: real GDP growth rate, inflation rate and unemployment rate. These variables were sourced from the IMF2, including historical data spanning 199 – 2017 and baseline projections for 2018 – 2021. The first PD model includes a simplified form of the Merton model. In this framework, a systemic variable Xtwhich represents the macroeconomic environment is introduced. The sensitivity of each rating's PD to this variable is obtained via the calibration of the ρparameter. The model takes into account the global default rate of each year and calculates $Xt$for each year, which is then regressed over with the different combinations of macro-economic variables. Using projections of the macroeconomic variables, the regression formula is used to deduce projections of Xt, and based on the one factor Merton model the PIT PDs are obtained. The second PD model considers the default rate per rating in each year, which enables the calibration of the sensitivity ρi for all ratings.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

1. Probability of default (PD);
2. Loss given default (LGD); and
3. Exposure at default (EAD).

ECL is estimated under Baseline (typical), Best (favourable) and Adverse (unfavourable) conditions.

The only Point-in-Time estimates are for Probability of Default. LGD assumes Basel estimates and EAD uses amortisation type payment schedules. Once all components (PD, EAD, LGD) have been computed, the ECL is estimated under three different scenarios: Baseline (typical), Best (favourable) and Adverse (unfavourable) condition, with weights 52%, 30% and 18% respectively, please refer note 3, n) provisions. The final ECL is the probability-weighted ECL under those three scenarios.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

1. Probability of Default

The probability of default has been modelled on the basis of the one factor Merton model. The approach to model the point-in-time forward looking and macroeconomic PD is divided into three different steps: - The first step is to calibrate the cumulated TTC PDs; - The second step is to include the forward-looking information and transform the cumulated TTC PDs to PIT PDs; - The final step is to describe the conversion of PIT PDs to TTC PDs after a certain horizon. Default rates are essential for the calculation of Point-in-Time Probability of Default (PD) and for the estimation of ECL. The Bank used external default rate data for each relevant sector and region. A number of macro-economic variables sourced from the IMF2, including historical data spanning 1990 – 2017 and baseline projections for 2019 – 2022, were considered in modelling of PIT PD. For non-rated accounts, PD are estimated using the nominal weighted average PD of all rated accounts within the same rating system. However, this does not guarantee that the PD for non-rated accounts in stage 2 (NRB2) is higher than for stage 1 (NRB1). To account for the higher risk of NRB2 exposures, the Bank mapped NRB2 to an equivalent risk grade with similar PIT PD as the PD for NRB1 exposure for a time horizon equal to the average residual lifetime of all unexpired accounts within the same sector.

2. Loss Given Default (LGD)

Loss Given Default is defined as the percentage of the Exposure at Default (EAD) that is ultimately lost in case of default of a counterparty, after all possible recoveries through selling of collateral or collection procedures. As regards to the loan to customers' portfolio, LGD is modelled using historical recovery rates or using the collateral value of the asset. The bank has considered information about past collateral value, time in default, time to sale, sale costs, in calculating the LGD. A defaulted collateralised asset can move through different stages post default. The bank can seize the collateral ("Possession") in order to sell it ("Sale") and make up for the potential loss due to the default of the counterparty. Possession of collateral can occur voluntarily ("handing over the keys") or via litigation (court proceedings). And sales may be carried out by the institution (after obtaining possession) or by means of a customer self-sale. On the date of collateral sale, any shortfall is recognised in the P&L (write-off expense) and subsequent recoveries (debt collection either internal or external) may occur. Write-off occurs when there is a shortfall on collateral sale. Closed and cures occur when the full outstanding is recovered with the former resulting in the account closing (i.e. no lending). Cure refers to both closed and curing accounts. For the unsecured/uncollateralised types of assets the value of the collateral is supposed to be 0 and the actual model is still applied taking into account pure debt collection. In the light of this recovery process, the Bank defines LGD as the expected severity (loss) given a default. The Banks mapped each collateral type in BKT portfolios to the Basel LGD segments1, each with their own LGD parameters for Corporate and Retail Portfolio based on historical data. For Sovereigns and Banks Segment, LGD value is fixed 45% as per Basel requirements.

3. Exposure at Default (EAD)

An asset can have a customised, linear or bullet amortisation type. For assets with a customised amortisation type, repayment schedules are used to estimate EAD. For assets without any amortisation type, a linear repayment plan is assumed. For off balance sheet exposures, it is required that provisions are held against undrawn commitments. BKT's calculation of the credit conversion factor (CCF) values is in line with Basel II requirements under the standardised approach: "Commitments with an original maturity up to one year and commitments with an original maturity over one year will receive a CCF of 20% and 50%, respectively." Early repayment/refinance assumptions are also incorporated into the calculation. However, the early repayments are considered to be 0 for all assets as the Bank's historical data suggests insignificant material impact.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

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

CHANGES IN GROSS CARRYING AMOUNT OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2022	Loans and advances to customers			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**369,500,732**	**55,316,406**	**6,520,934**	**431,338,071**
Transfer to Stage 1 (from 2 or 3)	(5,497,406)	4,839,656	657,750	-
Transfer to Stage 2 (from 1 or 3)	26,728,815	(29,739,094)	3,010,280	-
Transfer to Stage 3 (from 1 or 2)	261,188	73,535	(334,723)	-
New financial assets originated or purchased	214,527,519	6,788,611	222,840	221,538,970
De-recognition of financial assets	(55,118,126)	(7,082,805)	(915,207)	(63,116,138)
Changes due to change in credit risk that did not result in de-recognition	(49,048,164)	(2,931,171)	(359,347)	(52,338,682)
Write-offs	(597)	-	(884,143)	(884,740)
Gross Balance at 31 December 2022	**501,353,960**	**27,265,139**	**7,918,383**	**536,537,481**

The gross carrying amounts include principal and interest. Unamortized deferred fee is not included. As of 31 December 2022 unamortized deferred fee amounts 721,325 Eur.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

CHANGES IN GROSS CARRYING AMOUNT OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2021	Loans and advances to customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**266,429,701**	**92,154,362**	**6,079,099**	**364,663,162**
Transfer to Stage 1 (from 2 or 3)	28,057,179	(27,866,005)	(191,174)	-
Transfer to Stage 2 (from 1 or 3)	(6,277,637)	6,298,592	(20,955)	-
Transfer to Stage 3 (from 1 or 2)	(873,510)	(1,712,721)	2,586,231	-
New financial assets originated or purchased	190,309,456	7,054,372	1,417,909	198,781,737
De-recognition of financial assets	(64,108,608)	(13,427,162)	(1,757,821)	(79,293,591)
Changes due to change in credit risk that did not result in de-recognition	(44,035,861)	(7,185,032)	(822,357)	(52,043,250)
Write-offs	-	-	(769,999)	(769,999)
Gross Balance at 31 December 2021	**369,500,720**	**55,316,406**	**6,520,933**	**431,338,059**

The gross carrying amounts include principal and interest. Unamortized deferred fee is not included. As of 31 December 2021, unamortized deferred fee amounts 483,499 Eur.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

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

ALLOWANCE OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2022	Loans to customers allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	**6,224,024**	**3,462,084**	**3,519,699**	**13,205,807**
Transfer to Stage 1 (from 2 or 3)				
Transfer to Stage 2 (from 1 or 3)	(163,109)	154,108	9,000	-
Transfer to Stage 3 (from 1 or 2)	1,250,486	(1,445,263)	194,777	-
New financial assets originated or purchased	119,856	12,698	(132,555)	-
De-recognition of financial assets	3,179,539	222,785	53,916	3,456,241
Write-offs	(400,093)	(350,826)	(453,155)	(1,204,074)
Changes in models/risk parameters	(9)	-	(746,286)	(746,295)
Foreign exchange and other changes	(3,226,259)	(448,479)	1,098,242	(2,576,496)
Allowance at 31 December 2022	**6,984,436**	**1,607,109**	**3,543,639**	**12,135,183**

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

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

ALLOWANCE OF LOANS TO CUSTOMERS AT AMORTISED COST

31 December 2021	Loans to customers allowance			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	4,351,494	6,255,535	1,796,432	12,403,461
Transfer to Stage 1 (from 2 or 3)	2,511,379	(2,379,554)	(131,825)	-
Transfer to Stage 2 (from 1 or 3)	(52,739)	68,173	(15,434)	-
Transfer to Stage 3 (from 1 or 2)	(8,332)	(72,690)	81,022	-
New financial assets originated or purchased	2,919,725	295,844	561,805	3,777,374
De-recognition of financial assets	(744,224)	(936,141)	(344,370)	(2,024,735)
Write-offs	-	-	(343,609)	(343,609)
Changes in models/risk parameters	(2,746,272)	208,799	2,105,325	(432,148)
Foreign exchange and other changes	-	-	-	-
Allowance at 31 December 2021	**6,231,031**	**3,439,966**	**3,709,346**	**13,380,343**

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

The following table sets out the changes in in gross carrying amount of financial assets where impairment requirements apply (other than loans). Fair values and discount / premiums are excluded.

CHANGES IN GROSS CARRYING AMOUNT OF FINANCIAL ASSETS WHERE IMPAIRMENT REQUIREMENTS APPLY (OTHER THAN LOANS)

31 December 2022	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	17,364,239	1,503,943	-	18,868,183	166,401,647	-	-	166,401,647
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	(2,299,922)	424,267	1,875,655	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	54,162,770	-	-	54,162,770	41,369,446	-	-	41,369,446
De-recognition of financial assets	(17,364,239)	(1,503,943)	-	(18,868,183)	(45,958,374)	-	-	(45,958,374)
Changes due to modifications that did not result in de-recognition	-	-	-	-	5,537,698	58,687	845,511	6,441,896
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2022	**54,162,770**	-	-	**54,162,770**	**165,050,495**	**482,953**	**2,721,166**	**168,254,614**

31 December 2022	Investment Securities at amortised cost				Loan Commitments and financial guarantee			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Balance at 1 January 2022	49,353,662	-	-	49,353,662	25,513,410	492,100	-	26,005,510
Transfer to Stage 1 (from 2 or 3)	(9,285,993)	8,297,533	988,460	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	100,000	(100,000)	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	34,958,800	-	-	34,958,800	5,938,615	-	-	5,938,615
De-recognition of financial assets	(14,609,849)	-	-	(14,609,849)	(14,678,608)	(342,100)	-	(15,020,708)
Changes due to modifications that did not result in de-recognition	(1,173,635)	(18,646)	55,532	(1,136,749)	(95,440)	-	-	(95,440)
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2022	**59,242,984**	**8,278,887**	**1,043,992**	**68,565,864**	**16,777,977**	**50,000**	-	**16,827,977**

The gross carrying amounts include only Nominal amounts and Accrued interest. Unamortized discount and marked to market gain/ (loss) are not included.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

The following table sets out the changes in gross carrying amount of financial assets where impairment requirements apply (other than loans).

CHANGES IN GROSS CARRYING AMOUNT OF FINANCIAL ASSETS WHERE IMPAIRMENT REQUIREMENTS APPLY (OTHER THAN LOANS)

31 December 2021	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	7,206,181	-	-	7,206,181	98,188,727	-	-	98,188,727
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	4,967,493	-	-	4,967,493	166,162,549	-	-	166,162,549
De-recognition of financial assets	(7,206,181)	-	-	(7,206,181)	(98,188,727)	-	-	(98,188,727)
Changes due to modifications that did not result in de-recognition	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2021	4,967,493	-	-	4,967,493	166,162,549	-	-	166,162,549

31 December 2021	Investment Securities at amortised cost				Loan Commitments and financial guarantee			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Balance at 1 January 2021	28,340,121	-	-	28,340,121	18,418,679	1,813,395	-	20,232,074
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	5,000	(5,000)	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	(150,000)	150,000	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	49,342,716	-	-	49,342,716	9,656,597	250,000	-	9,906,597
De-recognition of financial assets	(28,340,121)	-	-	(28,340,121)	(2,399,265)	(1,716,295)	-	(4,115,561)
Changes due to modifications that did not result in de-recognition	-	-	-	-	(17,600)	-	-	(17,600)
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other changes	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2021	49,342,716	-	-	49,342,716	25,513,411	492,100	-	26,005,510

The gross carrying amounts include only Nominal amounts and Accrued interest. Unamortized discount and Marked to market gain/ (loss) are not included.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

The following table sets out the changes in in gross carrying amount of financial assets where impairment requirements apply (other than loans).

RECONCILATION OF THE ACCUMULATED IMPAIRMENT ALLOWANCE OF FINANCIAL ASSETS WHERE IMPAIRMENT REQUIREMENTS APPLY (OTHER

31 December 2022	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	2,002	-	-	2,002	746,528	-	-	746,528
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	(11,897)	5,933	5,963	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	17,087	-	-	**17,087**	58,444	-	-	58,444
New financial assets originated or purchased	-	-	-	-	(213,950)	-	-	(213,950)
Derecognition of financial assets	(2,002)	-	-	**(2,002)**	163,117	171,469	1,218,561	1,553,147
Write-offs	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Foreign exchange and other movements								-
Gross Balance at 31 December 2022	17,086	-	-	17,086	742,243	177,402	1,224,525	2,144,170

31 December 2022	Debt Investment Securities at amortised cost				Loan Commitments and financial guarantee			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	467,870	0	0	467 870	373,456	5,551	0	379,007
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	3,554	(3,554)	-	0
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	16 122	-	-	16 122	102,742	-	-	102,742
Derecognition of financial assets	(238 598)	(5 099)	-	(243 697)	(120,704)	(1,997)	-	(122,701)
Write-offs	-	-	-	-	-	-	-	-
Changes in models/risk parameters	116 898	2 689 654	521,775	3 328 326	(66,384)	-	-	(66,384)
Foreign exchange and other movements	-	-	-	467 870	-	-	-	-
Gross Balance at 31 December 2022	381,967	2,679,371	522,367	3 568 621	292,663	0	-	292,663

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

The following table sets out the changes in in gross carrying amount of financial assets where impairment requirements apply (other than loans).

RECONCILATION OF THE ACCUMULATED IMPAIRMENT ALLOWANCE OF FINANCIAL ASSETS WHERE IMPAIRMENT REQUIREMENTS APPLY (OTHER

31 December 2021	Due from Banks				Investment Securities at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**5,672**	-	-	**5,672**	**208,330**	-	-	**208,330**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-	-	-	-
New financial assets originated or purchased	(5,672)	-	-	(5,672)	413,000	-	-	413,000
Derecognition of financial assets	2,002	-	-	2,002	(208,330)	-	-	(208,330)
Write-offs	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	333,528	-	-	333,528
Foreign exchange and other movements								-
Gross Balance at 31 December 2021	**2,002**	-	-	**2,002**	**746,528**	-	-	**746,528**

31 December 2021	Debt Investment Securities at amortised cost				Loan Commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**87,329**	-	-	**87,329**	**651,722**	**3,246**	-	**654,968**
Transfer to Stage 1 (from 2 or 3)	-	-	-	-	-		-	-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	129	129	-	-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-	-		-	-
New financial assets originated or purchased	225,936	-	-	225,936	128,860	356	-	129,216
Derecognition of financial assets	(87,329)	-	-	(87,329)	(23,813)	(51)	-	(23,864)
Write-offs	-	-	-	-	-		-	-
Changes in models/risk parameters	241,934	-	-	241,934	(383,184)	1,871	-	(381,313)
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2021	**467,870**	-	-	**467,870**	**373,456**	**5,551**	-	**379,007**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis

The following table sets out information about the credit quality of loan to customers in 2022 and 2021 by asset quality at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

		31-Dec-22	31-Dec-21
Stage 1	Non-Past Due	476,191,692	358,604,508
	Past due	25,162,268	10,896,212
	Total	**501,353,960**	**369,500,720**
	Allowance	**6,984,436**	6,231,031
	Total Carrying Amount	**494,369,524**	**363,269,689**
Stage 2	Non-Past Due	22,398,567	36,344,306
	Past due	4,866,572	18,972,100
	Total	**27,265,139**	**55,316,406**
	Allowance	1,607,109	3,439,966
	Total Carrying Amount	25,658,030	**51,876,440**
Stage 3	Non-Past Due	1,761,708	645,370
	Past due	6,156,675	5,875,564
	Total	**7,918,383**	**6,520,934**
	Allowance	**3,543,639**	3,534,811
	Total Carrying Amount	**4,374,744**	**2,986,123**
Total net amount at amortised cost		**524,402,298**	**418,132,252**
Value of collateral		**1,135,420,087**	**922,955,613**

Past due related to each stage is referred as follows: Stage 1: Past due 1-30 days past due, otherwise Non-Past Due, Stage 2: Past due 31-90 days past due, otherwise Non Past Due, Stage 3: Past due over 90 days past due, otherwise Non Past Due.

5. Financial risk management (continued)
(b) Credit Risk (continued)
iii. Credit quality analysis (continued)

The following table sets out information about the aging analyses of loans to customers in 2022 and 2021:

31 December	Loans to customers 2022				Loans to customers 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Current	469,955,240	20,147,289	366,072	490,468,601	352,845,189	33,983,859	332,743	387,161,791
1 - 30 days	24,414,284	821,038	207,832	25,443,153	10,424,500	9,730,586	160,292	20,315,378
31 - 90 days	-	4,689,703	1,006,618	5,696,322	-	8,161,995	144,096	8,306,091
91 - 180 days	-	-	266,141	266,141	-	-	411,288	411,288
181 - 360 days	-	-	544,508	544,508	-	-	730,819	730,819
> 361 days	-	-	1,983,572	1,983,572	-	-	1,032,348	1,032,348
Total	**494,369,524**	**25,658,030**	**4,374,744**	**524,402,298**	**363,269,689**	**51,876,440**	**2,811,586**	**417,957,716**
Value of collateral	**1,041,081,698**	**54,928,560**	**39,409,829**	**1,135,420,087**	**747,124,342**	**146,596,771**	**29,234,501**	**922,955,613**

5. Financial risk management (continued)
(b) Credit Risk (continued)
iii. Credit quality analysis (continued)

The following table sets out information about the credit quality of financial assets, other than loans to customers, measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts, which includes principal, accrued interest, premium/discounts is applicable.

FINANCIAL INSTRUMENTS CREDIT RISK - OTHER THAN LOANS TO CUSTOMERS

	2022					2021
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total	Total
Placements and Balances with banks at amortised cost						
Aa1 to Aa3	13,681,251	-	-	-	**13,681,251**	-
A1 to A3	18,816,705	-	-	-	**18,816,705**	-
Baa1 to Baa3	7,764,435	-	-	-	**7,764,435**	3,838,027
B1 to B3	5,033,697	-	-	-	**5,033,697**	-
Unrated	30,154,753	-	-	-	**30,154,753**	1,129,466
Exposure before impairment	**75,450,841**	-	-	-	**75,450,841**	**4,967,493**
Loss allowance	17,087	-	-	-	17,087	2,002
Carrying amount	**75,433,754**	-	-	-	**75,433,754**	**4,965,491**
Investment Securities at FVOCI						
Aa1 to Aa3	45,432,538	-	-	-	**45,432,538**	**76,241,115**
A1 to A3	9,503,771	-	-	-	**9,503,771**	**3,692,612**
Baa1 to Baa3	10,789,552	-	-	-	**10,789,552**	**891,338**
Ba1 to Ba3	36,886,443	-	-	-	**36,886,443**	**26,000,360**
B1 to B3	50,457,242	-	-	-	**50,457,242**	**59,610,469**
Unrated	2,138,461	-	-	-	**2,138,461**	-
Exposure before impairment	**155,208,007**	-	-	-	**155,208,007**	**166,435,895**
Loss allowance	2,144,170	-	-	-	**2,144,170**	**746,528**
Carrying amount	**153,063,837**	-	-	-	**153,063,837**	**165,689,367**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

FINANCIAL INSTRUMENTS CREDIT RISK - OTHER THAN LOANS TO CUSTOMERS

	2022					2021
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total	Total
Investment Securities at Amortised Cost						
Aa1 to Aa3	-	-	-	-	-	-
A1 to A3	9,213,153	-	-	-	**9,213,153**	-
Baa1 to Baa3	22,617,913	-	-	-	**22,617,913**	-
Ba1 to Ba3	-	-	-	-	-	-
B1 to B3	23,287,792	-	-	-	**23,287,792**	48,377,064
Unrated	13,447,006	-	-	-	**13,447,006**	976,598
Exposure before impairment	**68,565,864**	-	-	-	**68,565,864**	**49,353,662**
Loss allowance	3,568,621	-	-	-	**3,568,621**	467,870
Carrying amount	**64,997,243**	-	-	-	**64,997,243**	**48,885,792**

Credit quality of financial assets other than loan and advances to customers, based on the internal rating system of the Bank is categorised as follows:

1-Dec-22	Cash and balances with Central Bank	Due from other banks	Investment securities	Loans to banks and syndicated loans	Other Assets	Total
Good	106,104,701	75,433,754	220,205,250	53,655,814	12,502,013	467,901,532
Acceptable	-	-	-	-	-	-
Close monitoring	-	-	-	-	-	-
Total	**106,104,701**	**75,433,754**	**220,205,250**	**53,655,814**	**12,502,013**	**467,901,532**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality for loans to customers for the corporate portfolio in 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST - CORPORATE PORTFOLIO[1)]

31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Large Corporate				
Strong (rating A)	5,363,740	-	-	5,363,740
Satisfactory (rating B&C)	197,015,463	18,197,748	-	215,213,210
Watch list (higher risk) (rating D lower than C)	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	871,936	871,936
Total Rated	**202,379,203**	**18,197,748**	**871,936**	**221,448,887**
Non-Rated	**598,965**	-	-	**598,965**
Total gross amount	**202,978,168**	**18,197,748**	**871,936**	**220,047,851**
Carrying amount	**199,096,092**	**17,079,604**	**811,139**	**216,987,238**
Collateral held for credit impaired assets & assets at FVPL	556,058,056	25,678,397	11,427,980	593,164,433
SME Corporate				
Strong (rating A)	3,214,628	-	-	3,214,628
Satisfactory (rating B&C)	58,014,018	5,236,608	-	63,250,627
Watch list (higher risk) (rating D lower than C)	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	3,447,441	3,447,441
Total Rated	**61,228,646**	**5,236,608**	**3,447,441**	**69,912,696**
Non-Rated	**1,230,643**	**5,795**	**234,734**	**1,471,172**
Total gross amount	**62,459,289**	**5,242,403**	**3,682,175**	**71,383,867**
				-
Carrying amount	**61,388,706**	**4,914,133**	**1,987,304**	**68,290,140**
Collateral held for credit impaired assets & assets at FVPL	177,539,265	17,013,897	12,609,400	207,162,562

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST - CORPORATE PORTFOLIO[1)]

31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Micro Corporate				
Strong (rating A)	2,851,259	-	-	2,851,259
Satisfactory (rating B&C)	21,567,284	1,579,744	-	23,147,028
Watch list (higher risk) (rating D lower than C)	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	1,624,220	1,624,220
Total Rated	**24,418,543**	**1,579,744**	**1,624,220**	**27,622,507**
Non-Rated	**2,406,813**	**137,259**	**13,467**	**2,557,539**
Total gross amount	**26,825,356**	**1,717,004**	**1,637,686**	**30,180,046**
				-
Carrying amount	**26,355,464**	**1,612,151**	**943,283**	**28,910,898**
Collateral held for credit impaired assets & assets at FVPL	76,200,924	7,685,296	7,557,191	91,443,411
				-
OFF BALANCE SHEET	**14,618,570**	**304,827**	-	**14,923,397**
Credit cards Loss allowance	25,833	1,848	2,500	30,181

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality loans to customers for the corporate portfolio in 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST - CORPORATE PORTFOLIO

31 December 2021	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Large Corporate				
Strong (rating A)	3,991,052	-	-	3,991,052
Satisfactory (rating B&C)	145,824,206	34,969,267	-	180,793,473
Watch list (higher risk) (rating D lower than C)	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	720,662	720,662
Total Rated	**149,815,258**	**34,969,267**	**720,662**	**185,505,187**
Non-Rated	**500,651**	-	-	**500,651**
Total gross amount	**150,315,909**	**34,969,267**	**720,662**	**186,005,838**
Carrying amount	**146,435,284**	**32,462,245**	**346,859**	**179,244,388**
Collateral held for credit impaired assets & assets at FVPL	361,843,434	80,246,428	3,562,600	445,652,462
SME Corporate				
Strong (rating A)	2,528,955	- -		2,528,955
Satisfactory (rating B&C)	40,741,344	9,731,164	-	50,472,508
Watch list (higher risk) (rating D lower than C)	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	3,005,149	3,005,149
Total Rated	**43,270,299**	**9,731,164**	**3,005,149**	**56,006,612**
Non-Rated	**304,841**	**27,240**	-	**332,080**
Total gross amount	**43,575,140**	**9,758,403**	**3,005,149**	**56,338,693**
Carrying amount	**42,787,971**	**9,221,355**	**1,547,423**	**53,556,749**
Collateral held for credit impaired assets & assets at FVPL	118,967,103	29,393,225	12,920,866	161,281,194

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST - CORPORATE PORTFOLIO

31 December 2021	12-month ECL	Lifetime ECL not	Lifetime ECL	Total
Micro Corporate				
Strong (rating A)	2,166,423	-	-	2,166,423
Satisfactory (rating B&C)	15,649,830	4,427,850	-	20,077,681
Watch list (higher risk) (rating D lower than C)	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	779,496	779,496
Total Rated	**17,816,254**	**4,427,850**	**779,496**	**23,023,600**
Non-Rated	**2,667,300**	**356,397**	-	**3,023,697**
Total gross amount	**20,483,554**	**4,784,247**	**779,496**	**26,047,297**
				-
Carrying amount	**20,092,744**	**4,569,798**	**463,538**	**25,126,080**
Collateral held for credit impaired assets & assets at FVPL	62,134,336	21,205,424	5,285,555	88,625,315
				-
OFF BALANCE SHEET	**266,209**	**11,344**	**8,579**	**286,131**
Credit cards Loss allowance	6,253	1,568	3,514	11,335

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality loans to customers for the retail portfolio in 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST – RETAIL PORTFOLIO[1)]

31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Mortgage				
Defaults	-	-	742,263	742,263
Non-Rated	65,603,006	583,722	-	66,186,728
Total gross amount	**65,603,006**	**583,722**	**742,263**	**66,928,991**
Collateral held for credit impaired assets & assets at FVPL	132,827,363	3,538,663	7,154,203	143,520,199
Consumer				
Defaults	-	-	952,519	952,519
Non-Rated	138,272,931	1,491,718	-	139,764,649
Total gross amount	**138,272,931**	1,491,718	**952,519**	**140,717,168**
Collateral held for credit impaired assets & assets at FVPL	98,456,091	1,012,337	661,055	100,129,484
Creditcards				
Defaults	-	-	31,804	31,804
Non-Rated	5,215,202	32,544	-	5,247,746
Total gross amount	**5,215,202**	**32,544**	**31,804**	**5,279,550**
Collateral held for credit impaired assets & assets at FVPL	-	-	-	-
OFF BALANCE SHEET	**10,893,869**	**3,999**	-	**10,897,868**
Credit cards Loss allowance	-	-	-	-

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

The following table sets out information about the credit quality loans to customers for the retail portfolio in 2022.

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

DISCLOSURES BY CREDIT RISK RATING GRADES – LOANS TO CUSTOMERS AT AMORTISED COST – RETAIL PORTFOLIO

31 December 2021	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Mortgage				
Defaults	-	-	728,777	728,777
Non-Rated	44,622,476	2,516,875	-	47,139,351
Total gross amount	**44,622,476**	**2,516,875**	**728,777**	**47,868,128**
Collateral held for credit impaired assets & assets at FVPL	115,444,128	11,224,665	6,788,930	133,457,723
Consumer				
Defaults	-	-	972,324	972,324
Non-Rated	107,169,127	3,272,325	0	110,441,452
Total gross amount	**107,169,127**	**3,272,325**	**972,324**	**111,413,776**
Collateral held for credit impaired assets & assets at FVPL	88,735,341	4,527,029	676,550	93,938,920
Credit Cards				
Defaults	-	-	314,525	314,525
Non-Rated	3,334,514	15,289	-	3,349,803
Total gross amount	**3,334,514**	**15,289**	**314,525**	**3,664,328**
Collateral held for credit impaired assets & assets at FVPL	-	-	-	-
OFF BALANCE SHEET	**7,138,036**	-	**156,605**	**7,294,641**
Credit cards Loss allowance	82,680	321	323,763	406,765

	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Total loss allowance as per December 2022	6,984,436	1,607,109	3,543,639	12,135,183
Total loss allowance as per December 2021	6,231,031	3,439,966[1)]	3,534,810[1)]	13,205,807

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, its performance is closely monitored for the purpose of impairment testing. Set out below are the carrying amounts of loans to customers whose term have been renegotiated and are under monitoring:

FORBORNE LOANS TO CUSTOMERS ACCORDING TO THEIR CREDIT QUALITY AT AMORTISED COST

31 December 2022	Total amount of Loans	Total amount of Forborne Loans	Forborne Loans (%)
Stage 1	501,353,960	1,871,505	0.37%
Stage 2	27,265,139	3,658,562	13.42%
Stage 3	7,918,383	2,140,192	27.03%
Exposure before impairment	**536,537,481**	**7,670,259**	**1.43%**
Stage 1 Allowance	6,984,436	4,141	0.06%
Stage 2 Allowance	1,607,109	265,975	16.55%
Stage 3 Allowance	3,543,639	1,043,185	29.44%
Total net amount	**524,402,298**	**6,356,958**	**1.21%**
Value of collateral	1,135,420,087	45,482,316	4.01%

FORBORNE LOANS TO CUSTOMERS ACCORDING TO THEIR CREDIT QUALITY AT AMORTISED COST

31 December 20201	Total amount of Loans	Total amount of Forborne Loans	Forborne Loans (%)
Stage 1	369,500,720	2,257,699	0.61%
Stage 2	55,316,406	2,431,144	4.39%
Stage 3	6,520,933	2,825,416	43.33%
Exposure before impairment	**431,338,059**	**7,514,259**	**1.74%**
Stage 1 Allowance	6,231,031	8,722	0.14%
Stage 2 Allowance	3,439,966	176,746	5.14%
Stage 3 Allowance	3,534,810	1,397,208	39.53%
Total net amount	**418,132,252**	**5,931,583**	**1.42%**
Value of collateral	922,955,613	42,598,719	4.62%

5. Financial risk management (continued)

(b) Credit Risk (continued)

iv. Credit Collateral and other credit enhancement

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.
The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Financial Assets
- Charges over business assets such as premises, machineries, and accounts receivable;

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.
The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.
Set out below is an analysis of collateral and credit enhancement obtained during the years:

	Loans to customers		
31 December 2022	**Retail**	**Corporate**	**Total Loans**
Residential, commercial or industrial property	120,544,944	461,714,744	582,259,688
Financial assets	28,936,182	85,749,396	114,685,578
Other	94,168,556	344,306,264	438,474,820
Total	**243,649,682**	**891,770,404**	**1,135,420,086**

	Loans to customers		
31 December 2021	**Retail**	**Corporate**	**Total Loans**
Residential, commercial or industrial property	131,578,536	421,145,196	552,723,732
Financial assets	17,667,757	51,961,530	69,629,287
Other	78,150,349	222,452,245	300,602,595
Total	**227,396,643**	**695,558,971**	**922,955,613**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iv. Credit Collateral and other credit enhancement (continued)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). The Risk Committee of BKT is engaged with the grading of the customers and their scoring according to the appropriate categories. It decides the changes of grading and takes the necessary actions according to the monitoring procedures. The Risk Committee grades each loan according to these factors:

- Ability to Pay
- Financial Condition
- Management ability
- Collateral and Guarantors
- Loan Structure
- Industry and Economics

Past due but not impaired loans

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

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio and other financial assets. It relates to the specific loss component for individually significant exposures.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) with the decision of the Board of Directors, in accordance with the regulation of Central Bank of Kosova "On Credit Risk Management". The write-off decision is taken after considering information such as the occurrence of significant changes in the borrower / issuer's financial position, such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

5. Financial risk management (continued)

(b) Credit Risk (continued)

v. Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and investment securities as at 31 December 2022 and 31 December 2021 is shown below:

	Note	Loans to customers		Loans to banks		Investment Securities	
		31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Carrying amount	8,9.1,9.2	523,008,396	416,976,235	53,655,813	18,741,863	236,819,736	215,321,687
Concentration by sector						-	
Corporate		314,012,528	257,777,499	-	18,741,863	33,113,946	18,959,024
Government		-	-	-	-	140,798,631	138,332,522
Banks		-	-	53,655,813	-	46,292,673	58,030,141
Retail		209,668,445	159,871,304	-	-	-	-
Total		523,680,973	**417,648,803**	**53,655,813**	**18,741,863**	**220,205,250**	**215,321,687**

Concentration by location	**Note**	**Loans to customers**		**Loans to banks**		**Investment securities**	
		31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Albania						16,139,058	6,878,414
Kosova		523,680,973	417,648,803			41,955,353	76,241,115
Montenegro						5,724,026	6,759,182
United Kingdom						2,410,946	2,580,318
Turkey				53,655,813	14,934,799	47,746,405	64,163,557
Egypt						6,792,218	8,213,775
Ukraine						5,710,253	8,605,763
Nigeria					3,807,064	2,419,610	5,227,618
Uzbekistan						8,262,263	7,024,680
Japan						1,658,091	1,930,271
Mexico						3,378,088	5,274,105
Middle East and Africa						9,438,303	9,661,847
Macedonia, The Former Yugoslav Republic Of						7,816,935	4,687,884
Senegal						3,285,476	3,846,207

5. Financial risk management (continued)

(b) Credit Risk (continued)

v. Concentration of credit risk (continued)

	Note	Loans to customers 31-Dec-22	Loans to customers 31-Dec-21	Loans to banks 31-Dec-22	Loans to banks 31-Dec-21	Investment securities 31-Dec-22	Investment securities 31-Dec-21
Côte D'Ivoire						1,544,923	1,862,259
Togo						1,427,658	1,416,639
MOROCCO						5,158,484	
Tunisia						971,349	948,053
AUSTRIA						5,193,233	
GERMANY						1,870,648	
FRANCE						4,330,248	
ROMANIA						6,371,275	
CHILE						5,450,317	
COLOMBIA						4,841,984	
INDONESIA						7,910,368	
BELGIUM						1,448,858	
CZECH REPUBLIC						1,845,080	
HUNGARY						1,854,259	
PERU						4,962,214	
GREECE						2,287,328	
Total	8,9.1,9.2	**523,680,973**	**417,648,803**	**53,655,813**	**18,741,863**	**220,205,250**	**215,321,687**

5. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The purpose of Liquidity Risk Management (LRM) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Bank's LRM policy includes how the Bank identifies, measures, monitors and control that risk.

Organization of LRM: Bank's LRM Organization includes two different bodies in the monitoring and management of liquidity. The involvement of different bodies helps provide clear allocation of the responsibility for monitoring/reporting and management of Liquidity Risk. Day-to-day management of liquidity belongs to the Treasury and FI Group but day-to-day monitoring of Liquidity risk and compliance to the limits belongs to the Risk Management Group. The main purpose of the Risk Management Group, which conducts daily overview of LRM reports, is to provide an early warning signal of liquidity risk to the senior management of the Bank.

LRM Reports: Bank's LRM policy includes sets of daily and monthly reports to be reviewed and monitored by Operational & Market Risk Department. Daily reports include Maximum Cumulative Outflow table and Cumulative Assets and Liabilities Breakdown table, which control respectively daily and monthly inflows/outflows of liquidity till 1-year maturity under "business as usual" scenario. Monthly reports include stress testing liquidity breakdown tables, which control daily and monthly inflows/ outflows of liquidity under separate bank specific and market specific crisis scenarios till 3-months maturity.

The LRM approach of the Bank results in positive liquidity gaps for all time stages up to one year as at 31 December 2019.

5. Financial risk management (continued)

(c) Liquidity risk (continued)

As at 31 December 2022, the Bank's assets and liabilities have remaining contractual maturities as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-specified	Total
Assets							
Cash and balances with Central Bank	106,104,701	-	-	-	-	-	106,104,701
Placement and balances with Banks	68,874,815	6,558,939	-	-	-	-	75,433,754
Financial instruments measured at FVOCI	-	250,959	1,895,154	103,023,100	50,038,793	-	155,208,007
Financial instruments measured at amortized cost	2,346,048	-	1,744,520	54,863,010	6,043,664	-	64,997,243
Due from BKT Albania	42,001	-	-	-	-	-	42,001
Loans and advances to banks	-	-	53,655,813	-	-	-	53,655,813
Loans and advances to customers, net	16,825,446	26,203,328	142,482,433	292,491,892	45,677,874	-	523,680,973
Other assets	7,583,768	2,725,474	-	2,192,771	-	-	12,502,013
Right of use assets	-	2,787	34,893	646,648	2,761,325	-	3,445,652
Total assets	**201,776,780**	**35,741,487**	**199,812,813**	**453,217,421**	**104,521,656**	-	**995,070,158**
Liabilities							
Customer deposits	429,336,103	22,202,210	123,272,504	222,281,926	60,081	-	797,152,824
Due to banks and REPO Agreements	52,678,897	21,725,779	4,042,062	-	-	-	78,446,737
Due to BKT Albania	570,339	-	-	-	-	-	570,339
Accruals and other liabilities	1,988,383.04	-	1,890,940.41	-	-	-	3,879,323
Lease Liability	-	2,966	35,010	684,059	2,838,274	-	3,560,310
Borrowings	-	-	-	8,908,949	-	-	8,908,949
Subordinated debt	-	-	-	-	22,066,271	-	22,066,271
Total liabilities	**484,573,722**	**43,930,954**	**129,306,788**	**231,874,935**	**24,964,626**	-	**914,584,754**
Net Position	**(282,796,942)**	**(8,189,467)**	**70,572,296**	**221,342,486**	**79,557,030**	-	**80,485,405**
Cumulative net position	**(282,796,942)**	**(290,986,409)**	**(220,414,112)**	**928,374**	**80,485,405**	**80,485,405**	-

5. Financial risk management (continued)

(c) Liquidity risk (continued)

LRM reports are produced for Euro currency and for the total statement of financial position as well. Maximum cumulative outflow limits, which are managed and monitored on a daily-basis, have been assigned.

The assets and liabilities are presented at their remaining maturity in the table above. The cumulative liquidity gaps are in negative due to the high concentration of deposits (current accounts).

As at 31 December 2021, the Bank's assets and liabilities have remaining contractual maturities as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-specified	Total
Assets							
Cash and balances with Central Bank	115,840,781	-	-	-	-	-	115,840,781
Placement and balances with Banks	25,973,466	3,518,739	-	-	-	-	29,492,205
Financial instruments measured at FVOCI	-	-	13,294,208	112,345,429	40,796,258	-	166,435,895
Financial instruments measured at amortized cost	1,604,688	-	3,181,343	39,056,690	5,043,071	-	48,885,792
Due from BKT Albania	221,756	-	-	-	-	-	221,756
Loans and advances to banks	-	-	14,934,799	3,807,064	-	-	18,741,863
Loans and advances to customers, net	12,807,595	24,809,764	113,925,501	265,187,924	743,482	-	417,474,266
Other assets	6,161,411	-	-	2,330,556	-	-	8,491,967
Right of use assets	-	-	37,726	907,110	3,223,428	-	4,168,264
Total assets	**162,609,697**	**28,328,503**	**145,373,577**	**423,634,773**	**49,806,238**	-	**809,752,789**
Liabilities							
Customer deposits	394,284,217	15,364,298	62,902,417	191,987,536	635,041	-	665,173,509
Due to banks and REPO Agreements	31,155,128	10,677,525	8,936,007	-	-	-	50,768,661
Due to BKT Albania	552,999	-	-	-	-	-	552,999
Accruals and other liabilities	1,475,865	117,548	2,010,273	142,995	141,770	-	3,888,451
Lease Liability	-	-	38,712	942,018	3,269,509	-	4,250,239
Borrowings	-	-	4,444,444	8,903,371	-	-	13,347,815
Total liabilities	**427,468,209**	**26,159,371**	**78,331,853**	**201,975,919**	**4,046,320**	-	**737,981,674**
Net Position	**(264,858,512)**	**2,169,132**	**67,041,724**	**221,658,854**	**45,759,918**	-	**71,771,115**
Cumulative net position	**(264,858,512)**	**(262,689,380)**	**(195,647,656)**	**26,011,198**	**71,771,116**	-	-

5. Financial risk management (continued)

(d) Market risk

i) Foreign currency risk

Foreign currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in foreign exchange rates. The Bank manages this risk by establishing and monitoring limits on open positions and also ensuring that these positions remain in compliance with the Central Bank of Republic of Kosova guidelines and Bank's internal operational covenants. The Bank has in place procedures for the independent checking of open foreign currency positions. The Treasury and FI Group manages the foreign currency positions and balances the currency spread of the Bank on an ongoing basis. The following tables present the equivalent amount of assets, liabilities and shareholder's equity by currency as at 31 December 2022 and 2021:

2022	EUR	ALL	USD	GBP	CHF	Other	Total
Assets							
Cash and balances with Central Bank	90,096,580	1,733	332,670	1,227,774	14,432,187	13,757	106,104,701
Placement and balances with Banks	62,810,159	-	4,816,888	675,422	7,085,939	45,346	75,433,754
Financial instruments measured at FVOCI	123,980,522	-	26,396,929	1,191,074	3,639,482	-	155,208,007
Financial instruments measured at amortized cost	45,704,637	-	18,074,382	-	1,218,224	-	64,997,243
Due from BKT Albania	-	41,984	-	-	17	-	42,001
Loans and advances to banks	53,655,814	-	-	-	-	-	53,655,814
Loans and advances to customers	523,680,952	-	8	-	12	-	523,680,973
Other assets	8,392,270	7,398	51,248	27,906	13,133	12	8,491,967
Total assets	**908,320,933**	**51,114**	**49,672,127**	**3,122,177**	**26,388,994**	**59,155**	**987,614,460**
Liabilities							
Customer deposits	782,585,447	12,460	7,485,313	3,036,522	3,849,868	183,213	797,152,824
Due to banks	2,040,031	-	15,641,337	564	7,934,446	-	25,616,377
Due to BKT Albania	123,342		438,731	8,223	-	43	570,339
Deferred tax liabilities	-	-	-	-	-	-	-
Provisions	398,570	-	-	-	-	-	398,570
Lease liabilities	1,890,940	-	-	-	-	-	1,890,940
Accruals and other liabilities	-	-	-	-	-	-	-
Total liability	**787,038,331**	**12,460**	**23,565,380**	**3,045,309**	**11,784,314**	**183,257**	**825,629,051**
Net position	121,282,602	38,654	26,106,747	76,868	14,604,679	(124,142)	161,985,409
Net position (GAP)	121,282,602	121,321,257	147,428,003	147,504,871	162,109,551	161,985,409	-

5. Financial risk management (continued)

(d) Market risk

i) Foreign currency risk

Foreign currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in foreign exchange rates. The Bank manages this risk by establishing and monitoring limits on open positions and also ensuring that these positions remain in compliance with the Central Bank of Republic of Kosova guidelines and Bank's internal operational covenants. The Bank has in place procedures for the independent checking of open foreign currency positions. The Treasury and FI Group manages the foreign currency positions and balances the currency spread of the Bank on an ongoing basis. The following tables present the equivalent amount of assets, liabilities and shareholder's equity by currency as at 31 December 2022 and 2021:

2021	EUR	ALL	USD	GBP	CHF	Other	Total
Assets							
Cash and balances with Central Bank	98,517,852	1,639	793,046	908,388	15,603,068	16,788	115,840,781
Placement and balances with Banks	25,253,587	128,358	2,383,000	96,441	1,312,791	318,028	29,492,205
Financial instruments measured at FVOCI	128,688,814	-	32,669,483	1,384,986	3,692,612	-	166,435,895
Financial instruments measured at amortized cost	13,983,294	-	33,914,630	-	987,868	-	48,885,792
Due from BKT Albania	176,558	45,198	-	-	-	-	221,756
Loans and advances to banks	18,741,863	-	-	-	-	-	18,741,863
Loans and advances to customers	417,474,234	-	29	-	3	-	417,474,267
Other assets	8,392,270	7,398	51,248	27,906	13,133	10	8,491,965
Total assets	**711,228,472**	**182,593**	**69,811,436**	**2,417,721**	**21,609,475**	**334,826**	**805,584,525**
Liabilities							
Customer deposits	646,113,558	360	10,030,030	2,124,638	6,587,181	317,742	665,173,509
Due to banks	9,015,475	-	2,941,857	881	8,717,410	-	20,675,623
Liabilities based on Repo Transactions	30,093,037		-	-	-	-	30,093,037
Due to BKT Albania	-	-	552,949	1	4	45	552,999
Deferred tax liabilities	-	-	-	-	-	-	-
Provisions	379,007	-	-	-	-	-	379,007
Lease liabilities	4,250,239	-	-	-	-	-	4,250,239
Accruals and other liabilities	3,463,445	195,772	219,741	8,739	754	-	3,888,451
Total liability	**693,314,761**	**196,131**	**13,744,577**	**2,134,259**	**15,305,349**	**317,787**	**725,012,865**
Net position	17,913,711	-13,539	56,066,859	283,462	6,304,126	17,039	80,571,660
Net position (GAP)	17,913,711	17,900,172	73,967,030	74,250,492	80,554,619	80,571,658	-
Liabilities based on Repo Transactions	30,093,037	-	-	-	-	-	30,093,037

5. Financial risk management (continued)

(d) Market risk (continued)

1) Foreign currency risk (continued)

The following table shows the sensitivity of the Bank for foreign currency risk. The sensitivity analysis includes only the monetary items denominated in foreign currency at the end of the year, thus making adjustment of their value when the exchange rate of the foreign currencies is changed by 1% and/or 5%. Adverse amount below marks a decrease of the profit or loss which appears in case the EUR increases its value compared to the foreign currencies by 1% and/or 5%. When the value of the EUR compared to foreign currencies decreases by 1% and/or 5%, the effect on the profit or loss is equal but with reverse index as showed in the table below:

in EUR	Change in 2022	Profit or loss 2022
ALL	5%	1,932
USD	5%	1,305,337
GBP	1%	769
CHF	5%	730,234
Other	5%	(6,207)

in EUR	Change in 2021	Profit or loss 2021
ALL	5%	(677)
USD	5%	2,803,343
GBP	1%	2,835
CHF	5%	315,206
Other	5%	852

5. Financial risk management (continued)

(d) Market risk (continued)

ii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Treasury Department in Head Office manages the interest rate risk through monitoring the market conditions and taking necessary re-pricing or reallocation decisions with the approval of the Asset and Liability Committee in Head Office. The sensitivity analysis has been determined based on the exposure to interest rates for both financial assets and financial liabilities assuming that their amounts outstanding at the reporting date were outstanding for the whole year.

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

2022	**up to 1 Year scenarios**		**over 1 Year scenarios**	
	100 bp	100 bp	100 bp	100 bp
	Decrease	Increase	Increase	Decrease
Estimated Profit (loss) effect	742,740	(742,740)	197,696	(197,696)

2021	**up to 1 Year scenarios**		**over 1 Year scenarios**	
	100 bp	100 bp	100 bp	100 bp
	Decrease	Increase	Increase	Decrease
Estimated Profit (loss) effect	(2,447,176)	2,447,176	3,121,417	(3,121,417)

5. Financial risk management (continued)

(d) Market risk (continued)

ii) Interest rate risk (continued)

The interest re-pricing dates of significant categories of financial assets and liabilities of the Bank as at 31 December 2022 and 2021 are as follows:

2022	*Up to 1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
Assets							
Cash and balances with Central Bank	18,049,255	-	-	-	-	88,055,446	106,104,701
Balances with banks	17,958,245	6,558,939	-	-	-	50,916,570	75,443,754
Financial instruments measured at FVOCI	-	250,959	1,895,154	103,023,100	50,038,793	-	155,208,007
Financial instruments measured at amortized cost	2,346,048	-	1,744,520	54,863,010	5,521,297	522,367	64,997,243
Due from BKT Albania	42,001	-	-	-	-	-	42,001
Loans and advances to banks	-	-	53,655,813	-	-	-	53,655,813
Loans to customers	13,103,135	28,631,517	217,763,517	216,023,273	45,123,437	3,036,094	523,680,973
Total assets (TA)	**51,498,684**	**35,441,415**	**275,059,005**	**373,909,383**	**100,683,527**	**142,530,478**	**979,122,493**
Liabilities							
Customer Deposits, Due to banks& Liabilities based on Repo Transactions	63,553,749	54,361,304	169,810,009	477,135,956	60,010	111,248,873	876,169,900
Borrowings	-	-	-	8,908,949	-	-	8,908,949
Subordinated debt					22,066,271		22,066,271
Total liabilities (TL)	**63,553,749**	**54,361,304**	**169,810,009**	**486,044,904**	**22,126,281**	**111,248,873**	**907,145,120**

2021	*Up to 1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*Non -interest bearing*	*Total*
Assets							
Cash and balances with Central Bank	73,563,452	-	-	-	-	42,277,329	115,840,781
Balances with banks	25,973,466	3,518,739	-	-	-	-	29,492,205
Financial instruments measured at FVOCI	-	-	9,509,387	114,199,978	42,726,530	-	166,435,895
Financial instruments measured at amortized cost	616,947	988,131	2,745,900	39,439,002	5,095,812	-	48,885,792
Due from BKT Albania	221,756	-	-	-	-	-	221,756
Loans and advances to banks	-	-	14,918,775	3,823,088	-	-	18,741,863
Loans to customers	12,807,596	24,809,764	113,925,501	265,362,460	743,482	-	417,648,803
Total assets (TA)	**113,183,217**	**29,316,635**	**141,099,563**	**422,824,528**	**48,565,824**	**42,277,329**	**797,267,095**
Liabilities							
Customer Deposits, Due to banks& Liabilities based on Repo Transactions	425,992,344	26,041,824	76,282,868	187,543,092	635,041	-	716,495,169
Borrowings	-	-	-	13,347,815	-	-	13,347,815
Total liabilities (TL)	**425,992,344**	**26,041,824**	**76,282,868**	**200,890,907**	**635,041**	-	**729,842,984**

5. Financial risk management (continued)

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The implementation of controls to address operational risk is supported by the development of overall standards for the management of operational risk and carried out with collaboration with Head Office.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The implementation of controls to address operational risk is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with internal standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

(f) Capital management

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's management of capital during the period.

Regulatory capital

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Central Bank of Kosova ("CBK"), which ultimately determines the statutory capital required to underpin its business.

5. Financial risk management (continued)

(f) Capital management (continued)

Capital Adequacy

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted exposures, calculated as the sum of the risk-weighted exposure amounts, on- and off-balance sheet for credit risk and for credit counterparty risk, capital requirement for market and operational risk.

The minimum Regulatory Capital Ratio against the risk weighted exposures required by Central Bank of Kosova is 12%. The minimum Tier 1 Capital Ratio is 8.0% and the minimum Regulatory Capital Ratio is 12%.

In December 2022, BKT has reported the following ratios which does not include the profit of the second half of the year.

- 2022 Tier 1 Capital Ratio 10.84% (2021: 12.70%)
- 2022 Total Capital Ratio 14.45% (2021: 13.89%)

Risk-Weighted Assets (RWAs)

Each exposure class has its own specific requirements on how to assess the appropriate risk weight and respective risk weighted exposures. For credit risk and counterparty risk is applied the Standardised Approach. Operational risk capital requirement is calculated based on the Basic Indicator Approach.

6. Cash and balances with Central Bank

Cash and balances with Central Bank as at 31 December 2022 and 2021 are detailed as following:

	31 December 2022	31 December 2021
Cash on hand	33,388,128	29,860,191
Balances with CBK	72,716,573	85,980,590
	106,104,701	**115,840,781**

Balances with the Central Bank of Kosova include the statutory reserve of 10% of customer deposits in Kosova.

Cash and cash equivalents included in Statement of cash flows as at 31 December 2022 and 2021 are presented as follows:

	31 December 2022	31 December 2021
Cash and balances with Central Bank	106,104,701	115,840,781
Statutory reserves	(52,474,890)	(42,277,328)
Balances with banks	44,952,779	24,526,714
	98,582,591	**98,090,167**

Balances with banks at 31 December 2022 and 2021 include current accounts with resident and non-resident banks.

7. Placements and balances with banks

Placements and balances with banks as at 31 December 2022 and 31 December 2021 consisted as follows:

	31 December 2022	31 December 2021
Placements	30,421,790	4,945,611
Current accounts	44,952,779	24,526,714
Accrued interest	76,272	21,882
Impairment provision	-17,087	(2,002)
	75,433,754	**29,492,205**

The placements in banks are with original maturity up to 6 months and bear interest income from 1.50% up to 4.00% (31 December 2021: 0.30% to 14%, with original maturity up to 1 year).

8. Investment securities

Investment securities as at 31 December 2022 and 31 December 2021 are presented as follows:

	31 December 2022	31 December 2021
Treasury bonds and Eurobonds- measured at FVOCI	155,208,007	166,435,895
Corporate bonds- measured at amortised cost	64,997,243	48,885,792
Total	**220,205,250**	**215,321,687**

During 2022, the bank has realised gain in the amount of 2,038,642 EUR due to sale of investments securities measured at FVOCI (2021: 1,575,165 EUR).

a) Investment securities - measured at FVOCI.

Treasury bonds and Eurobonds as at 31 December 2022 comprise as follows:

Type	Nominal Value	Unamortized discount/premium	Accrued Interest	Changes in fair value	Impairment	Book Value
EUR Denominated	136,200,000	(6,262,700)	2,072,203	(8,028,982)	-	123,980,522
CHF Denominated	3,757,490	43,715	14,169	(175,892)	-	3,639,481
GBP Denominated	1,183,859	31,737	15,754	(40,277)	-	1,191,074
USD Denominated	31,483,218	(835,449)	550,618	(4,801,457)	-	26,396,9329
	172,624,566	**(7,022,696)**	**2,652,745**	**(13,046,608**	-	**155,208,007**

Treasury bonds and Eurobonds as at 31 December 2021 comprise as follows:

Type	Nominal Value	Unamortized discount	Accrued Interest	Changes in fair value	Impairment	Book Value
EUR Denominated	125,790,000	964,777	1,681,795	252,242	-	128,688,814
CHF Denominated	3,581,454	57,040	13,505	40,612	-	3,692,612
GBP Denominated	1,249,583	54,641	16,629	64,136	-	1,384,986
USD Denominated	33,264,171	(581,193)	565,412	(578,906)	-	32,669,483
	163,885,208	**495,265**	**2,277,341**	**(221,919)**	-	**166,435,895**

8. Investment securities (continued)

b) Investment securities - measured at amortised cost

Investment securities measured at amortized cost as at 31 December 2021 comprise as follows:

Type	Nominal Value	Unamortized Discount/ Premium	Accrued interest	Impairment	Book Value
EUR Denominated	50,764,300	(3,004,751)	697,263	(2,752,175)	45,704,637
CHF Denominated	1,878,745	(169,611)	31,597	(522,507)	1,218,223
USD Denominated	17,916,745	97,055	354,521	(293,939)	18,074,382
Total	**70,559,790**	**(3,077,307)**	**1,083,381**	**(3,568,621)**	**64,997,243**

Investment securities measured at amortized cost as at 31 December 2021 comprise as follows:

Type	Nominal Value	Unamortized Discount/ Premium	Accrued interest	Impairment	Book Value
EUR Denominated	13,800,000	(116,659)	459,614	(159,661)	13,983,294
CHF Denominated	967,961	(4,392)	24,891	(592)	987,868
USD Denominated	33,515,804	131,997	574,445	(307,617)	33,914,630
Total	**48,283,765**	**10,947**	**1,058,951**	**(467,870)**	**48,885,792**

9. Loans to customers, banks and other syndication loans

9.1 Loans and advances to banks and syndication loans

Loans and advances to banks are comprised of syndicated loans to foreign banks/entities as presented in the table below:

	31 December 2022	31 December 2021
Turkiye Vakiflar Bankasi Tao	4,000,000	1,500,000
Turk Eximbank-Export Credit Bank	5,000,000	2,500,000
Turkiye Garanti Bankasi As	8,000,000	4,000,000
Denizbank A.S.	8,000,000	2,000,000
Qnb Finansbank As	8,000,000	2,000,000
Ing Bank AS	4,000,000	-
Turk Ekonomi Bankasi	5,000,000	-
Turkiye Cumhuriyeti Ziraat Banka	3,000,000	-
Turkiye Is Bankasi AS	7,500,000	3,000,000
Yapi Ve Kredi Bankasi AS	1,500,000	-
Bank Of Industry Limited	-	3,824,000
Total Loans to banks	**54,000,000**	**18,824,000**
Accrued interest	162,770	44,183
Less allowances for impairment on loans (note 24)	(506,956)	(126,320)
Loans and advances to banks	**53,655,813**	**18,741,863**

All loans are in EUR and bear interest rates ranging from 2.17% to 5.91%. All loans will mature within one 6 months.The loans are not secured with collateral.

9. Loans to customers, banks and other syndication loans (continued)

9.2 Loans to customers, net

Loans to customers consisted of the following:

	31 December 2022	31 December 2021
Loans to customers, gross	533,801,347	428,978,104
Accrued interest	2,736,134	2,359,956
Less allowances for impairment on loans	(12,135,183)	(13,380,343)
Less deferred fee income	(721,325)	(483,450)
	523,680,973	**417,474,266**

Movements in the allowance for impairment on loans to customers:

	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
At 1 January	13,380,343	12,403,461
Impairment charge for the year, net	(273,296)	1,320,491
Written off loans	(797,328)	(343,609)
Adjustment for off balance impairment on loans	(174,536)	-
At the end of the period	**12,135,183**	**13,380,343**

During the year based on decision from the Board of Directors the Bank has written off loans in total amount of EUR 884,966 (2021: EUR 769,999), out of which impaired loans in amount of EUR 797,328(2021: EUR 343,609).

The breakdown of the loan portfolio is as follows:

	2022	2021
Retail (individuals)	26%	38%
Private Enterprises	74%	62%

All loans are in EUR and bear interest rates ranging from 0.5% to 20.23% (2021: 0.5% to 22.2%). The Bank has granted a few loans with interest rates at the minimum limit shown above, which are lower than the rates that are generally offered by the Bank, and are covered by cash collaterals.

9. Loans to customers (continued)

9.3 Loans to customers, net (continued)

The classification of gross corporate loans including accrued interest by industry is as follows:

	31 December 2022		31 December 2021	
	EUR	%	EUR	%
Construction and other industries	66,441,404	21%	50,237,720	19%
Wholesale Trade	77,098,259	24%	72,947,317	27%
Retail Trade	51,940,612	16%	40,334,342	15%
Manufacturing	58,271,032	18%	40,491,576	15%
Hotels and other services	17,699,353	5%	10,106,851	4%
Services	32,621,375	10%	35,000,478	13%
Agriculture	4,885,554	2%	5,347,728	2%
Other	14,478,417	4%	13,776,044	5%
Total	**323,436,007**	**100%**	**268,242,056**	**100%**

The classification of gross retail loans including accrued interest by type is as follows:

	31 December 2022		31 December 2021	
	EUR	%	EUR	%
Loans	205,135,263	97%	157,645,987	97%
Overdraft and credit cards	7,244,877	3%	4,966,517	3%
Total	**212,380,140**	**100%**	**162,612,504**	**100%**

10. Property and equipment

Property and equipment as at 31 December 2022 and 2021 are composed as follows:

(In EUR)	Land	Leasehold improvements	Motor vehicles	Computers and electronic equipment	Furniture and equipment	TOTAL
Cost						
At 1 January 2021	13,875,000	3,159,934	800,139	6,179,354	1,561,268	25,575,695
Additions	-	40,561	182,950	230,954	25,927	480,392
Disposals	-	-	-	-	-	-
At 31 December 2021/ 01-Jan-22	**13,875,000**	**3,200,495**	**983,089**	**6,410,308**	**1,587,195**	**26,056,087**
Additions	-	103,588	90,200	338,005	13,007	544,799
Disposals	-	(2,290)	(92,620)	(64,213)	-	(159,123)
At 31 December 2022	**13,875,000**	**3,301,793**	**980,669**	**6,684,100**	**1,600,202**	**26,441,763**
Accumulated depreciation						
At 1 January 2021	-	(2,802,277)	(366,885)	(4,983,465)	(1,465,725)	(9,618,352)
Charge for the year	-	(176,552)	(142,239)	(396,481)	(17,010)	(732,282)
Disposals	-	-	-	-	-	-
At 31 December 2021/ 01-Jan-22	-	**(2,978,829)**	**(509,124)**	**(5,379,946)**	**(1,482,735)**	**(10,350,634)**
Charge for the year	-	(62,433)	(175,064)	(462,969)	(17,969)	(718,434)
Disposals	-	164	72,884	38,400	-	111,447
At 31 December 2022	-	**(3,041,098)**	**(611,303)**	**(5,804,515)**	**(1,500,704)**	**(10,957,620)**
Net book value						
At 1 January 2021	13,875,000	357,657	433,254	1,195,889	95,543	15,957,343
At 31 December 2021	13,875,000	221,666	473,965	1,030,362	104,460	15,705,453
At 31 December 2022	13,875,000	260,695	369,366	879,585	99,498	15,484,143

As at 31 December 2022 and 31 December 2021 there are no property and equipment pledged.

10. Property and equipment (continued)

10.1 Right of use assets

The Bank leases property used for branches' operations. Information about leases for which the Bank is a lessee is presented below:

	Right of use assets	
	Property	Total
As at 1 January 2021	2,331,338	2,331,338
Additions	2,603,345	2,603,345
Depreciation expense	(766,419)	(766,419)
As at 31 December 2021/1 January 2022	**4,168,264**	**4,168,264**
Additions	-	-
Depreciation expense	(722,612)	(722,612)
As at 31 December 2022	**3,445,652**	**3,445,652**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31-Dec-22	31-Dec-21
As at 1 January 2022	**4,250,239**	**2,116,340**
Additions	-	2,881,600
Interest expense (note 19)	123,842	116,543
Payments	(813,772)	(864,244)
As at 31 December 2022	**3,560,310**	**4,250,239**

Set out below, are the amounts recognized in profit or loss:

	For the year ended as at 31 December 2022	For the year ended as at 31 December 2021
Depreciation expense of right-of-use assets	722,612	766,419
Interest expense on lease liabilities (note 19)	123,842	116,543
Rent expense - short term leases payments (note 23)	102,454	103,509
Total amounts recognized in profit or loss	**948,908**	**986,472**

Set out below, are the amounts of short-term and long-term lease liabilities:

	31-Dec-22	31-Dec-21
Short-term lease liabilities	813,772	864,244
Long-term lease liabilities	2,746,538	3,385,995
Total lease liabilities	**3,560,309**	**4,250,239**

11. Intangible assets

Intangible assets as at 31 December 2022 and 2021 are composed as follows:

	Intangible assets	Total
Cost		
At 1 January 2021	363,603	363,603
Additions	81,934	81,934
Disposals	-	-
At 31 December 2021/ January 2022	**445,537**	**445,537**
Additions	**51,218**	**51,218**
Disposals	-	-
At 31 December 2022	**496,755**	**496,755**
Accumulated depreciation		
At 1 January 2020	(319,970)	(319,970)
Charge for the year	(32.028)	(32.028)
Disposals	-	-
At 31 December 2021/01 January 2022	**(351,998)**	**(351,998)**
Charge for the year	(45,954)	(45,954)
Disposals	-	-
At 31 December 2022	**(397,952)**	**(397,952)**
Net book value		
At 01 January 2021	**43,633**	**43,633**
At 31 December 2021	**93,539**	**93,539**
At 31 December 2022	**98,803**	**98,803**

As at December 31, 2022 and December 31, 2021 there are no intangible assets pledged.

12. Other assets

Other assets as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Cards transactions settlement	6,107,394	4,548,436
Prepaid expenses	1,552,188	728,291
Advances to suppliers	365,457	2,383
Collaterals repossessed by the Bank	2,192,771	2,330,556
Cash differences	690	0
Other assets	2,508,515	1,107,303
	12,727,015	**8,716,969**
Less allowance for impairment	(225,002)	(225,002)
	12,502,013	**8,491,967**

Movements in impairment of other assets

	31 December 2022	31 December 2021
As of 1 January 2021,	225,002	225,002
Additions during 2021	-	-
Reverse charge	-	-
Balance as of 31 December 2021	**225,002**	**225,002**

Movements in the repossessed collateral, which consists of immovable properties, are presented as follows:

	31 December 2022	31 December 2021
At 1 January	2,330,556	2,085,071
Additions	40,000	413,035
Sales and disposals	(177,785)	(167,550)
At 31 December	**2,192,771**	**2,330,556**

13. Customer deposits

Customer deposits as of 31 December 2022 and 2021 are composed as follows:

	31 December 2022	31 December 2021
Current accounts:		
Individuals	278,434,747	233,478,527
Private enterprises	115,977,150	109,929,876
State owned entities	22,920,696	38,701,914
	417,332,593	**382,110,317**
Add: Current maturity of long-term customer deposits	152,930,727	94,494,483
Total short-term customer deposits	**570,263,320**	**476,604,800**
Term Deposits:		
Individuals	257,411,336	220,766,048
Private enterprises	61,548,343	38,205,751
State owned entities	60,860,552	24,091,392
	379,820,231	**283,063,191**
Less: Current maturity of long-term customer deposits	(152,930,727)	(94,494,483)
Total long-term customer deposits	**226,889,504**	**188,568,708**
	797,152,824	**665,173,509**

13. Customer deposits (continued)

Current accounts and deposits can be further analysed as follows:

	31 December 2022			31 December 2021		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Current accounts	**405,766,438**	**11,566,155**	**417,332,593**	**367,377,800**	**14,732,518**	**382,110,317**
Term deposits	**376,819,010**	**3,001,221**	**379,820,231**	**278,735,758**	**4,327,433**	**283,063,191**
One month	3,313,537	29,186	3,342,723	684,102	-	684,102
Three months	1,073,974	0	1,073,974	943,549	-	943,549
Six months	1,409,815	23,837	1,433,651	2,517,297	812,082	3,329,379
Twelve months	60,625,357	2,131,826	62,757,183	56,948,887	2,873,672	59,822,559
Over two years	310,396,327	816,373	311,212,700	217,641,923	641,679	218,283,602
Total deposits	**782,585,447**	**14,567,377**	**797,152,824**	**646,113,558**	**19,059,951**	**665,173,509**

14. Due to banks and financial institutions

Due to banks as at 31 December 2022 and 31 December 2021 consisted as follows:

	31 December 2022	31 December 2021
Current accounts	5,963,929	1,092,061
Time deposits	19,594,548	19,581,148
Accrued interest	57,900	2,413
Due to banks	**25,616,377**	**20,675,623**
Due to BKT Albania	**570,339**	**552,999**
Repo Agreements	52,610,861	30,069,369
Accrued interest	219,499	23,668
Liabilities based on Repo Transactions	**52,830,360**	**30,093,037**
Total	**79,017,076**	**51,321,660**

Kosovo Government Bonds and Securities with a total value of EUR 76,620,000 (31 December 2021: EUR 36,110,000) were used to secure Repo agreements and borrowings from banks.

Due to BKT Albania represents vostro accounts.

15. Accruals and other liabilities

	31 December 2022	31 December 2021
Accounts payable	3,381,129	2,262,511
Guarantee deposits received	6,663	7,192
Other liabilities	491,531	1,618,748
	3,879,323	**3,888,451**

As of 31 December 2022, the balance of accounts payables includes: inter-branch account for cards settlement, payable taxes such as withholding taxes for interest, salaries etc.; payable management bonuses, other payable expenses.

"Guarantee deposits received" represents guarantees received from suppliers based on contracts with them.

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16. Borrowings

Borrowings as at 31 December 2022 and 31 December 2021 consisted as follows:

	31 December 2022	31 December 2021
Current maturity of long – term borrowings	4,444,444	4,444,444
Non-current part of long – term borrowings	4,444,444	8,888,889
Borrowings	**8,888,889**	**13,333,333**
Accrued interest	20,060	14,481
	8,908,949	**13,347,815**

1. A loan by European Fund for Southeast Europe S.A. ("EFSE") in amount of EUR 10,000,000 was disbursed on December 20, 2019. The applicable margin for the loan is 2.35% per annum.
The loan will be repaid in consecutive semi-annual instalments starting from December 15, 2020 to December 15, 2024.

2. A loan by Green for Growth Fund, Southeast Europe S.A. ("GGF") in amount of EUR 10,000,000 was disbursed on December 16, 2019. The applicable margin for the loan is 2.25% per annum.
The loan will be repaid in consecutive semi-annual instalments starting from December 15, 2020 to December 15, 2024.

Loans are given with the purpose to be placed to private micro and small enterprises and entrepreneurs (MSEs) that are registered and/or residents in Kosova to finance working capital and investment requirements.

16.1 Subordinated debt

Subordinated debt consists of the loan issued by European Fund For Southeast Europe & Green for Growth Fund, the following are the balances for year 2022.

	31-Dec-22
Subordinated loan	22,000,000
Total	**22,000,000**
Accrued interest	66,271
	22,066,271

The subordinated loan bears an annual effective interest rate of 6.38%.

17. Share capital

At 31 December 2022 the authorized share capital is EUR 31,000,000 (2021: EUR 31,000,000). The Bank is a joint stock company 100% owned by Banka Kombëtare Tregtare J.S.C in Albania. All issued shares are fully paid. The holder of ordinary shares is entitled to receive dividends, if declared. All shares rank equally with regard to the Bank's residual assets.

The following table show the shareholder's structure as of 31 December 2022 and 2021.

	31 December 2022			31 December 2021		
	No. of shares	**Total in EUR**	**%**	**No. of shares**	**Total in EUR**	**%**
Banka Kombetare Tregtare J.S.C in Albania	**3,100,000**	**31,000,000**	**100**	**3,100,000**	**31,000,000**	**100**

Reserves
The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are de-recognized or reclassified. This amount is increased by the amount of ECL loss allowance.

The table below sets out the movements in fair value and ECL loss allowance for 2022 and 2021:

Movements on reserves	**Fair Value Reserves**	**ECL**	**Deferred tax on Fair Value Reserves (10%)**	**Other reserves**	**Total reserves**
Balance at 01 January 2020 as re-stated	2,753,548	208,330	-	(292,002)	2,669,876
Movements	(2,975,466)	538,197	-	-	(2,437,269)
Balance at 31 December 2021	(221,918)	746,527	-	(292,002)	232,607
Movements	(12,824,690)	1,397,643	1,304,661	-	(10,122,386)
Balance at 31 December 2022	(13,046,608)	2,144,170	1,304,661	(292,002)	(9,889,779)

Other reserves

Changes between CBK Regulations and IFRS	
Changes on provision fund	(664,017)
Changes on accrued interest	99,440
Changes on deferred tax	277,547
Changes on Accumulated profit from previous years	(5,564)
Changes on other liabilities	592
Total other reserves	**(292,002)**

During the year ended at 31 December 2020, the Central Bank of Kosovo (CBK) changed its regulatory reporting framework and discontinued the requirement for issuing statutory financial statements prepared based on a reporting framework different than IFRS, which resulted on a one-time effect of EUR 292,002. This amount may not be distributed as dividend payment or any other form of distribution, until further instructions or approval received by CBK.

Retained earnings
Retained earnings as at 31 December 2022, includes the cumulative non-distributed earnings.

18. Interest income calculated using the effective interest method

Interest income is composed as follows:

	For the year ended as at December 31, 2022	**For the year ended as at December 31, 2021**
Loans to customers	29,714,489	24,069,939
Due from BKT Albania (Note 25)	6,418	2,901
Investment securities	9,535,843	6,114,097
Balances with banks	224,808	173,043
	39,481,558	**30,359,980**

19. Interest expenses calculated using the effective interest method

	For the year ended as at December 31, 2022	**For the year ended as at December 31, 2021**
Customer deposits	5,763,849	5,182,781
Due to banks	888,248	327,015
Interest expenses for borrowings	817,211	389,339
Interest expenses for leases (Note 10.1)	123,842	116,543
Other interest expense	312,068	138,253
	7,905,218	**6,153,931**

20. Fees and commissions, net

Fee and commission income and expense are comprised of the following items:

	For the year ended as at December 31, 2022	**For the year ended as at December 31, 2021**
Fee and commission income		
Lending activity	276,424	218,956
Payment services to clients	4,413,470	3,509,663
Customer accounts' maintenance	2,354,766	1,909,332
Cash transactions with clients	828,777	745,564
Total	**7,873,437**	**6,383,515**
Fee and commission expense		
Inter-bank transactions	(407,404)	(280,018)
Total	(407,404)	**(280,018)**
Fees and commissions, net	**7,466,034**	**6,103,498**

21. Other (expense) / income, net	**For the year ended as at December 31, 2022**	**For the year ended as at December 31, 2021**
Other income		
Gain on sale of fixed assets	184,440	340,470
Income from collection of written off loans	351,552	245,089
Other income	6,705	14,485
	542,697	600,044
Other expenses		
Write off of loans to customers, net	(87,638)	(426,390)
Other (expense) / income, net	**455,059**	**173,654**

22. Personnel expenses

Personnel expenses are composed as follows:

	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
Salaries	5,237,299	4,546,432
Social insurance	236,693	200,486
Other employee benefits	892,247	721,567
	6,366,239	**5,468,484**

23. Administrative expenses

Administrative expenses are composed as follows:

	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
Lease payments (note 10.1)	102,454	103,509
Credit/debit cards expenses	2,558,362	1,905,520
Telephone, electricity and IT expenses	528,525	471,734
Other external services	1,705,203	1,529,006
Repairs and maintenance	518,522	472,932
Security and insurance expenses	456,077	347,123
Taxes other than tax on profits	784,547	679,677
Marketing expenses	543,561	374,624
Office stationery and supplies	95,527	52,487
Sundry	100,142	91,082
Representation expenses	52,053	44,787
Training	61,023	26,427
	7,505,996	**6,098,909**

Credit / debit card operational expenses are related to expenses for issuing, maintenance and operational expenses for credit and debit cards.

24. Impairment of financial assets other than loans to customers, and provisions for off balance sheet items

Movements in the allowance for impairment of financial assets other than loans to customers and provisions for off balance sheet items:

	Investment securities at amortized cost	Loans and advances to banks	Placements in banks	Provision for off balance items	Total
At 01 January 2021	**295,660**	**100,194**	**5,671**	**654,968**	**1,056,493**
Impairment charge/ (release) for the year	918,738	26,127	(3,669)	(101,425)	839,771
At 31 December 2021/01 January 2022	**1,214,398**	**126,321**	**2,002**	**553,543**	**1,896,264**
Impairment charge/ (release) for the year	4,498,393	380,636	15,084	(154,973)	4,739,141
At 31 December 2022	**5,712,791**	**506,957**	**17,086**	**398,570**	**6,635,404**

25. Related party transactions

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

The Bank has related party relationships with its shareholders and affiliates, directors and executive officers. The Bank's sole shareholder is BKT Albania owned by Calik Finansal Hizmetler, which is owned by Calik Holding. The ultimate controlling party is Mr. Ahmet Calik. The ultimate parent company is Calik Holding A.S.

Aktif Yatirim Bankasi and Kosova Electricity Distribution and Supply Company J.S.C (KEDS) are controlled by Calik Holding. As at January 1, 2015 KEDS is divided into two companies: KEDS and Kosova Electricity Supply Company (KESCO).

Balances and transactions with related parties

	31 December 2022	31 December 2021
Assets		
Placements and balances with banks:		
Aktif Yatirim Bankasi	246,065	17,070
Due from BKT Albania	42,001	221,756
Loans to customers:	-	
KEDS / KESCO	-	2,753
Senior management	539,209	336,066
Other	158,413	139,722
Total Assets	**985,687**	**717,367**
Liabilities		
Customer current accounts and deposits:		
KEDS / KESCO	17,737,164	13,761,160
KEDS SHA	130,317	6,421,197
Aktif Yatirim Bankasi	15,025,401	14,879,379
Senior management	617,090	864,522
Due to BKT Albania	444,010	552,999
REPO BKT Albania	43,169,861	20,448,836
ALBTELECOM	-	-
OTHER RELATED		220,850
Other liabilities:	-	-
Aktif Yatirim Bankasi	-	-
Total Liabilities	**77,123,842**	**57,148,944**

	31 December 2022	31 December 2021
Commitments and contingencies		
Guaranties in favour of customers:		
BKT Albania	-	160,000
KEDS / KESCO	-	-
Senior management	8,320	15,050
Commitments in favour of customers:	-	
KEDS / KESCO	16,437	17,247
Senior Management	52,324	64,575
Other Related	11,579	18,290

25. Related party transactions (continued)

The balances due from Head Office include transfers of funds on behalf of the Bank or its customers, management of foreign currency positions performed by the BKT Kosova, and other inter-company balances.

	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
Statement of comprehensive income		
Interest income from:	**19,901**	**125,394**
Aktif Yatirim Bankasi	57	215
KESCO JSC & KEDS SHA	-	14
BKT ALBANIA	6,418	2,901
Albtelecom SHA	-	110,836
Other Related	13,426	11,429
Interest expenses for:	**(17,075)**	**(11,039)**
Aktif Yatirim Bankasi	-	-
BKT Albania	(9,535)	-
KESCO JSC & KEDS SHA	-	(2,105)
Other Related	(7,540)	(8,935)
Fees and commissions Income:	**129,019**	**106,064**
KESCO JSC & KEDS SHA	33,006	48,151
Albtelecom SHA	-	50
Aktif Yatirim Bankas	34,961	55,302
Other Related	61,052	2,561
Net	**131,844**	**220,419**

Transactions with directors and executive officers

The remuneration of directors and executive officers is included in personnel expenses. It can be detailed as follows:

	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
Directors	646,562	566,960
Executive officers	720,615	546,761
	1,367,177	**1,113,720**

26. Contingencies and commitments

Guarantees and letters of credit

	31 December 2022	31 December 2021
Guarantees in favour of customers	16,827,977	18,250,028
Letters of credit issued to customers	-	5,755,482
	16,827,977	24,005,510
Provision (note 24)	(292,663)	(379,007)
Guarantees and letters of credit, net	**16,535,313**	**23,626,503**

Guarantees issued in favour of customers are guaranteed by mortgages or fully cash collateralised.

Other	31 December 2022	31 December 2021
Undrawn credit commitments	61,446,455	52,761,748
Collaterals for loan portfolio	1,135,420,087	922,955,613

26. Contingencies and commitments (continued)

Legal

In the normal course of business, the Bank is presented with legal claims and litigation in amount of EUR 15,424,085 (2021: EUR 7,236,572); the Bank's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding as at 31 December 2022.

Lease commitments

Lease commitments for the years ended 31 December 2022 and 2021 are composed as follows:

	31 December 2022	31 December 2021
Not later than 1 year	37,976	38,712
Later than 1 year and not later than 5 years	684,059	942,018
Later than 5 years	2,838,274	3,269,509
Total	**3,560,310**	**4,250,239**

27. Income tax

Income tax is comprised as follows:

	31 December 2022	31 December 2021
Current income tax expense	1,879,179	1,601,600
Deferred tax income	(78,994)	14,403
	1,800,185	**1,616,003**

The tax on the Bank's results before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Banks as follows:

	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
Profit before tax	21,465,064	17,553,378
Add/Less: non-deductible expenses	(924,319)	(450,242)
Non-allowable tax depreciation	722,612	743,916
CBK Impairment losses not allowed for tax purposes	(120,768)	135,912
Other	-	(672,568)
Taxable profit/ (losses) for the year	**21,142,589**	**17,310,397**
Deductions on Tax Obigation	235,080	129,440
Current tax expense	**1,879,179**	**1,601,600**
Effective tax rate	**8.75%**	**9.12%**

27. Income tax (continued)

	For the year ended as at December 31, 2021	For the year ended as at December 31, 2021
Accumulated taxable profit	**21,142,589**	**16,015,997**
Tax on income	1,879,179	1,601,600
Prepayments of income tax during the year	(1,323,906)	(1,336,169)
Income tax (receivable) / payable	**555,273**	**265,431**

Deferred tax is calculated based on the enacted tax rate of 10%. The carry forward period for any tax losses in accordance with the laws in Kosova is seven years. The Bank did not recognize the net deferred tax assets relating to temporary differences, since it is not certain that the deferred tax asset will be utilized. The tax losses are detailed as follows:

The movement on the deferred income tax account is as follows:

	For the year ended as at December 31, 2022	For the year ended as at December 31, 2021
Assets / (Liability) at 1 January	285,933	300,336
Release for the period	1,383,655	(14,403)
Asset/ (Liability) at the end of the year	**1,669,588**	**285,933**

Deferred income tax liabilities are attributable to the following items:

	31 December 2022	31 December 2021
Deferred income on fees on loans	1,024	1,024
Decelerated depreciation	(9,704)	(12,806)
Interest expenses on deposits	56,456	(16,169)
Allowance for loan impairment	313,884	313,884
Fair value reserve for AFS securities	1,304,661	-
IFRS 16 Deferred Incom tax	3,268	-
	1,669,589	**285,933**

Movments in Deferred income tax asset / (Liabilities) are attributable to the following items:

	31-Dec-22	31-Dec-21
Allowance for loan impairment	-	-
Deferred fee for loan commissions	0	-18,847
Decelerated depreciation	3,102	2,250
Deferred interest expenses	72,625	31,000
Allowance for loan impairment	0	0
Fair value reserve for AFS securities	1,304,661	0
IFRS 16 Deferred Incom tax	3,268	0
	1,383,656	**14,403**

28. Exchange rates

Official exchange rates used in the translation of the items denominated in foreign currencies in the statement of financial position were as follows:

	31-Dec-22		31-Dec-21	
Currency	**Units per EUR**	**EUR per Unit**	**Units per EUR**	**EUR per Unit**
USD	1.066600000	0.937558597	1.1326000000	0.882924245
GBP	0.886930000	1.127484694	0.8402800000	1.190079497
CHF	0.9847000000	1.015537727	1.0331000000	0.967960507
ALL	114.23000000	0.008754268	120.76000000	0.008280888

29. Swap Contracts

2022

Name	*Value Date*	*Maturity Date*	*Amount in EUR*	*Currency*
AL_Banka Komb,Tregtare	13/07/2022	15/07/2022	9,637,165	USD
AL_Banka Komb,Tregtare	08/08/2022	08/08/2022	(16,613)	ALL
AL_Banka Komb,Tregtare	29/09/2022	03/10/2022	3,695,856	USD
AL_Banka Komb,Tregtare	26/10/2022	07/11/2022	7,642,228	USD
AL_Banka Komb,Tregtare	30/11/2022	05/12/2022	4,987,966	CHF
AL_Banka Komb,Tregtare	23/12/2022	27/12/2022	3,989,874	USD
AL_Banka Komb,Tregtare	28/12/2022	29/12/2022	10,009,241	CHF
TOTAL			**39,317,470**	

2021

Name	*Value Date*	*Maturity Date*	*Amount in EUR*	*Currency*
Aktif Investment Bank	14/07/2021	18/01/2022	2,603,331	EUR
Aktif Investment Bank	12/08/2021	11/02/2022	3,107,842	EUR
Aktif Investment Bank	31/08/2021	28/02/2022	10,376,666	EUR
Aktif Investment Bank	08/09/2021	10/03/2022	5,222,832	EUR
Aktif Investment Bank	29/09/2021	01/04/2022	10,299,691	EUR
Aktif Investment Bank	26/11/2021	27/05/2022	9,906,802	EUR
Aktif Investment Bank	13/12/2021	14/06/2022	4,974,816	EUR
Aktif Investment Bank	23/12/2021	06/05/2022	4,986,756	EUR
TOTAL			**56,464,609**	

The income/expense

The total expense for Swap contracts for 2022 included in “Profit / (loss) from FX trading activities, net” was EUR 1,142,665 (2021: EUR 265,493).

30. Subsequent event

There are no significant events, after the reporting date, which require adjustment or disclosure to these financial statements.