ANNUAL REPORT
2024

BKT PREJ 1925
BANKA KOMBETARE TREGTARE
100 Vjet

MISSION

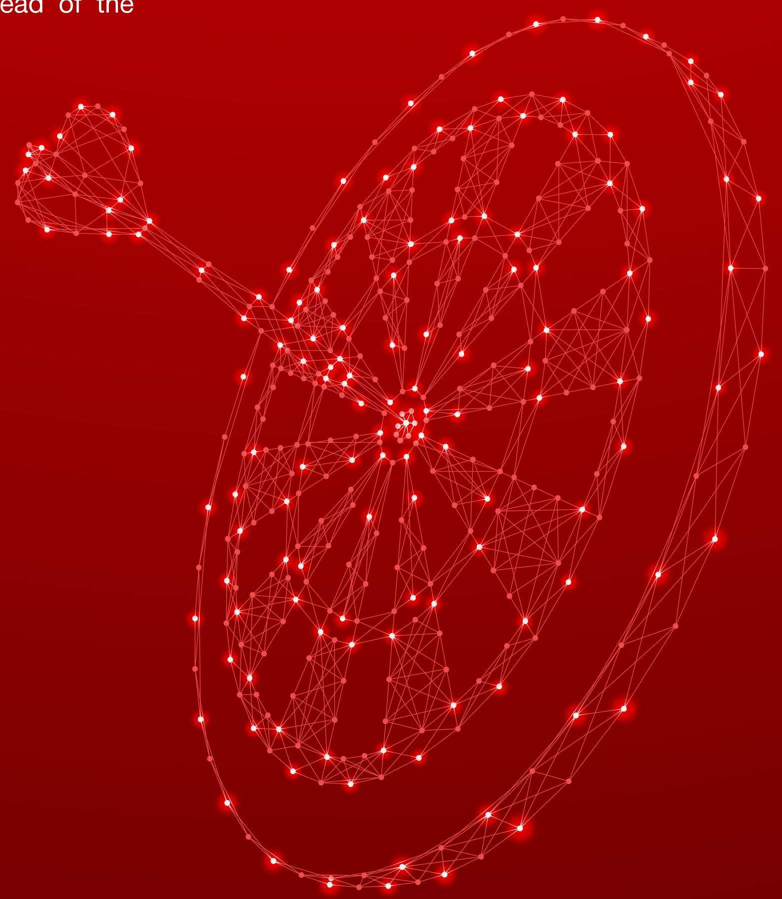
Utilizing our talents and energy to develop solutions that contribute to the improvement of our joint ecosystem, both environmental by preserving our nature and its resources as well as societal by contributing to our communities, providing our people and stakeholders with peace of mind, convenience and numerous possibilities within the banking sector.

VISION

To grow and become a leading bank in Kosovo, 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 committed 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.



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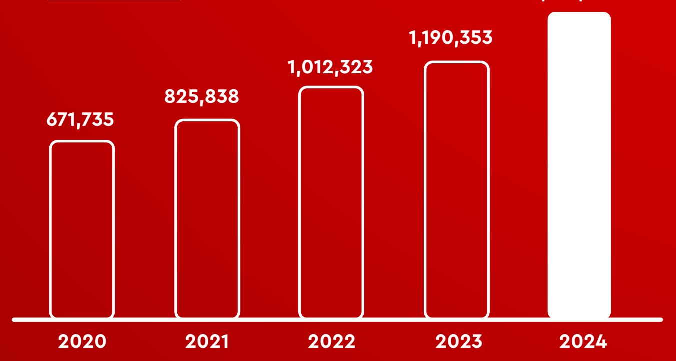
BKT KOSOVA IN NUMBERS

ASSETS



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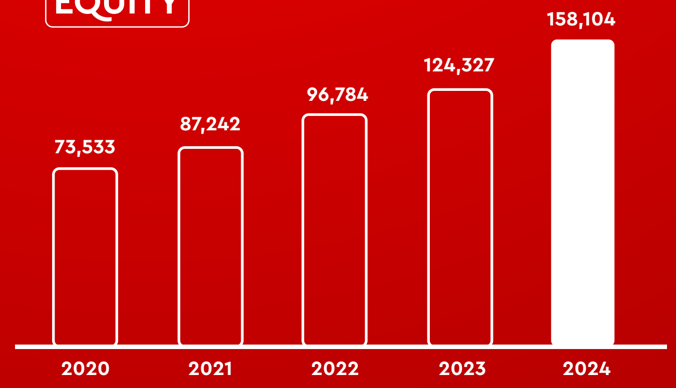

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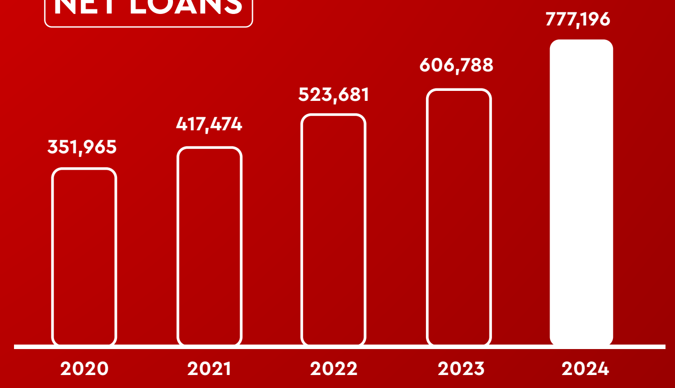

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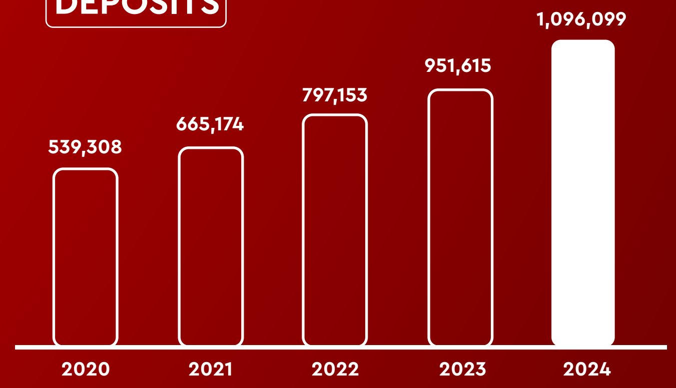

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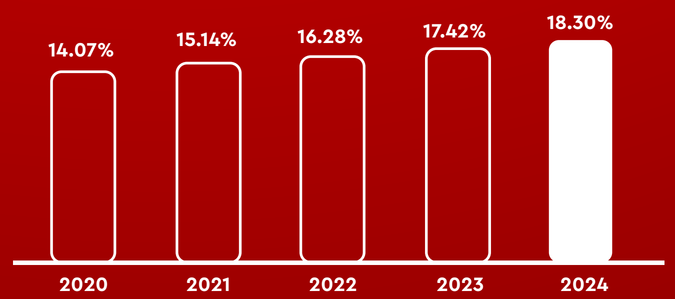

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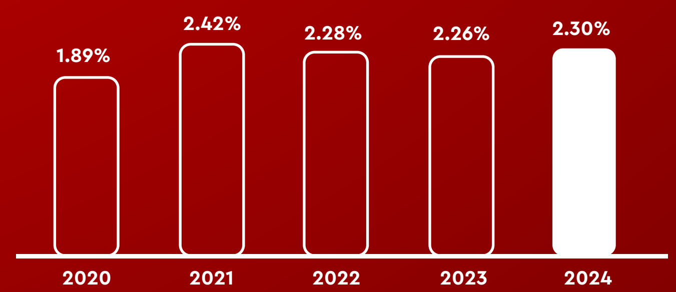

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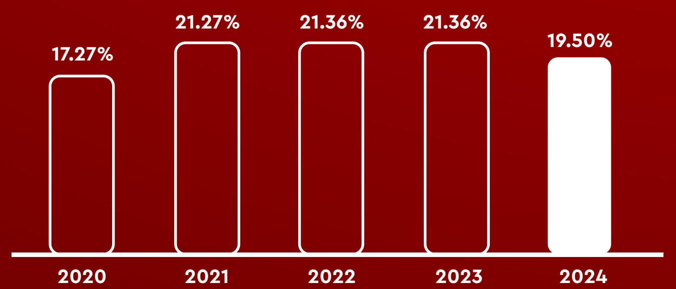

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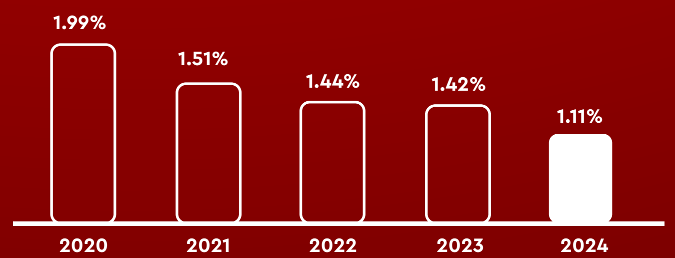
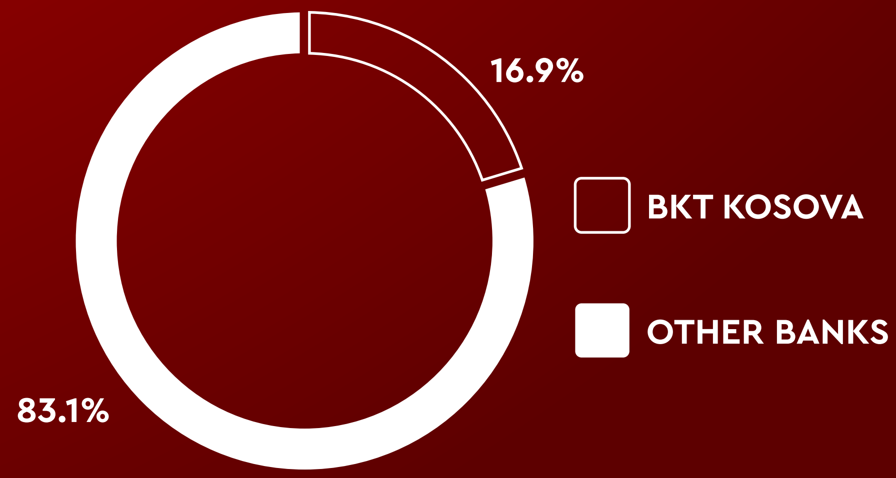


BKT KOSOVA MARKET SHARE



ABOUT ÇALIK HOLDING

Established by Ahmet Çalık in 1981, Çalık Holding operates in more than 30 countries around the world with its companies in the fields of energy, construction, mining, textiles, and finance.

Recognized for its reputation, reliability, and long-term cooperation 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.

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

BOARD OF DIRECTORS

From Left to Right:

Abdurrahman Balkız (Board Member), **Suat Bakkal** (CEO and Board Member), **Serdar Sümer** (Chairman of the Board), **Mert Turgut Çalık** (Board Member), **Mehmet Usta** (Board Chief Advisor), **Galip Tözge** (Board Member), **Seyhan Pencablıgil** (Vice Chairman of the Board)

SENIOR MANAGEMENT

SUAT BAKKAL
CEO and Board Member

NJOMZA BUXHOVI AHMETAJ
Retail Banking Group Head

ELTON XHAFAJ
Internal Audit Group Head

ALBION MULAKU
Corporate & Business Banking Group Head and First Deputy CEO

HAMDI ÖNDER
Risk Management Group Head

KUSHTRIM ALIU
Central Operations, Information Technology and Human Resources Group Head

AGON SKEJA
Finance Group Head and Second Deputy CEO

MUHARREM INAN
Treasury, Financial Institutions and Private Banking Group Head

NAIM RATKOCERI
Loan Management Group Head

CHAIRMAN'S MESSAGE

Dear Stakeholders,

2024 has been a remarkable year for BKT Kosova not only in terms of strong financial results, but in our deeper connection with the people, businesses, and communities of Kosovo.

Through our growing network of 23 branches and over 490 employees, we have proudly supported the economic aspirations of Kosovo. With almost € 800 million in loans extended to households and enterprises, a 28% increase we helped farmers expand their land, families build homes, and entrepreneurs bring their ideas to life.

But our contribution goes beyond numbers. By investing in fintech and digital transformation, we are bridging gaps making banking simpler, faster, and more inclusive across urban and rural areas alike. Our digital channels are not just tools; they are lifelines of opportunity for Kosovo's new generation.

Sustainability remains at the heart of our strategy. From responsible lending to green initiatives, we are committed to creating long-term value for both people and planet. The trust of our customers and the dedication of our people are the true foundation of our success.

As we look ahead, we will continue to be a partner in Kosovo's development harnessing innovation to serve the economy, the environment, and every citizen who calls this country home.

Thank you for walking this journey with us.

Sincerely,

Dr. Serdar Sümer
Chairman of the Board of Directors

CEO'S MESSAGE

2024 was another year of extraordinary success, delivering on our strategy. Our robust financial performance for the full year demonstrates significant growth, innovation, and commitment to sustainability. The solid financial results and strength of our balance sheet reflect our discipline and commitment to achieving key strategic goals through consistent execution, underpinned by a strong organizational culture. Throughout the year, we showcased the strength of our investments, consistently delivering value to our clients. We continued to put the customer at the center of everything that we do, across every interaction and line of business. This steadfast dedication has not only strengthened client relationships but also contributed to continued growth. We grew market share in all our businesses and continued to make significant investments in products, people and technology.

Our growth trajectory has been remarkable, with record increases in assets, loans, and deposits. This reinforces our position as a leading financial institution in Kosovo. We are dedicated to playing a pivotal role in driving economic prosperity and creating long-term value for our clients, business, and society.

Pioneering of innovative banking products, services and digitalization have been the cornerstone of our strategy. Our investments in cutting-edge technologies have not only bolstered our digital capabilities but has also positioned us at the forefront of the digital banking revolution. The challenges of the digital landscape, from cybersecurity to adapting to rapidly changing consumer behaviors, have been met with agility and proactive measures. As a result, we've not only maintained operational efficiency but have also provided our customers with seamless, secure, and innovative digital services.

In 2024, BKT Kosova invested in creating a banking model that prioritizes personalized experiences. Our expanding branch network across Kosovo, along with the introduction of innovative digital solutions, has fostered an accessible and comprehensive banking ecosystem for all our customers.

In line with this commitment, we marked a significant expansion of our physical footprint with the opening of three new branches featuring contemporary designs. These branches serve as a testament to our commitment to integrating advanced technology with our long-standing values to deliver a modern banking experience. Our efforts have been recognized and BKT Kosova was awarded by Global Brands Magazine as the "Most Innovative Branch Transformation and Modernization" in Kosovo.

Demonstrating our ongoing commitment to sustainability, we introduced the Circular Economy Loan. This new green initiative will help businesses, particularly in the manufacturing sector to optimize their operations and processes, to minimize or eliminate waste generation, as well as to efficiently optimize resources, while simultaneously increasing the positive impact on the environment, which brings significant economic benefits and helps businesses better position themselves in EU and international markets.

In our pursuit of transparency and accountability, we published our first Sustainability Report during the year. This document meticulously details our unwavering commitment to sustainability.

As a result of its commitment, BKT Kosova has received important recognition, such as "Best CSR Initiative in Kosovo 2024" by Global Business & Finance Magazine, "Best Bank for Sustainable Development Kosovo 2024" by Global Banking & Finance and "Best Environmental Sustainable Bank Kosovo 2024" by Global Business Magazine.

Building on this momentum, BKT Kosova is honored to have received a total of 20 prestigious awards in 2024, further underscoring our commitment to excellence in the banking sector. Our achievements have been recognized by prominent publications such as The Banker, EMEA, Global Finance and Euromoney, underscoring our unwavering commitment to delivering exceptional client service and pursuing sustainable growth.

We are setting our sights on 2025 and beyond. Our strategic focus is clear: deliver responsible growth, advance our ESG initiatives, fortify our digital capabilities, ensure our results are sustainable through operational excellence, foster a great work environment, share our success, and enhance the value we provide to our clients.

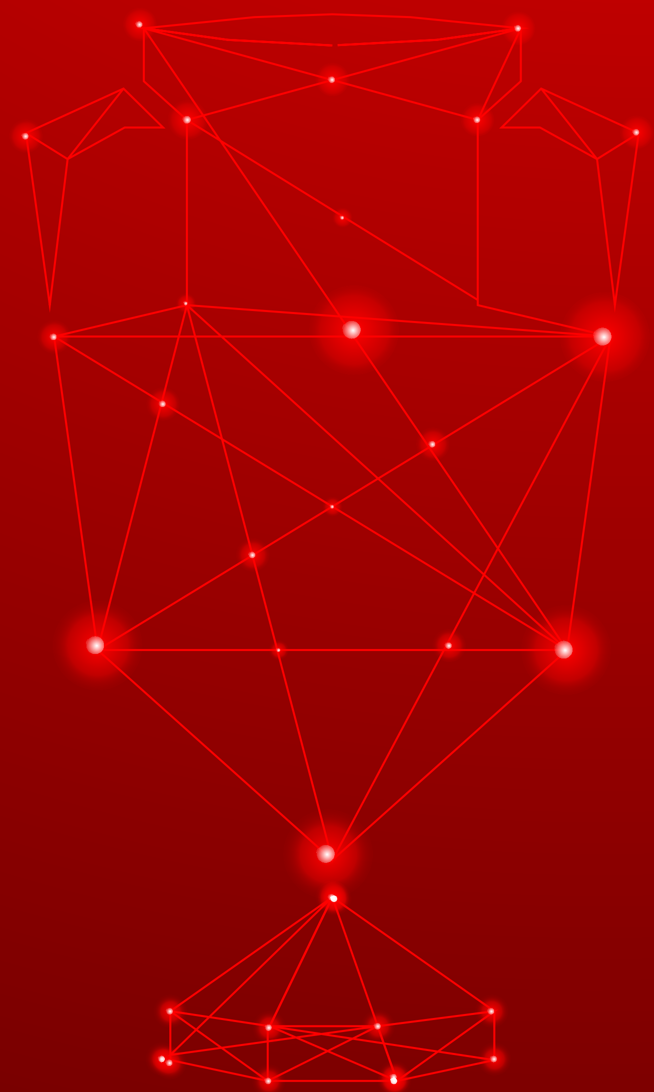
We are grateful for the trust and support of our customers, shareholders, and stakeholders. I am grateful to the exceptional team for their dedication, teamwork, and client focus. I am proud to work alongside them to deliver sustainable growth and value for our shareholders, customers, and the wider community.

Sincerely,

Suat Bakkal
CEO & Board Member

AWARDS

In 2024, BKT Kosova demonstrated its unwavering commitment to excellence and innovation in the banking sector. The bank's dedication to delivering exceptional service, fostering community engagement, and promoting sustainable practices has been recognized across the industry. As we reflect on our achievements over the past year, we take pride in the accolades that affirm our position as a leader in the financial services landscape. The following list highlights the awards received by BKT Kosova in 2024, underscoring our relentless pursuit of excellence and our unwavering commitment to our clients and community.



THE BANKER
- Bank of the Year 2024 in Kosovo

EMEA FINANCE – EUROPE BANKING AWARDS 2023
- Best bank

GLOBAL FINANCE
- The Best Bank in Kosovo for 2024

EUROMONEY
- Kosovo's Best Digital Bank

GLOBAL BUSINESS & FINANCE MAGAZINE
- Most Innovative Digital Bank Kosovo 2024
- Best Financial Institution In Kosovo 2024
- Best CSR Initiative In Kosovo 2024

GLOBAL BANKING & FINANCE
- Best Bank for Sustainable Development Kosovo 2024

GLOBAL BRANDS MAGAZINE
- Best Financial Brand, Kosovo 2024
- Best Customer Centric Banking Brand, Kosovo 2024
- Most Innovative Branch Transformation and Modernization, Kosovo - 2024

GLOBAL BUSINESS MAGAZINE
- Best Environmental Sustainable Bank Kosovo 2024
- Best Commercial Bank Kosovo 2024

WORLD ECONOMIC MAGAZINE
- Best Sustainable Bank Kosovo 2024

COSMOPOLITAN THE DAILY
- Best Retail Bank Kosovo 2024
- Best E-Banking Products Kosovo 2024
- Best ESG Practices - Kosovo 2024

WORLD CONFEDERATION OF BUSINESS (WORLDCOB)
- The BIZZ 2024 Award

FINANCE DERIVATIVE MAGAZINE
- Best Digital Bank Kosovo 2024
- Best Retail Bank Kosovo 2024

INNOVATION & DIGITALIZATION

BKT Kosova's strategic focus is to develop and offer products and services that are uniquely tailored to the specific needs of its customers. As a leader in digital banking in Kosovo, BKT Kosova is at the forefront of innovation, consistently introducing the most advanced services and products available. The bank's digital transformation enhances customer journey, providing greater convenience and a host of benefits. BKT Kosova's customer-centric approach is reflected in its commitment to creating meaningful experiences, driven by digital evolution and technological advancements. The bank is committed to the continuous improvements of its back-end and front-end systems, resulting in integrated digital ecosystems that go beyond traditional banking. In 2024, BKT Kosova has relentlessly pursued innovation and transformation, solidifying its leadership in the digitalization of banking products and services.

The bank's ongoing efforts to be the fastest-growing bank with a digital-first mindset, capable of providing world-class banking services to its customers, have brought BKT Kosova widespread recognition as the most digitally advanced bank in the country. This recognition is evident in a series of Digital Banking awards received during 2024, including the Euromoney award for "Kosovo's Best Digital Bank", "Most Innovative Digital Bank Kosovo 2024" from Global Business and Finance Magazine, "Best E-Banking Products Kosovo 2024" from Cosmopolitan The Daily and "Best Digital Bank Kosovo 2024" from Finance Derivative Magazine. These recognitions are a testament to BKT Kosovo's commitment to providing first-class banking services and its dedication to innovation and digitalization.

SHORT-TERM DEPOSIT

In 2024, BKT Kosova introduced the Short-Term Deposit product, which was developed with the intention of providing clients with the option to save in a flexible manner without the long-term commitment that is often associated with traditional deposits. With maturity periods of 3 months and 6 months, this innovative product allows clients to save money and earn interest while maintaining the ability to access their funds in a shorter timeframe.

This product aims to empower clients by offering a way to grow their savings while maintaining the flexibility to access their funds when needed.

The introduction of the Short-Term Deposit is a reflection of BKT Kosova's commitment to fostering financial inclusion and enhancing the customer experience, making saving accessible and rewarding for all clients.

DEBIT CARD PREPERSO

BKT Kosova is the first Bank to introduce and launch the Preperso Debit Card, a unique card product that is instantly issued to the customer. The customer can use the card immediately after opening the account, offering speed, efficiency, greater customer experience and and a high level of satisfaction.This innovative card issuance solution enables the Bank to offer a card product in real-time and customers walk away with funds that are quickly accessible.

Product Details:

A debit card that is created in issued in real-time during the customer's account opening process.

BKT's Preperso debit card is a product that changes the way customers experience banking services by offering a fast and easy experience.

The customer can use the card immediately for online transactions, in-store payments and cash withdrawals.

ATM NEW FEATURES

CARDLESS TRANSACTIONS

Withdrawal and Deposit with QR Code: This service allows customers to withdraw or deposit cash from ATMs by scanning a generated QR code using BKT Mobile, eliminating the need for a physical card and enhancing security.

Money Transfer: Bank ATMs facilitate immediate money transfers between BKT accounts, providing users with a fast and straightforward way to send funds by depositing without visiting a bank branch.

CARD-BASED TRANSACTIONS

• Customers of BKT Kosova can enjoy a variety of convenient transfer options to enhance their banking experience. They can transfer funds using their unique Client Identification Number (CIF), which ensures a secure and personalized approach. Additionally, customers have the option to send money directly via the recipient's account number, streamlining the process and improving accuracy. For added convenience, the bank also offers the feature of transferring money using the recipient's phone number, making the entire process even more user-friendly. These transfer methods provide a flexible and efficient solution for clients to manage their financial transactions.

• At BKT Kosova clients can now conveniently manage their utility payments with two key services that enhance their banking experience. They can easily pay their electricity bills with KESCO directly at BKT ATMs, reducing the hassle of manual payments and integrating these essential services into their banking routine. Additionally, customers can also handle their water bill payments through KUR Prishtina at the same ATMs, showcasing the bank's commitment to providing a comprehensive banking solution that addresses all of their essential payment needs. Këto shërbime përfaqësojnë përkushtimin e BKT Kosova ndaj inovacionit dhe shërbimit ndaj klientëve, duke hapur rrugën për një mjedis bankar më të aksesueshëm dhe efikas. Këto karakteristika janë të parat në tregun finaciar të Kosovës, duke vendosur një standard të ri në industrinë bankare.

These new services represent BKT Kosova's commitment to innovation and customer satisfaction, paving the way for a more accessible and efficient banking environment. These features pioneered and introduced by BKT Kosova are unique in the market, setting a new standard in the banking industry.

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BKT MOBILE

In 2024, the bank upgraded its retail mobile banking app. The latest version of BKT Mobile offers a range of innovative features crafted to streamline banking operations for retail clients. Notable enhancements include the ability to temporarily block and re-activate debit and credit cards, automate credit card payments, and customize icons prior to login for a more personalized experience. These enhancements give customers greater control and convenience, enabling them to manage their banking needs more efficiently.

BUSINESS SEGMENTS

At BKT Kosova, we are committed to achieving results. We use proven methods to deliver them. Our motto, "BKT is everywhere," reflects our dedication to serving every client and our commitment to inclusivity within our community and society. We provide top-tier services and exceptional client experiences. We prioritize expert advice and invest in initiatives that simplify doing business with us.

We are committed to sustainability, offering ESG (Environmental, Social, and Governance) products that support our clients in their transition towards sustainable practices. We lead the way in sustainable finance, ensuring that our operations and products contribute positively to the community and the environment.

CORPORATE & BUSINESS BANKING

The Corporate and Business Banking Group successfully delivered on its vision by achieving and sustaining significant growth in both business deposits and loan portfolios. This performance reflects the division's strategic efforts and effective execution in attracting more business clients and meeting their financial needs. The business deposit portfolio grew 5% and the business loan portfolio grew 24%. The growth in deposits and loans has directly contributed to the Group's stronger market presence. An increased share in all business indicators means that the Group is performing well in various metrics such as customer acquisition, loan disbursement and deposit collection. This increased presence makes the bank more competitive in the market.

The non-cash financing portfolio, which includes financial instruments such as letters of credit, guarantees and other trade finance products, grew by 9% year-on-year in 2024.

This growth underscores the Bank's role in supporting businesses with financial tools that facilitate trade and mitigate risk, thereby enhancing business operations and growth. Trade finance is an important segment of the Group's overall business, and as such, the Bank has maintained a stable market share in this category. By maintaining a stable market share in trade finance, the Bank demonstrates consistent performance and reliability in providing trade-related financial services. In response to the global economic challenges, the Bank has proactively provided financing to its business partners to help them maintain financial stability. This support underscores the Bank's commitment to its clients, ensuring that they have the necessary financial resources to weather economic uncertainties and sustain their operations.

The quality of the loan portfolio is a priority for the business group. Despite the portfolio size increase, the percentage of non-performing loans (NPLs) remained below the sector's overall NPL rate.

The quality of the loan portfolio is a priority for the Business Group. Despite the increase in the size of the portfolio, the percentage of non-performing loans (NPLs) remained below the sector's overall NPL rate.

During the year, the Bank also expanded its partnership and cooperation with the Kosovo Credit Guarantee Fund (KCGF) to further support women in business, agriculture and MSMEs through various available windows.

The Corporate and Business Banking Group continued to improve its business processes in all operational areas. It also consistently updated its products and improved service channels for corporate customers. Throughout the year, the Corporate and Business Banking group continued to invest in automation and digitization of services.

The Corporate Onboarding Platform added new features to the dashboard linked to the bank's core system, which was launched to assist branch employees in onboarding customers.

Online transactions experienced significant growth, prompting the creation and enhancement of new channels to facilitate customer transactions. Alternative banking channels such as business e-banking and mobile banking were further developed, offering additional features to enhance flexibility for customers. In addition, BKT Kosova expanded the functionality of its business e-banking platform by adding new services and launching BKT Mobile - an advanced business mobile banking platform. The updated version of BKT Mobile introduced a number of exciting features aimed at simplifying and streamlining banking operations for business clients.

The bank established several partnerships with fintech companies, recognizing that bank-fintech partnerships are shaping the future of financial services. The bank's main objective is to integrate the unbanked into the financial system, leading to the digitization of the entire economy.

As the pioneer and sole provider of the Green Loan for Circular Economy in the Kosovar market, The Bank has demonstrated its commitment to environmental, social, and governance initiatives. In terms of environmental, social, and governance initiatives, The Bank has taken a proactive approach in developing the Green Loan for Circular Economy to support sustainable waste management and circular business operations within the manufacturing companies (corporates and SMEs as well as start-ups) in the Kosovar market. Therefore, the loan will support the reduction of the environmental footprint and the negative impact of the companies on the ecosystems, while increasing the economic value of the companies and their positioning in the regional and EU markets as well. The loan will provide companies with a range of affordable and easily accessible options to invest in sustainable waste/resource management. The primary objective of the loan is to support manufacturing companies, which produce high volumes of different waste streams, to optimize their production and business processes and to move from a linear to a circular business model. By optimizing production and business processes, companies that generate high volumes of diverse waste streams can significantly reduce their environmental footprint. Embracing the circular economy concept not only offers substantial environmental benefits but also unlocks numerous economic advantages. Companies can achieve considerable financial savings through reduced production costs, capitalize on new business opportunities, and foster collaborations with international organizations and financiers. Compliance with EU requirements on circular economy and resource efficiency further enhances the potential for growth and development.

RETAIL BANKING

Retail Banking delivered a robust financial performance in 2024. marked by effective strategic execution, ongoing investments, and continuous developments. These efforts enabled the Group to excel in customer-focused areas. With a strong commitment to simplifying customers' lives, Retail Banking fostered innovation and achieved positive momentum through the introduction of new products and services, alongside investments in digital channels. Driven by a business model that leverages digital banking and innovative platforms, Retail Banking growth has been achieved through a number of levers.

Retail Banking exhibited a strong performance, achieving growth across all indicators that position it at the top level of the banking industry. The deposit portfolio grew by 19.9% while the overall market in retail deposits grew by 13.9%. The positive trend was reflected also in retail loans, with BKT Kosova increasing by 32.1%, in comparison to the market that showed 22.6% increase in the overall retail loan portfolio. The growth in deposits and loan portfolios directly contributed to heightened market presence and an increase in market share across all business indicators. The expansion of the retail customer base accelerated, accompanied by an upward trend in sales across multiple product lines.

In line with its commitment to customer satisfaction, Retail Banking made significant investments to enhance its brand and improve the overall customer experience. By focusing on creativity, innovation, and putting customers at the heart of its decisions, the bank remained dedicated to delivering cutting-edge products and services designed to make customer experiences simpler and more seamless.

Retail Banking continued to enhance business processes across all operational areas, updating products and enhancing service channels for customers. Ongoing investments in customer relationship management tools enabled teams to maintain close connections with clients, facilitating regular and targeted interactions. Throughout the year, the bank supported individual clients' investment plans, providing quick access to funds with favorable financing conditions. While traditional branch banking remained a cornerstone for financing services, BKT Kosova significantly expanded its merchant partner channel. This initiative enabled clients to access banking services and financing solutions through a growing network of partners, ensuring accessibility and convenience.

By continuously enhancing services and expanding its network of partners, the bank ensures a best-in-class experience for clients, offering seamless transactions, customized solutions, and unparalleled customer service.

In 2024, the bank upgraded its retail mobile banking app. The latest version of BKT Mobile offers a range of innovative features crafted to streamline banking operations for retail clients.

Notable enhancements include the ability to temporarily block and re-activate debit and credit cards, automatic credit card payments, and customize icons prior to login for a more personalized experience. These enhancements give customers greater control and convenience, enabling them to manage their banking needs more efficiently.

The bank made significant advancements in its ATM solutions, introducing unique features designed to enhance convenience and improve the overall banking experience for its clients. These innovations reflect Banks commitment to providing cutting-edge services that meet the evolving needs of modern banking.

BKT Kosova's achievements demonstrate its steadfast dedication to innovation, operational excellence, and customer satisfaction. By investing in digital transformation and expanding its service offerings, the bank continues to set new benchmarks in the industry while delivering unmatched value to its clients.

Retail Banking is poised for continued success into 2025 and beyond. A sustained focus on innovation, digital solutions, and customer satisfaction will remain key drivers of success. With strategic investments in its platforms and ongoing updates to the mobile banking app, the bank is prepared to lead the market and deliver even greater value to its customers in the years to come.

PREMIER BANKING

Our target has been to enhance well-being through premier deposit products, tailored lending solutions, and specialized services for our Premier clients. By leveraging our established financial expertise and client relationships, we offer a personalized and high touch banking experience, built on trust, tailored financial products and expert advisory services that help client grow, preserve, and transfer their wealth. Exclusive clients service with distinct websites, social media channels, and dedicated contact centers sets Private Banking apart from the competition. Also, the BKT Premier Visa Platinum Credit Card has been successfully expanded by increasing the number of customers in the market and the use of turnover through a membership card maximizing visibility and engagement. BKT Premier Visa Platinum CC also introduced a merchant loyalty bonus agreement, adding a further layer of value for business clients and reinforcing BKT Kosova's dedication to creating long-term, mutually beneficial relationships. Additionally, Premier Banking strengthened its brand presence by participating in the prestigious Berlin Festival of Gastronomy (GAGF), underscoring its commitment to engaging with the cultural and culinary elite. The purpose of this participation was to build and to create relationships with potential clients from the diaspora individually/business. Furthermore, to increase the engagement of the Albanian community and to demonstrate our commitment to provide personalized services and innovative solutions to diaspora clients. As a result, PBD has contributed by more than 20% to net deposit and loan growths of the retail segment. Through the inclusion of unique offerings, PB aim to become a trusted partner for those seeking to manage their wealth.

TREASURY

TREASURY SALES

The bank has reached 25% annual growth rate at over 710 million euro in FX volumes with clients in 2024, thanks to customer satisfaction and good client acquisition strategy. The bank has become the reference point for licensed exchange bureaus including the most recently licensed ones. In this way, the bank also helped the money under mattress to enter the financial system which eventually contributed to GDP growth through consumption. Furthermore, we have retained more corporate clients for FX spot trading.

As a result, the bank had a good volume of banknotes trading which keeps the appetite high for the counterparty considering there is only one international bank interested in banknotes trading with Kosovo banks currently. Besides, the bank has continued to increase its presence in the local market as well. In 2024 bank continued its cooperation with 5 local banks creating mutual benefit for both sides. Whilst in 2023 our total banknotes trading volume with local banks was around 130 million euro, it has increased to 222 million in 2024.

On securities side, portfolio of clients under custody in end year 2024 was 32 million euro, including both Kosovo Government Bonds, and Eurobonds. The bank regularly increases number of clients for Kosovo government bonds.

In order to diversify funding base and contribute to growth, bank has continued with its wide range of deposit products, while bank also started 6-month advance deposit to create short term funds and to keep maturity shorter with expectation of interest rate cuts by ECB. The bank proactively used its diverse deposit products in line with growth and net interest margin targets.

Also, the bank has implemented a new project for STP (Straight Through Processing) of Treasury products. Through this license, bank has enabled fast and efficient communication through Treasury Front Office System “Kondor” and Bloomberg, 360T platforms. This was an additional effort of bank towards automation of processes.

ALM DEPARTMENT

Asset and Liability Management & Trading Department (ALMTD) mainly focused on liquidity management and balance sheet management in 2024. During the year, global interest rates remained high. That’s why, excess funds were generally used for short term money market deposits utilizing all available limits and remuneration facilities in correspondent accounts.

ALMTD replicated its securities portfolio by reinvesting International Bonds redemptions in local securities market. The bank doubled its Kosovo Government Bond portfolio to reach 31% market share for domestic bonds, meanwhile other banks decreased their exposure by around 20%. ALMTD completed also the development of project in Bloomberg Platform which enables the bank to be price maker and publish Kosovo Government Bond’s prices and yields globally.

Foreign exchange risk has been managed proactively and minimized by implementing necessary hedging activities. This has helped to generate a good trading income from proactive structural FX position management. ALMTD executed bank’s first FX Swap transaction with an American financial services company despite ISDA agreement challenges.

With strong international banking activity thanks to Financial Institutions Department’s efforts, Treasury diversified its wholesale funding base by having over 120 million euro funding from international banks and financial institutions by end of 2024. The bank signed GMRA with a Dutch bank, under which ALMTD executed first securities financing (repo) for a tenor above one year as a part of proactive liability management.

Treasury Group used Fund Transfer Pricing (FTP) as an active interest rate risk management tool to optimize net interest margin for the bank. FTP system protected business units from interest rate fluctuations and hence focus on managing their activities with transferring the interest rate risk to Treasury which is mitigated by proactive risk management approach by ALMTD through products such as interest rate swaps.

FINANCIAL INSTITUTIONS DEPARTMENT

The year 2024 marked a significant milestone for Kosovo financial sector since Kosovo received its inaugural country rating from the Fitch Credit Rating Agency. This rating has facilitated the process for international banks to establish country limits for Kosovo and limits on behalf of the banks operating in Kosovo. Whereas, for the bank Financial Institutions Department played an important role in through continuous efforts, including strategic visits, active participation in international conferences, and diligent follow-ups, that made it easier for banks outside Kosovo to assign limits on our behalf. Counterparties from various countries have established credit, FX and trade finance limits on our behalf throughout 2024.

With an increasing customer base and strengthened relationships, the FI Department successfully opened new correspondent accounts to meet clients' needs in SEK, AUD and CAD. Also, bank enabled FX transactions and payments in these currencies, thus creating a new channel for clients and bank. The objective is to attract remittance flow by introducing new currencies. Additionally, new trading accounts were opened with StoneX Financial Ltd., and Interactive Brokers LLC.

Trade Finance also benefited from these strengthened relationships. These instruments were vital in securing transactions and providing assurance to both buyers and sellers, thereby creating a more robust trade environment.

RISK MANAGEMENT

The Risk Management function plays a key role in identifying, assessing, managing, and reporting the overall risks faced by the bank, leading to the development of sound risk strategies and policies. The robust framework of the bank's Risk Management function, coupled with its independence, ensures the execution of the bank's strategic priorities without exposing it to undue financial and non-financial risks. Implemented risk policies, processes, and their effective execution through a governance framework, technology, and an inclusive risk management system enable the adoption of a risk strategy aligned with the nature of the business, its activities, and the regulatory and external environment.

The bank recognizes that the main role of risk management is to safeguard its customers, businesses, colleagues, shareholders, and the community it serves, while ensuring a comprehensive risk management approach across the organization and all risk types. This is outlined in a well-established risk management framework, including key principles and practices that the bank employs in managing both financial and non-financial risks.

The risk management function operates independently and has a direct reporting line to the Board of Directors and its Risk Management Committee without any impediment. The role of the Risk Management Committee is to provide oversight, ensuring that senior management is entrusted with the responsibility to implement a comprehensive risk management framework aimed at identifying, assessing, and managing the bank's risks. Its responsibilities include the approval of risk policies and the assessment of risk-associated frameworks, analysis, and reporting established by the management.

The Risk Management Group is responsible for adopting a risk strategy framework aligned with the risk appetite of the bank. This framework includes implementing set of policies, procedures, and controls, as well as continuous monitoring and the promotion of risk awareness and sound operational and strategic decision-making across the organization. It supports a consistent approach to managing credit, market, liquidity, and operational risks through the implementation of organizational policies, processes, and systems.

The Risk Management Group is independent from the business lines of the bank and is not involved in revenue generation or business decision-making. This structure serves as a comprehensive second line of defense, covering all risk types generated by all business lines.

Specifically, the Risk Management Group includes:

- Credit Risk Department
- Market Risk Department
- Liquidity Risk Department Operational Risk Department.

CREDIT RISK

Credit Risk is the potential for financial loss resulting from borrowers failing to meet their repayment obligations. It mainly arises from loans to banks, loans to customers, financial guarantees given, and counterparty risk. To proactively manage credit risk, the bank has designed various strategies and policies by defining the risk appetite and tolerance within which the bank can operate.

The Credit Risk Strategy has been developed in accordance with the following principles that support the bank to:

- Create an appropriate credit risk environment for the bank.
- Operate according to a sound credit lending process.
- Ensure adequate controls on credit risk.
- Maintain a proper management, measurement, and monitoring of the loan lending process.

In particular, the key functions of the Credit Risk Department are: Capital Management, Portfolio Management and Monitoring, Risk Data Analytics and Collateral Appraisal.

CAPITAL MANAGEMENT

Capital management remains a critical aspect of risk mitigation efforts. By calculating and analyzing risk-weighted assets, efficient capital allocation is ensured, optimizing the capital structure to support sustainable growth while maintaining regulatory compliance.

PORTFOLIO MANAGEMENT

As part of portfolio management, involvement in day-to-day operations is essential to ensure effective risk management and monitoring. Therefore, in credit risk management, department members participate in credit committees as observers, closely monitoring the handling of new credit exposures to ensure alignment with the bank's policies and strategic decisions. This function ensures that the quality of the portfolio remains within defined risk frameworks and prevents potential deterioration. Reserved losses for loan exposures are measured and assessed based on parameters such as defaults rates, loss given default, and historical macroeconomic events.

The assessment of collateral taken as mortgage in favor of the bank is also part of managing credit risk. Both movable and non-movable collaterals serving as guarantees to secure loan exposure are subject of external evaluations supplemented by internal expertise valuations. During assessment, various factors are considered, including property location, conditions, and market trends, upon which respective depreciation thresholds are applied. Properties are regularly re-evaluated on annual basis.

PORTFOLIO MONITORING

The portfolio monitoring function provides real-time insights into the performance of the loan portfolio. Advanced analytics and monitoring tools enable the identification of emerging risks and trends in both the business and retail portfolios.

Analyzing market trends offers valuable insights into economic conditions, industry developments, and potential changes in borrower behavior. This approach allows the bank to make informed lending decisions and assess potential Significant Increase in Credit Risk (SICR) events by identifying financial difficulties of borrowers, adverse changes in the economic environment, or other factors indicating an elevated risk of default that could trigger adjustments in the impairment calculation process.

Monitoring forward-looking indicators, such as changes in credit ratings, financial ratios, and market conditions aids in the early identification of SICR events. Systemic stress testing is used to assess the resilience of the loan portfolio in adverse scenarios. This process extends beyond regular risk analysis, involving severe and hypothetical scenarios to evaluate how the portfolio would perform in challenging times. It facilitates sensitivity analysis by identifying vulnerabilities to enhance current intervention plans. This approach strengthens the bank's ability to maintain a sustainable portfolio under any economic conditions.

RISK DATA ANALYTICS

Risk Data Analytics function is newly establishted within Credit Risk Department with the aim of covering the latest needs of financial institutions to delevop its own risk modeling tools for decision making purposes by assessing the perfomance of internal risk/ portfolio datasets. Through the internal financial records and market data are idnetified trends, anomalies or patterns that could indicate potential risk which might be harmful for the organization. Thus, while assessing the results based on qunatitative and qualitative analysis respective decision are taken to minimize the potential risk and consequently developing new tools to mitigate the risks.

MARKET RISK

Market risk is the risk associated with potential decreases in the value of an investment due to fluctuations in market factors. It refers to risks the bank faces from fluctuations in market prices, particularly changes in interest rates, foreign exchange rates, and equity and commodity prices. The Risk Management Group, specifically the Market and Liquidity Risk Department, serves as the second line of defense in the Market Risk Management process, which is tasked with monitoring and analyzing market risk developments

INTEREST RATE RISK

The bank assesses various sources of interest rate risk that may negatively affect earnings or exposure of its banking book, including: Re-pricing risk, yield curve risk, basis risk, optionality. The bank's interest rate risk measurement system integrates interest rate risk exposures stemming from the full scope of the bank's activities, including both trading and non-trading sources. This integration ensures that management has a comprehensive view of interest rate risk across products and business lines. The efficiency of the bank's strategy for managing interest rate risk is measured through by assessing its exposure to interest rates fluctuations. This risk exposure is calculated using the Economic Value Impact – EVI methodology, which assesses the impact on the economic value of the bank, and the Gap Analysis, which calculates the impact on the income statement of the bank.

FOREIGN CURRENCY RISK

The bank primarily operates in in various foreign currencies, including USD, GBP, CHF, ALL, AUD, CAD, TRY, XAU and SEK. However, the bank endeavors to keep closed positions (balanced long-short positions) for all foreign currencies. The Foreign Exchange Risk Exposure is calculated through the net open positions for each currency and for all currencies on aggregated basis.

SECURITIES PRICE RISK

The bank has an established Securities Portfolio comprising the Available for Sale, Held to Maturity, or Held for Trading Securities. The Board of Directors approves liquidation and consultation stop-loss limits for market risks. Under a liquidation stop-loss, if the limit is reached, the position must be closed. In contrast, under a consultation stop-loss, management must be informed, and a positive decision should be made to continue running the position. The risk associated with investments held in AFS Portfolio is evaluated through stress tests scenarios outlined in the Market and Liquidity Risk Management Policy.

LIQUIDITY RISK

Liquidity, which refers to the ability to fund increases in assets and meet obligations as they become due, is crucial for the sustained viability of any banking organization.

Managing liquidity risk is an integral part of the bank's business operations. Liquidity adequacy is ensured from both internal and a regulatory perspective. In addition to regulatory limits set by the Central Bank of the Republic of Kosovo, the bank has an established internal framework with limits and steering measures.

Liquidity risk is continuously monitored, analyzed, and forecasted across various time horizons to ensure that the bank maintains sufficient cash or cash-equivalents to fulfill its obligations promptly, without incurring significantly higher costs. It is important to emphasize that regulatory ratios are monitored in accordance with specifications provided by regulations. Internal liquidity analyses and limits are monitored based on modelled assumptions from the Market and Liquidity Risk Department (MLRD).

Since the beginning of 2023, the bank has integrated within the Liquidity Framework the preparation and monitoring of two new regulatory reporting requirements, namely the Liquidity Coverage Ratio and the Net Stable Funding Ratio. These requirements are prepared and monitored with the required frequency. Regarding the LCR, the Market and Liquidity Risk Department (MLRD) has developed four distinct stress scenarios to measure the bank's liquidity under stress scenarios.

The Treasury Department is responsible for overseeing the daily liquidity position and short-term liquidity position, ensuring that obligations are met both under normal and stressed conditions throughout the day. Meanwhile, the long-term liquidity position is monitored at the bank level, with limits defined for both business as usual and stress scenarios.

Throughout 2024 the bank's liquidity position remained stable, and all liquidity indicators, including internal and regulatory measures, remained within their respective limits.

Contingency Funding Plan
The BKT has established a Contingency Funding Plan to provide a framework with a high degree of flexibility, enabling the bank to respond swiftly to various situations. The BKT regularly adjusts the CFP based on ongoing analysis of liquidity risk and the outcomes of scenarios and assumptions used in stress tests.

OPERATIONAL RISK

In the dynamic landscape of the banking industry, operational risk remains a critical concern that demands continuous attention and proactive management. As we navigate the intricacies of daily operations, it is imperative to recognize and address the complex nature of operational risk to ensure the resilience and sustainability of the institution.

Operational risk encompasses the potential for losses stemming from inadequate or failed internal processes, systems, people, or external events. These risks can manifest in various forms, including human error, business interruption, technological failures, fraud, and external threats. Given the inherent complexity of daily operations, it is imperative to have in place a robust framework to identify, assess, and mitigate operational risks effectively. This category of risk is analyzed and managed based on the bank's data of historical losses and the results of risk control self-assessments.

The concept of three lines of defense has been implemented to manage operational risk, where each staff member is responsible and trained to identify operational risk events in their respective business areas. The Operational Risk Management Department provides periodical reports on risk assessments, loss events, indicators, scenarios, and measures to the Risk Management Committee.

In addition to the comprehensive operational risk management framework outlined above, the Operational Risk Management Department diligently conducts routine controls to further enhance the resilience of the institution. These controls include regular examinations of reversed transactions and cash differences to ensure the accuracy and integrity of financial transactions. Complaint handling procedures are systematically reviewed to address any issues promptly, fostering a culture of customer satisfaction and compliance.

These routine controls are essential in identifying and mitigating potential issues at an early stage, thus contributing to the overall effectiveness of our operational risk management efforts.

On a quarterly basis, a thorough examination of Key Risk Indicators (KRIs) is conducted to measure the health of various operational aspects. These indicators are carefully monitored, and any breaches of predefined thresholds are promptly escalated to the Risk Management Committee. This proactive approach enables swift intervention and decision-making to mitigate potential risks before they escalate further. The collaboration between the Operational Risk Department and the Risk Management Committee ensures a holistic and timely response to emerging operational risks, contributing to the overall stability of our operations.

Moreover, the bank places great importance on Business Impact Analysis (BIA) to understand the potential consequences of operational disruptions. By identifying and prioritizing key processes and functions, efforts can be directed towards mitigating the most significant risks, minimizing potential disruptions, and ensuring the continued delivery of essential services to stakeholders.

The risk management strategy incorporates Risk Control Self-Assessment (RCSA) as a vital component. RCSA involves the active participation of business line managers, who, in their role as operational risk managers, assess and evaluate risks within their respective areas. The results of RCSA provide valuable insights into the overall risk management framework, facilitating continuous improvement and refinement of the bank's operational risk mitigation strategies.

ANTI MONEY LAUNDERING

Banka Kombëtare Tregtare Kosovë SH.A. is committed to conducting its business activities with integrity, adhering to rigorous standards of anti-money laundering (AML), countering the financing of terrorism (CFT), anti-bribery and corruption (ABC), anti-fraud, and other punishable offenses. These standards are designed to uphold the bank's integrity, transparency, and compliance with legal and regulatory requirements. Anti-money laundering activities encompass a range of measures aimed at detecting and preventing the misuse of bank products and services for money laundering or other illegal activities. Some of key AML activities include developing and implementing robust policies and procedures, applying customer due diligence measures that are commensurate with the level of risk, using advanced technology for customer screening and monitoring of transactions, cooperation with the local FIU and the regulatory authorities to report and address AML-related issues, providing a comprehensive training program for employees, etc. Regular internal and external audits to assess the effectiveness of the AML program and ensure ongoing compliance are an integral part of our AML compliance framework.

ESG ACTIVITIES & SUSTAINABILITY

BKT KOSOVA'S SUSTAINABILITY 2024

BKT Kosova has continued to demonstrate that it is deeply committed to building a sustainable future, actively driving positive change through responsible initiatives and innovative practices. The bank continues to integrate green solutions into its operations and long-term strategy, with a focus on environmental management, social responsibility and economic resilience. By prioritizing green initiatives, promoting financial inclusion and aligning our bank's business practices with global sustainability standards, we at BKT Kosova aim to create lasting value for both our stakeholders and the broader community. As part of the Greening BKT Kosova project, which is supported by the Green for Growth Fund (GGF) and European Fund for Southeast Europe (EFSE) during 2024, BKT Kosova has approved ESG Strategy 2024-2030, which outlines our banks commitment to integrate ESG principles into all facets of our business operations, ensuring alignment with upcoming market requirements and global sustainability trends. As a responsible contributor to our society, our BKT Kosova continues to focus on environmentally friendly activities within the bank and raising environmental awareness among employees. We, BKT Kosova, have also put efforts on energy management within the bank's premises by measuring consumption and setting targets for reducing energy consumption and monetary savings, eliminating the use of single-use plastics, setting ambitions on introducing Green Lending Framework and implementing Eco Loans for increasing energy efficiency. In 2024, BKT Kosova proudly published its first Sustainability Report by covering the activities of 2023, marking a significant milestone in her journey towards sustainable business transformation. This report highlights and proves banks dedication to environmental initiatives, social contributions, governance practices.

Regarding the environment, in 2024 BKT Kosova undertook a significant sustainability initiative by installing solar panels on the roof of our headquarters. These solar panels have a capacity of 22.23 kWp. The energy generated from these panels will be used to meet our heating and general energy consumption needs, reflecting the Bank's commitment to renewable energy and reducing BKT Kosova's environmental footprint. This initiative is an important step in the bank's ongoing efforts to promote sustainable practices in its operations. By promoting digital transactions, the bank has significantly reduced paper consumption for 2% this year, which percentage will increase in the coming years due to banks focus on digital transactions. Currently, more than 80% of the bank's transactions are conducted online through digital channels. BKT Kosova green financing program includes investments in renewable energy, energy efficiency, sustainable water and waste management.

During 2024, the Bank has also been involved in the development of a green financing program for circular economy and resource efficiency - Circular Economy Loan, which will be available to local companies from January 2025. The main objective of the loan is to support the manufacturing companies that produce a high amount of different waste streams to optimize their production and business processes to move from linear to circular business model and contribute to resource conservation.

The loan will support the reduction of the companies' environmental footprint and negative impact on ecosystems, while improving the companies' economic value and positioning on the regional and EU markets.

BKT Kosova's commitment to reduce the generation of operational waste as part of the bank's activities and impact by installing waste separation containers at the Head Office and Pejton Branch.

Regarding the governance segment, the Bank has established the Sustainability Committee, which regularly reports on the ESG activities within the Bank by ensuring transparency, continuity and up-to-date ESG reporting, which includes the key performance indicators and progress in strategy implementation.

BKT Kosova has always intended to eliminate the gender pay gap and has managed to make no difference in the percentage pay gap between male and female employees in the same job positions.

As a continuation of our sustainability initiative, the Bank has adopted the Environmental and Social Management System Policy, which is in line with BKT Kosova's vision and mission regarding environmental sustainability, social responsibility and sustainable development, and represents a set of processes and practices aimed at minimizing the negative impact on environmental and social aspects.

In terms of social engagement, BKT Kosova has worked closely with its employees and stakeholders to increase awareness on sustainability issues by organizing a roundtable discussion on "Empowering the green economy - The strategic role of banks in Kosovo's sustainable transition" and supported the 3rd International Conference on Environmental Sustainability and Climate Change. Regarding the Bank's commitment to staff development, the Bank has continuously organized trainings on ESG issues, including Green Lending and Wellbeing topics related to social segment. In addition, as every year, BKT Kosova continued with the blood donation initiative, a longstanding tradition of the Bank. The significant participation of the bank's employees in this blood donation activity underscores our institution's commitment to create a positive impact and set an example in society. As part of initiatives to raise awareness about the environment and our planet in general, BKT Kosova organized a World Cleanup Day, where our employees expressed their willingness to significantly participate in this activity, thus raising the goal of caring for the environment. As part of the bank's green financing program, the bank has provided support to women entrepreneurs and start-ups to stimulate women empowerment and entrepreneurship among youth to develop their business ideas and support agriculture projects as well.

BKT Kosova continues to contribute to the increase of personal data privacy and security within the bank and the overall reduction of incidents by implementing specific measures to ensure the security and privacy of personal data of employees as well as personal data of clients.

During 2024, we were honored to be awarded three Sustainability Awards:

- **Best Environmental Sustainable Bank Kosovo 2024**
  Global Business Magazine;

- **Best Sustainable Bank Kosovo 2024**
  World Economic Magazine

- **Best Bank for Sustainable Development Kosovo 2024**
  Global Banking and Finance.

FURTHER PLANS

In terms of environmental segment, BKT Kosova will continue to be committed to environmentally friendly activities, reducing energy consumption and increasing the use of renewable energy for heating and electricity needs, reducing the consumption of gasoline and other fossil fuels within the bank, increasing the clients' compliance with environmental principles, developing green financing programs for renewable energy and energy efficiency. BKT Kosova's social contribution will be oriented to promoting gender equality actions, ensuring the overall satisfaction of employees and our clients.

CORPORATE SOCIAL RESPONSIBILITY

At BKT Kosova, we are committed to making a positive impact on the communities we serve. Our corporate and social responsibility (CSR) initiatives are driven by our core values of integrity, innovation and inclusiveness. We believe that a successful business must contribute to the well-being of society and the environment.

Community Engagement

We actively engage with local communities through various initiatives and support aimed at improving education, healthcare and social welfare. Our partnerships with nonprofit organizations and community groups help us address pressing social issues and support those in need. We are proud to sponsor educational scholarships, health campaigns and community development projects that create lasting benefits for our society.

At BKT Kosova, we are committed to being a responsible corporate citizen. Our CSR efforts reflect our commitment to creating a better future for our communities, our environment and our employees.

In 2024, BKT Kosova continued to make significant contributions to the community through various initiatives, including:

- Donations to "Down Syndrome Kosova"
- Donations to OJQ Autizmi
- Donations to OJQ Hader
- Donations to Maarif Schools of Kosovo
- Donations to Linja e Jetes
- Computer donations to five different schools and kindergartens
- Sponsorship of the Kosovo Olympic Committee (KOK)
- Sponsorship of a cultural exchange program between Pertevniyal High School and Gjon Buzuku Science High School
- Sponsorship of the film "Gesmisin Koksu"
- The "Be a Hero" campaign
- Sponsorship of the "Third International Conference on Environmental Sustainability and Climate Change"
- Organizing a roundtable discussion on "Empowering the Green Economy: The Strategic Role of Banks in Kosovo's Sustainable Transition"
- Sponsorship of Festari 2024

These efforts underscore BKT Kosova's commitment to the prosperity of the community, sports, and youth in Kosovo, as well as promoting sustainable business practices.

OUR EMPLOYEES

EMPLOYEE-CENTRIC CULTURE

BKT Kosova remains steadfast in its commitment to fostering an exceptional work environment. The bank is committed to diversity and inclusion within its workforce, recognizes and rewards performance, nurtures talent, and prioritizes the physical, emotional, and financial well-being of its employees. Central to BKT Kosova's strategy for sustainable growth is cultivating employee engagement, creating a supportive environment that enables growth and development. This, in turn, empowers employees to deliver outstanding service to clients while building fulfilling careers within the organization.

EXPANDING AND FORTIFYING

As of December 31, 2024, BKT Kosova proudly employed 84 people,. The gender distribution of employees is 56% female and 44% male. The focus on mixing experienced professionals with emerging talent remains a priority, as BKT Kosova continues to enhance its internship programs in collaboration with public and private universities to attract top talent. In 2024, the bank welcomed 63 interns, of which 20% joined the BKT Kosova team. The average age of our bank employees is 34 and an impressive 89% have a university degree. Of these employees, 16% have a master's degree and hold internationally recognized professional certifications.

NURTURING PROFESSIONAL GROWTH AND HUMAN CAPITAL

BKT Kosova's commitment to fostering an inclusive, thriving and rewarding work environment continues to flourish. In 2024, our people development initiatives focused on enriching professional experiences, enabling employees to customize their career paths, and cultivating a diverse talent pool within the organization. Identifying and effectively leveraging professional skills has played a critical role in enhancing employee training and development. In addition to a robust catalog of in-house learning opportunities, various professional training programs were conducted by certified local and international trainers, accounting for 68% of the total, while 32% were facilitated by senior bank staff in house trainigs. The BKT Kosova Leadership Program has been instrumental in equipping middle management with the essential skills and tools necessary for effective team leadership, skills enhancement, results achievement, and a feedback culture focused on performance and employee well-being. During the year 2024, this program has supported the career development of 14 of managers. In conjunction with the Leadership Program, ESG training was successfully completed across all sectors and management levels, providing a basic understanding of ESG criteria and aligning actions with sustainability goals to foster a culture of responsibility.

WELLNESS, PROSPERITY, AND MEAL ALLOWANCE

BKT Kosova recognizes the importance of fostering a collective sense of purpose among its employees. The bank is committed to maintaining a work environment that prioritizes the health of its employees and provides transparent and sustainable compensation.

ENRICHING WORK-LIFE BALANCE

Building on previous years' successes, BKT Kosova continued to host innovative annual events for employees, ranging from family picnics to outdoor adventures in the Kosovar mountains. The BKT Kosova terrace remains a favored space for employees to unwind, savor coffee, and engage in activities such as ping pong. "Friday Parties" have solidified their status as a regular feature, enhancing employee satisfaction, sparking creativity, and improving work processes. Flexible working hours have significantly boosted employee morale and satisfaction, contributing to the attraction and retention of top talent. Informal meetings in relaxed settings have encouraged creativity and idea generation.

BKT KOSOVA FINANCIAL STATEMENTS

Financial Statements as at and for the year ended December 31, 2024 with the Independent Auditor's Report there-on

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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, 2024, 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, 2024, 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 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 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.

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 scepticism 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 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 14, 2025

Str., Bekim Fehmiu, Icon Tower, Floor 4, Pristina, Kosovo
Cert of Reg: 811335597

Teit Gjini
Statutory Auditor

	Notes	December 31, 2024	December 31, 2023
Assets			
Cash and balances with Central Bank	6	182,724,547	153,388,635
Placements and balances with banks	7	135,831,757	117,763,831
Financial assets at fair value through other comprehensive income	8	174,118,167	146,402,957
Financial assets at amortized cost	8	65,156,909	81,962,792
Due from BKT Albania	25	448,787	32,965
Loans and advances to banks and other syndication loans	9.1	47,089,606	49,010,277
Loans to customers, net	9.2	777,195,540	606,788,335
Property and equipment	10	17,005,827	15,874,290
Right of use assets	10.1	4,295,598	3,887,144
Intangible assets	11	865,325	729,626
Income tax receivables	27	2,370,199	1,550,323
Deferred tax asset	27	794,000	1,679,007
Other assets	12	13,567,901	11,282,852
Total assets		**1,421,464,163**	**1,190,353,035**
Liabilities			
Customer deposits	13	1,096,098,576	951,615,351
Due to banks	14	54,634,986	40,906,275
Liabilities based on Repo Transactions	14	68,814,769	32,238,826
Due to BKT Albania	14	2,664,693	780,781
Income tax liability	27	2,595,896	2,508,993
Provisions	24	197,096	426,483
Accruals and other liabilities	15	11,852,681	6,987,130
Lease liabilities	10.1	4,437,543	4,023,143
Borrowings	16	-	4,457,551
Subordinated debt		22,064,103	22,081,501
Total liabilities		**1,263,360,343**	**1,066,026,033**
Equity			
Share capital	17	31,000,000	31,000,000
Accumulated profit from previous years		99,293,580	75,673,876
Profit for the year/ period		27,540,655	23,619,704
Fair value reserve and Securities measured at FVOCI provision		561,587	(5,674,577)
Other reserves		(292,002)	(292,002)
Total shareholder's equity		**158,103,820**	**124,327,001**
Liabilities and shareholder's equity		**1,421,464,163**	**1,190,353,035**

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, 2025 and signed on its behalf by:

Suat Bakkal
CEO and Board Member

Agon Skeja
Deputy CEO, CFO

		For the year ended December 31, 2024	For the year ended December 31, 2023
Interest income calculated using the effective interest method	18	59,323,982	51,153,949
Interest expense calculated using the effective interest method	19	(14,988,037)	(13,356,519)
Net interest income		**44,335,945**	**37,797,430**
Fees and commissions, net	20	10,353,395	8,880,436
Foreign exchange revaluation gain, net		(170,190)	168,662
Gain/(Loss) from sale of Investment securities measured at FVOCI	8	1,066,346	782,820
Profit / (loss) from FX trading activities, net		1,184,897	312,817
Other (expenses) / income, net	21	482,606	1,190,374
Total non-interest income, net		**12,917,054**	**11,335,108**
Operating expenses			
Personnel expenses	22	(10,467,369)	(8,283,218)
Administrative expenses	23	(11,058,701)	(8,626,177)
Depreciation and amortization	10, 10.1, 11	(1,875,393)	(1,542,272)
Total operating expenses		**(23,401,463)**	**(18,451,668)**
Impairment losses on loans to customers	9.2	69,392	(605,296)
Impairment losses on financial assets, other than loans to customers, and provisions for off balance items	12, 24	(3,638,467)	(3,859,829)
Profit before income tax		**30,282,461**	**26,215,745**
Income tax expense	**27**	**(2,741,806)**	**(2,596,041)**
Current year income tax expense		(2,595,896)	(2,508,993)
Deferred income tax		(145,910)	(87,048)
Profit for the period		**27,540,655**	**23,619,704**
Revaluation of investment securities and provision of securities measured at FVOCI		6,236,164	3,923,200
Total of other comprehensive income for the period		**6,236,164**	**3,923,200**
Total comprehensive income for the period		**33,776,819**	**27,542,904**

The audited statement of comprehensive income is to be read in conjunction with the notes set out in pages 7 to 83 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 2024
(Amounts in EUR, unless otherwise stated)

	Share capital	Fair value reserves	Other reserves	Retained earnings	Total
Balance as at 1 January 2023	**31,000,000**	**(9,597,777)**	**(292,002)**	**75,673,876**	**96,784,097**
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				23,619,704	**23,619,704**
Net change in fair value of instrument at FVOCI		(964,662)			**(964,662)**
Net changes in deferred tax on FVOCI instruments		96,466			**96,466**
Net changes in allowance for expected credit losses of instruments at FVOCI		4,791,396			**4,791,396**
Total comprehensive income for the year		**3,923,200**	**-**	**23,619,704**	**27,542,904**
Balance at 31 December 2023	**31,000,000**	**(5,674,577)**	**(292,002)**	**99,293,580**	**124,327,001**
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				27,540,655	27,540,655
Net change in fair value of instrument at FVOCI		7,390,974			7,390,974
Net changes in deferred tax on FVOCI instruments		(739,097)			(739,097)
Net changes in allowance for expected credit losses of instruments at FVOCI		(415,713)			(415,713)
Total comprehensive income for the year		**6,236,164**		**27,540,655**	**33,776,819**
Balance at 31 December 2024	**31,000,000**	**561,587**	**(292,002)**	**126,834,235**	**158,103,820**

The audited statement of changes in equity is to be read in conjunction with the notes set out in pages 7 to 83 that form part of the audited financial information.

	Notes	For the year ended as at December 31, 2024	For the year ended as at December 31, 2023
Cash flows from operating activities:			
Profit before income tax		**30,282,461**	**22,292,544**
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Interest expense	19	14,988,037	13,356,519
Interest income	18	(59,323,982)	(51,153,949)
Depreciation	10, 10.1, 11	1,875,393	1,542,272
Gain/ Loss on disposal of property, plant & equipment		-	-
Gain/loss on sale of investment securities		(1,066,346)	(782,820)
Gain on recovery of written off loans to customers		(374,944)	(166,577)
Write-off of loans to customers		5,910,190	538,552
Other non-monetary income		-	-
Impairment of loans to customers, net		(69,392)	605,296
Impairment of other financial assets, net		2,122,188	3,859,830
Impairment of other assets		-	-
Cash flows from operating profit before changes in operating assets and liabilities		**(5,656,395)**	**(9,908,333)**
(Increase)/decrease in operating assets:			
Restricted balances with Central Bank		(15,230,345)	(6,389,399)
Placement and balance with banks		(14,470,610)	(13,804,840)
Loans to banks and other syndication loans	9.1	2,149,774	5,000,000
Loans to customers	9.2	(174,818,146)	(83,432,326)
Due from BKT Albania		(415,822)	9,037
Other assets		(2,774,283)	(1,600,611)
		(205,559,431)	**(100,218,139)**
Increase/(decrease) in operating liabilities:			
Due to customers		146,345,959	155,330,216
Due to banks and syndication loans		50,293,204	(5,389,953)
Due to BKT Albania		1,883,912	210,442
Accruals and other liabilities		5,672,291	4,660,717
Impairment losses on financial assets, other than loans to customers, and provisions for off balance items		-	-
		204,195,366	**154,811,422**
Interest paid		(16,808,816)	(14,022,334)
Interest received		58,501,135	49,249,061
Income taxes paid		(3,315,733)	(2,108,183)
Net cash flows from / (used in) operating activities		**31,356,126**	**77,681,660**
Cash flows used in investing activities			
Proceeds from sale of investment securities	24	(6,780,240)	(1,310,927)
Purchases of property, equipment and intangible assets		(1,825,088)	(1,835,744)
Proceeds from sale of Properties, plant & equipment		-	-
Net cash from/ (used in) investing activities		**(8,605,328)**	**(3,146,670)**
Cash flows from financing activities			
(Repayments of)/ Proceeds from due to banks		(4,505,454)	(4,427,891)
Change in lease principal		(903,141)	(706,158)
Net cash generated from financing activities		**(5,408,595)**	**(5,134,049)**
Net increase in cash and cash equivalents		**17,342,204**	**69,400,941**
Cash and cash equivalents at the beginning of the period	6	167,983,532	98,582,591
Cash and cash equivalents at the end of the period	**6**	**185,325,735**	**167,983,531**

The audited statement of cash flows is to be read in conjunction with the notes set out in pages 7 to 8 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 23 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, Skenderaj, Theranda and Klina. The number of employees at the end of 2024 was 492 (2023: 466).

Share capital

On 31 December 2024 the authorised share capital is EUR 31,000,000 (2023: 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.

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-24	31-Dec-23
USD	1.0389	1.1050
GBP	0.8292	0.86905
CHF	0.9412	0.9260
ALL	0.0102	0.0096
TRY	0.02722	0.03063

(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 2023: 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;

ECL is estimated under Base (typical), Good (favourable) and Bad (unfavourable) conditions.

The only Point-in-Time estimates are for Probability of Default. Workout LGD is used, where the cash flows during the non-performing processes of a product are obtained by being discounted to their amounts on the date of default and EAD uses amortisation type payment schedules. Once all components (PD, EAD, LGD) have been computed, the ECL is estimated under three different scenarios: Base (typical), Good (favourable) and Bad (unfavourable) condition, with weights 40%, 30% and 30% respectively.

(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.

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Notes to the Financial Statements for the year ended 31 December 2024
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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:

• Lease 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 2023 and 2022 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.

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 2023.

(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.

3. Significant accounting policies (continued)

(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 Standards and Interpretations effective in the current period

There are no accounting announcements which have become effective from 01 January 2024 that have a significant impact on the Bank's financial statements.
Other Standards and amendments that are effective for the first time in 2024 and could be applicable to the entity are:

- Lease Liability in a Sale and Leaseback: Amendments to IFRS 16 Leases
- Classification of Liabilities as Current or Non-Current: Amendments to IAS 1 Presentation of Financial StatementsIFRS for Small and Medium-sized Entities (IFRS for SMEs)

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

3.2 Standards and interpretations issued but not yet adopted.

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 2024:

- IAS 21 — Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)
- IFRS 9 and IFRS 7- Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026)
- IFRS 18: A new presentation standard replacing IAS 1, effective from January 1, 2025.
- IFRS 19: An optional standard allowing certain entities to reduce required disclosures, effective from January 1, 2025.

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-24			**Fair Value**			
	Note	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Placement and balances with banks	7	135,831,757	-	-	135,831,757	135,831,757
Investment securities	8	239,275,076	174,118,167	-	65,156,909	239,275,076
Due from BKT Albania	25	448,787	-	-	448,787	448,787
Loans and advances to banks and other syndication loans	9	47,089,606	-	-	47,089,606	47,089,606
Loans to customers	9	777,195,540	-	-	777,195,540	777,195,540
Total financial assets		**1,199,840,766**	**174,118,167**	**-**	**1,025,722,599**	**1,199,840,766**
Customer deposits	13	1,096,098,576	-	-	1,096,098,576	1,096,098,576
Due to banks	14	57,299,679	-	-	57,299,679	57,299,679
Liabilities based on Repo Transactions	14	68,814,769	-	-	68,814,769	68,814,769
Borrowings	16	-	-	-	-	-
Subordinated debt	16.1	22,064,103			22,064,103	22,064,103
Total financial liabilities		**1,244,277,127**	**-**	**-**	**1,244,277,127**	**1,244,277,127**

31-Dec-23			**Fair Value**			
	Note	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Placement and balances with banks	7	117,763,831	-	-	117,763,831	117,763,831
Investment securities	8	228,365,749	146,402,957	-	81,962,792	228,365,749
Due from BKT Albania	25	32,965	-	-	32,965	32,965
Loans and advances to banks and other syndication loans	9	49,010,277	-	-	49,010,277	49,010,277
Loans to customers	9	606,788,335	-	-	606,788,335	606,788,335
Total financial assets		**1,001,961,157**	**146,402,957**	**-**	**855,558,199**	**1,001,961,157**
Customer deposits	13	951,615,351	-	-	951,615,351	951,615,351
Due to banks	14	41,687,056	-	-	41,687,056	41,687,056
Liabilities based on Repo Transactions	14	32,238,826	-	-	32,238,826	32,238,826
Borrowings	16	4,457,551	-	-	4,457,551	4,457,551
Subordinated debt	16.1	22,081,501	-	-	22,081,501	22,081,501
Total financial liabilities		**1,052,080,285**	**-**	**-**	**1,052,080,285**	**1,052,080,285**

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 2024 and 31 December 2023 are as follows:

Financial Instruments Credit Risk		**31-Dec-24**			**31-Dec-23**		
	Note	**Exposure before impairment**	**Impairment**	**Net exposure for credit risk**	**Exposure before impairment**	**Impairment**	**Net exposure for credit risk**
A. Credit risk exposure relating to balance sheet items							
Cash and Cash Balances with Central Banks		182,724,547	-	182,724,547	153,388,635	-	153,388,635
Placements and Balances with the Banks		135,843,809	(12,052)	135,831,757	117,771,578	(7,747)	117,763,831
Investment securities - measured at FVOCI		174,118,167	-	174,118,167	146,402,957	-	146,402,957
Investment securities - measured at amortised cost		65,201,610	(44,701)	65,156,909	83,523,043	(1,560,251)	81,962,792
Loans to customers		788,312,589	(11,117,049)	777,195,540	619,061,640	(12,273,305)	606,788,335
Loans and advances to banks		47,184,965	(95,359)	47,089,606	49,402,482	(392,205)	49,010,277
Other Assets		16,371,097	(2,841,923)	13,529,174	12,680,836	(1,397,984)	11,282,852
Total Assets		**1,409,756,785**	**(14,111,085)**	**1,395,645,700**	**1,182,231,171**	**(15,631,492)**	**1,166,599,679**
Off balance sheet items							
Undrawn credit commitments		118,435,064	(197,096)	118,237,968	79,188,600	(426,483)	78,762,117
Swap foreign currency contract	29	42,995,110	-	42,995,110	38,777,280	-	38,777,280
Collaterals for loan portfolio		1,918,019,738	-	1,918,019,738	1,417,040,456	-	1,417,040,456
Securities pledged as collateral		-	-	-	-	-	-
Total off-balance sheet		**2,079,449,912**	**(197,096)**	**2,079,252,816**	**1,535,006,335**	**(426,483)**	**1,534,579,852**
Total credit risk exposure		**3,489,206,696**	**(14,308,181)**	**3,474,898,516**	**2,717,237,506**	**(16,057,975)**	**2,701,179,531**

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).

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 first relied on proxies provided by external credit rating agencies. Since then, an internal credit rating for non-retail clients has been developed and used for PD estimation.

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 IMF, including historical data spanning 2011– 2021 and baseline projections for 2022 – 2028. In addition to economic PD and models, a set of fundamental macroeconomic variables related to the borrower's repayment capacity is considered, in accordance with the requirements of IFRS 9, to develop the forward-looking macro-corrected lifetime PD. The variables are linked to the real economy, nominal economy, and credit developments in Kosovo. This annual in-sample data has been converted to monthly data using the Denton-Cholette method, which is a statistical technique used to disaggregate lower frequency data (such as yearly data) into higher frequency data (such as monthly data) while maintaining the overall structure and properties of the original series. However, the forecast of Unemployment variable was not available; therefore, it has been generated using the VAR (Vector Autoregression) method for years between 2022 and 2028 using its monthly data which again generated via the Denton Cholette method.

In the macroeconomic modeling process, there are two main segments: Retail and Commercial. Using the resulting FLI values of these main segments, the PD values for the subsegments are created.

The Migration Matrix method is used for Lifetime PD calculations on a segment basis, which are created by calculating the change of a customer in the PD pool from a year ago.

The weight of each pool in the migration matrices is calculated by weighting with the risk balance in each pool change.

The method used in calibration consists of 5 steps:

The resulting forecasted default rates for Base, Good and Bad scenarios from macroeconomic models are used for the calculation of transition matrices. In Step 1, migration matrices are calculated to match the estimated portfolio-level PD. This is done by incorporating the macro model's PD estimates and constructing migration matrices based on the change of a customer in the PD pool from a year ago.

In Step 2, the weight of each pool in the migration matrices is calculated by weighting with the risk balance in each pool change. This is done to ensure that the migration matrices accurately represent the risk dynamics within the portfolio. Each pool's transitions are weighted based on their risk balance, which reflected the distribution of credit risk across the different pools.

In Step 3, adjusted matrices are generated to align with the macroeconomic model's PD estimates. This adjustment is done to ensure that the matrices reflect expected future economic conditions and the corresponding impact on loan portfolio behavior. The adjustment process involves fine-tuning the transition probabilities in the migration matrices so that they match the macro model's PD estimates.

In Step 4, the adjusted matrices are used to obtain the forward-looking PD for each pool. This involved applying the adjusted migration probabilities to the current distribution of customers across the PD pools to estimate their future distribution. This step ensured that the PD projections for each pool incorporate the adjusted matrices, providing a forward-looking view of customer risk.

5. Financial risk management (continued)

(b) Credit Risk (continued)

ii. Expected credit loss measurement (continued)

In Step 5, The 12-month PD at the pool level for the remaining years is generated over the lifetime of the portfolio using the adjusted migration matrices. This involves simulating customer movements through the PD pools year by year, projecting their likely future states with the adjusted matrices. Lifetime PD estimates for each customer segment are generated, reflecting the expected credit risk over the entire duration of the portfolio.

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 is modelled as described below and EAD uses amortization type payment schedules. Once all components (PD, EAD, LGD) have been computed, the ECL is estimated under three different scenarios: Base (typical), Good(favourable) and Bad(unfavourable) condition, with weights 40%, 30% and 30% 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
Probability of default (PD) is the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. PD is defined as a product of the expected loss and IFRS9. For assets, which are in stage 1, a 12-month PD is used. For stage 2 assets, a lifetime PD is required for which a PD term is built. The PD estimates were developed using segmentation approach. The objective of the segmentation is to identify pools of accounts with similar drivers of PD. The approach taken to design the PD Pools is CART (Classification and Regression Tree). CART is a tree-based exploratory method used to study the relationship between a dependent variable and a series of predictors. The portfolio is split into two segments – retail and non-retail. For the retail segment the PD model is using a segmentation with decision trees, while for the non-retail portfolio the bank will be using internal rating. The PD is then adjusted to PiT PD using a transition matrix and macroeconomic factors.

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. Complete and incomplete workouts must be considered in the modeling. The estimation is done first for complete cases where the final loss is observable based on the end date of the default event. The incomplete cases are integrated as well, the estimation for them is done based on all transactions until the end of available history . The average of complete and incomplete cases produces the expected loss LGD. Loss Given Default (LGD) is the loss ratio on a credit instrument occurring after the borrower defaults and calculated as the percentage of exposure at default which the bank does not expect to recover.

Workout LGD is used, where the cash flows during the non-performing processes of a product/ loan are obtained by being discounted to their amounts on the date of default.

Cash flows (recoveries & costs) occurring between the default start date and the default end date has to be discounted to the default starting point. The LGD is then calculated as the portion of EAD not recovered during the process

3. Exposure at Default (EAD)
EAD modeling is an attempt to predict the exposure of a credit obligation at the default moment expected within the next 12 months. EAD is a parameter to be used in the calculation of expected loss and in regulatory capital requirement. The 12-month performance of the customers reflects the default probability, and the EAD is the expected balance of the customer at default time. Therefore, from observation point to the default point in EAD must be between 1 and 12 months. Risk/limit information is used from all months prior to default. The conversion factor is calculated as average over 12 months.
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.

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 2024	Loans and advances to customers			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**586,737,397**	**24,253,311**	**8,925,671**	**619,916,379**
Transfer to Stage 1 (from 2 or 3)	8,822,976	(8,432,491)	(390,485)	-
Transfer to Stage 2 (from 1 or 3)	(9,300,116)	9,432,268	(132,151)	-
Transfer to Stage 3 (from 1 or 2)	(2,956,168)	(2,186,063)	5,142,231	-
New financial assets originated or purchased	343,853,714	12,138,698	1,186,414	357,178,826
De-recognition of financial assets	(81,969,991)	(5,165,388)	(2,451,267)	(89,586,646)
Changes due to change in credit risk that did not result in de-recognition	(92,544,887)	(2,838,681)	(1,307,935)	(96,691,504)
Write-offs	(923)	-	(1,171,363)	(1,172,286)
Gross Balance at 31 December 2024	**752,642,001**	**27,201,654**	**9,801,113**	**789,644,769**

The gross carrying amounts include principal and interest. Unamortized deferred fee is not included. As of 31 December 2024 unamortized deferred fee amounts 1,332,183 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 2023	Loans and advances to customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023	**501,353,960**	**27,265,139**	**7,918,383**	**536,537,481**
Transfer to Stage 1 (from 2 or 3)	5,216,085	(5,018,330)	(197,755)	-
Transfer to Stage 2 (from 1 or 3)	(8,129,870)	8,285,526	(155,656)	-
Transfer to Stage 3 (from 1 or 2)	(1,951,136)	(1,305,950)	3,257,086	-
New financial assets originated or purchased	221,132,284	1,033,973	859,788	223,026,044
De-recognition of financial assets	(51,938,136)	(1,688,611)	(399,121)	(54,025,868)
Changes due to change in credit risk that did not result in de-recognition	(78,945,790)	(4,318,435)	(1,704,711)	(84,968,936)
Write-offs	-	-	(652,343)	(652,343)
Gross Balance at 31 December 2023	**586,737,397**	**24,253,311**	**8,925,671**	**619,916,379**

The gross carrying amounts include principal and interest. Unamortized deferred fee is not included. As of 31 December 2023 unamortized deferred fee amounts 854,742 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 2024	Loans to customers allowance			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**6,269,119**	**1,402,102**	**4,602,085**	**12,273,305**
Transfer to Stage 1 (from 2 or 3)	528,207	(354,233)	(173,974)	-
Transfer to Stage 2 (from 1 or 3)	(93,717)	163,511	(69,794)	-
Transfer to Stage 3 (from 1 or 2)	(69,183)	(175,605)	244,788	-
New financial assets originated or purchased	1,362,407	1,098,185	614,467	3,075,059
De-recognition of financial assets	(1,008,812)	(189,458)	(1,129,837)	(2,328,106)
Write-offs	(10)	-	(935,267)	(935,278)
Changes in models/risk parameters	(3,797,771)	389,761	2,440,078	(967,931)
Foreign exchange and other changes	-	-	-	-
Allowance at 31 December 2024	**3,190,240**	**2,334,263**	**5,592,546**	**11,117,049**

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 2023	Loans to customers allowance			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**6,984,436**	**1,607,109**	**3,543,639**	**12,135,183**
Transfer to Stage 1 (from 2 or 3)	280,827	(226,351)	(54,477)	-
Transfer to Stage 2 (from 1 or 3)	(177,205)	231,350	(54,145)	-
Transfer to Stage 3 (from 1 or 2)	(37,690)	(59,182)	96,872	-
New financial assets originated or purchased	2,623,004	108,438	381,720	3,113,161
De-recognition of financial assets	(581,673)	(71,136)	(186,831)	(839,640)
Write-offs	-	-	(463,615)	(463,615)
Changes in models/risk parameters	(2,822,580)	(188,126)	1,338,923	(1,671,783)
Foreign exchange and other changes	-	-	-	-
Allowance at 31 December 2023	**6,269,119**	**1,402,102**	**4,602,085**	**12,273,305**

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 2024	**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 2024	**93,658,678**	**-**	**-**	**93,658,678**	**148,550,43**	**8,832,271**	**2,846,494**	**160,229,197**
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	106,321,913	-	-	106,321,913	77,538,315	-	6,423,742	83,962,057
De-recognition of financial assets	(93,658,678)		-	(93,658,678)	(56,278,02	(8,832,271)	-	(65,110,300)
Changes due to modifications that did not result in de-	-	-	-	-	1,205,597	-	451,912	1,657,508
Reclassification of instruments	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2024	**106,321,913**	**-**	**-**	**106,321,913**	**171,016,31**	**-**	**9,722,147**	**180,738,462**

31 December 2024	**Investment Securities at amortised cost**				**Loan Commitments and financial guarantee**			
	Stage1	**Stage2**	**Stage3**	**Total**	**Stage1**	**Stage2**	**Stage3**	**Total**
Balance at 1 January 2024	**82,284,544**		**1,105,958**	**83,390,502**	**27,705,204**	**144,885**	**75,730**	**27,925,820**
Transfer to Stage 1 (from 2 or 3)				-	94,885	(94,885)		-
Transfer to Stage 2 (from 1 or 3)				-	(5,000)	5,000		-
Transfer to Stage 3 (from 1 or 2)	-	-	-	-				-
New financial assets originated or purchased	8,071,725			8,071,725	13,446,954	108,290		13,555,243
De-recognition of financial assets	(28,756,725)			(28,756,725)	(10,629,25	(50,000)	(75,730)	(10,754,983)
Changes due to modifications that did not result in de-	3,602,066			3,602,066	(300,000)			(300,000)
Reclassification of instruments	-	-	-	-				-
Write-offs			(1,105,958	(1,105,958)				-
Gross Balance at 31 December 2024	**65,201,610**	**-**	**-**	**65,201,610**	**30,312,790**	**113,290**	**-**	**30,426,080**

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)

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

31 December 2023	**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 2023	**54,162,770**	**-**	**-**	**54,162,770**	**165,050,495**	**482,953**	**2,721,16**	**168,254,61**
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	49,402,482	-	-	49,402,482	16,549,984	-	-	16,549,984
De-recognition of financial assets	(54,162,770)		-	(54,162,77	(32,864,988)	-	-	(32,864,98
Changes due to modifications that did not result in de-	-	-	-	-	(185,059)	70,430	125,328	10,699
Reclassification of instruments	-	-	-	-	-	8,278,88	-	8,278,887
Gross Balance at 31 December 2023	**49,402,482**	**-**	**-**	**49,402,482**	**148,550,432**	**8,832,27**	**2,846,49**	**160,229,19**

31 December 2023	**Investment Securities at amortised cost**				**Loan Commitments and financial guarantee**			
	Stage1	**Stage2**	**Stage3**	**Total**	**Stage1**	**Stage2**	**Stage3**	**Total**
Balance at 1 January 2023	**59,242,984**	**8,278,887**	**1,043,992**	**68,565,864**	**16,777,977**	**50,000**	**-**	**16,827,977**
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	30,960,624	-	-	30,960,624	17,802,686	94,885	75,730	17,973,302
De-recognition of financial assets	(7,995,329)	-	-	(7,995,329)	(8,576,486)	-	-	(8,576,486)
Changes due to modifications that did not result in de-	209,548	-	61,965	271,514	1,651,027	50,000	-	1,701,027
Reclassification of instruments	-	(8,278,887)	-	(8,278,887)	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2023	**82,417,827**	**-**	**1,105,958**	**83,523,043**	**27,655,204**	**194,885**	**75,730**	**27,925,820**

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 2023	**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 2023	**399,952**	**-**	**-**	**399,952**	**619,650**	**3,469,422**	**2,846,494**	**6,935,566**
								-
Transfer to Stage 1 (from 2 or 3)	-	-	-	-				-
Transfer to Stage 2 (from 1 or 3)	-	-	-	-	-	-	-	-
Transfer to Stage 3 (from 1 or 2)	107,411	-	-	107,411	72,192		2,890,684	2,962,875
New financial assets originated or purchased	(399,952)	-	-	(399,952)	(175,772)			(3,645,193)
Derecognition of financial assets	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	(185,307)		451,912	266,604
Changes in models/risk parameters	-	-	-	-				-
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Gross Balance at 31 December 2023	**107,411**	**-**	**-**	**107,411**	**330,763**	**-**	**6,189,089**	**6,519,853**

31 December 2024	**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 2024	**454,293**		**1,105,958**	**1,560,251.13**	**259,067.37**	**18,133.64**	**36,225.72**	**313,426.72**
	-	-	-	-	18,134	(18,134)		-
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	922			922	29,262	4,990		34,251
Derecognition of financial assets	(264,647)			(264,647)	(107,003)		(36,226)	(143,229)
Write-offs				(1,105,958)				-
Changes in models/risk parameters	(145,868)			(145,868)	(100,044)			(100,044)
Reclassification of instruments								
Foreign exchange and other movements								
Gross Balance at 31 December 2024	**44,701**	**-**	**-**	**44,701**	**99,416**	**4,990**	**-**	**104,406**

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 2023	**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 2023	**17,086**	**-**	**-**	**17,086**	**742,243**	**177,402**	**1,224,525**	**2,144,170**
								-
Transfer to Stage 1 (from 2 or 3)	-	-	-	**-**				**-**
Transfer to Stage 2 (from 1 or 3)	-	-	-	**-**	-	-	-	**-**
Transfer to Stage 3 (from 1 or 2)	7,747	-	-	**7,747**	7,323	-	-	**7,323**
New financial assets originated or purchased	(17,087)	-	-	**(17,087)**	(144,554)	-	-	**(144,554)**
Derecognition of financial assets	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	14,639	612,648	1,621,969	**2,249,257**
Changes in models/risk parameters	-	-	-	**-**	-	2,679,371	-	**2,679,371**
Foreign exchange and other movements	-	-	-	**-**	-	-	-	**-**
Gross Balance at 31 December 2023	**7,746**	**-**	**-**	**7,746**	**619,650**	**3,469,422**	**2,846,494**	**6,935,566**

31 December 2023	**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 2023	**362,292**	**2,679,371**	**521,775**	**3 568 621**	**292,663**	**-**	**-**	**292,663**
Transfer to Stage 1 (from 2 or 3)	-	-	-	**-**	-	-	-	**-**
Transfer to Stage 2 (from 1 or 3)	-	-	-	**-**	-	-	-	**-**
Transfer to Stage 3 (from 1 or 2)	-	-	-	**-**	129,208	18,134	36,226	**183,568**
New financial assets originated or purchased	201,986	-	-	**201,986**	(142,981)	-	-	**(142,981)**
Derecognition of financial assets	(58,412)	-	-	**(58,412)**	-	-	-	**-**
Write-offs	-	-	-	**-**		-	-	**-**
Changes in models/risk parameters	(56,164)	-	583,590	**527,426**	(19,823)	-	-	**(19,823)**
Reclassification of instruments	-	(2,679,371)	-	**(2,679,371)**	-	-		**-**
Foreign exchange and other movements	-	-	-	**-**	-	-	-	**-**
Gross Balance at 31 December 2023	**449,702**	**-**	**1,105,365**	**1,560,251**	**259,067**	**18,134**	**36,226**	**313,427**

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 2023 and 2022 by asset quality at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

		31-Dec-24	31-Dec-23
Stage 1	Non-Past Due	729,089,024	565,628,484
	Past due	23,552,981	21,108,916
	Total	**752,642,005**	**586,737,400**
	Allowance	3,190,240	**6,269,119**
	Total Carrying Amount	**749,451,765**	**580,468,282**
Stage 2	Non-Past Due	23,244,838	5,600,127
	Past due	3,956,816	18,653,183
	Total	**27,201,654**	**24,253,311**
	Allowance	2,334,263	1,402,102
	Total Carrying Amount	**24,867,391**	**22,851,209**
Stage 3	Non-Past Due	2,296,868	2,468,354
	Past due	7,504,246	6,457,317
	Total	**9,801,113**	**8,925,671**
	Allowance	5,592,546	4,602,085
	Total Carrying Amount	**4,208,567**	**4,323,586**
Total net amount at amortised cost		**778,527,723**	**607,643,076**
Value of collateral		**1,918,019,738**	**1,417,040,456**

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 2024 and 2023:

31 December	**Loans to customers 2024**				**Loans to customers 2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current	726,102,549	18,808,131	644,077	745,554,756	559,738,220	5,227,978	292,935	565,259,134
1 - 30 days	23,349,203	2,406,428	126,461	25,882,093	20,730,050	242,985	184,928	21,157,963
31 - 90 days	-	3,652,832	333,756	3,986,589	-	17,380,245	968,298	18,348,543
91 - 180 days	-	-	558,545	558,545	-	-	563,034	563,034
181 - 360 days	-	-	1,633,562	1,633,562	-	-	616,373	616,373
> 361 days	-	-	912,165	912,165	-	-	1,698,019	1,698,019
Total	**749,451,752**	**24,867,391**	**4,208,567**	**778,527,710**	**580,468,270**	**22,851,209**	**4,323,586**	**607,643,064**
Value of collateral	**1,788,225,091**	**88,075,053**	**41,719,594**	**1,918,019,738**	**1,314,596,775**	**57,177,708**	**45,265,973**	**1,417,040,456**

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

					2024	2023
	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	39,346,036				**39,346,036**	**44,952,752**
A1 to A3	49,952,888				**49,952,888**	**38,826,084**
Baa1 to Baa3	27,274,150				**27,274,150**	**17,826,359**
Ba1 to Ba3	9,597,589				**9,597,589**	**9,472,504**
B1 to B3	-				**-**	**-**
Unrated	10,121,934				**10,121,934**	**6,693,879**
Exposure before impairment	**136,292,597**				**136,292,597**	**117,771,578**
Loss allowance	12,052				**12,052**	**7,747**
Carrying amount	**136,280,544**				**136,280,544**	**117,763,831**
Investment Securities at FVOCI						
Aa1 to Aa3	91,949,860				**91,949,860**	**35,994,610**
A1 to A3	10,227,831				**10,227,831**	**18,359,451**
Baa1 to Baa3	4,594,335				**4,594,335**	**9,915,341**
Ba1 to Ba3	33,986,839				**33,986,839**	**35,455,374**
B1 to B3	29,839,072				**29,839,072**	**44,114,290**
Unrated	3,520,228				**3,520,228**	**2,563,890**
Exposure before impairment	**174,118,167**				**174,118,167**	**146,402,957**
Loss allowance	6,519,853				**6,519,853**	**6,935,566**
Carrying amount	**167,598,314**				**167,598,314**	**139,467,391**

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

FINANCIAL INSTRUMENTS CREDIT RISK - OTHER THAN LOANS TO CUSTOMERS

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	2024 Total	2023 Total
Investment Securities at Amortised Cost						
Aa1 to Aa3	-	-	-	-	-	-
A1 to A3	8,550,611	-	-	-	**8,550,611**	**6,495,401**
Baa1 to Baa3	43,962,537	-	-	-	**43,962,537**	**36,635,053**
Ba1 to Ba3	4,882,387	-	-	-	**4,882,387**	**-**
B1 to B3	7,806,075	-	-	-	**7,806,075**	**36,199,127**
Unrated	-	-	-	-	-	**4,193,461**
Exposure before impairment	**65,201,610**				**65,201,610**	**83,523,043**
Loss allowance	44,701				**44,701**	**1,560,251**
Carrying amount	**65,156,909**	**-**	**-**	**-**	**65,156,909**	**81,962,792**

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:

31 December 2024	**Cash and balances with Central Bank**	**Due from other banks**	**Investment securities**	**Loans to banks and syndicated loans**	**Other Assets**	**Total**
Good	182,724,547	135,831,757	239,275,076	47,089,606	13,567,902	618,488,888
Acceptable	-	-	-	-	-	-
Close monitoring	-	-	-	-	-	-
Total	**182,724,547**	**135,831,757**	**239,275,076**	**47,089,606**	**13,567,902**	**618,488,888**

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 2024. 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 2024	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Large Corporate				
Strong (rating A)	12,886,115	-	-	12,886,115
Satisfactory (rating B&C)	267,050,730	17,556,594	-	284,607,324
Watch list (higher risk) (rating D lower than C)	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	622,421	622,421
Total Rated	**279,936,845**	**17,556,594**	**622,421**	**298,115,860**
Non-Rated				
Total gross amount	**279,936,845**	**17,556,594**	**622,421**	**298,115,860**
Carrying amount	**278,201,268**	**16,125,360**	**335,858**	**294,662,486**
Collateral held for credit impaired assets & assets at FVPL	**1,000,398,759**	**60,410,080**	**10,292,031**	**1,071,100,870**
SME Corporate				
Strong (rating A)	47,985,497	148,791	-	48,134,289
Satisfactory (rating B&C)	38,703,725	4,147,261	-	42,850,986
Watch list (higher risk) (rating D lower than C)	-	-	-	**-**
Default (Lower than D and over 90 days past due)	-	-	3,753,332	3,753,332
Total Rated	**86,689,222**	**4,296,052**	**3,753,332**	**94,738,606**
Non-Rated				
Total gross amount	**86,689,222**	**4,296,052**	**3,753,332**	**94,738,606**
Carrying amount	**86,477,590**	**4,020,029**	**1,671,285**	**92,168,904**
Collateral held for credit impaired assets & assets at FVPL	290,597,075	15,216,216	14,947,287	320,760,577

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 2024	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Micro Corporate				
Strong (rating A)	13,085,915	12,817	-	**13,098,732**
Satisfactory (rating B&C)	32,522,139	2,032,422	-	**34,554,561**
Watch list (higher risk) (rating D lower than C*)*	-	-	-	**-**
Default (Lower than D and over 90 days past due)	-	-	2,502,661	2,502,661
Total Rated	**45,608,054**	**2,045,238**	**2,502,661**	**50,155,954**
Non-Rated	-	-	-	-
Total gross amount	**45,608,054**	**2,045,238**	**2,502,661**	**50,155,954**
Carrying amount	**45,360,016**	**1,896,547**	**1,009,446**	**48,266,009**
Collateral held for credit impaired assets & assets at FVPL	137,889,580	8,787,918	12,145,062	158,822,559
				-
OFF BALANCE SHEET	**353,083**	**35,612**	**-**	**388,694**
Credit cards Loss allowance	1,716	1,344	-	3,060

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 2024	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Large Corporate				
Strong (rating A)	4,791,302	-	-	4,791,302
Satisfactory (rating B&C)	223,542,573	16,090,089	-	239,632,662
Watch list (higher risk) (rating D lower than C*)*	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	883,487	883,487
Total Rated	**228,333,875**	**16,090,089**	**883,487**	**245,307,451**
Non-Rated	323,037	-	-	323,037
Total gross amount	**228,656,912**	**16,090,089**	**883,487**	**245,630,488**
Carrying amount	**225,563,165**	**15,140,842**	**548,151**	**241,252,158**
Collateral held for credit impaired assets & assets at FVPL	713,345,441	28,440,275	14,381,821	756,167,537
SME Corporate				
Strong (rating A)	3,924,227	-	-	3,924,227
Satisfactory (rating B&C)	64,802,863	5,637,733	-	70,440,596
Watch list (higher risk) (rating D lower than C*)*	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	2,734,339	2,734,339
Total Rated	**68,727,090**	**5,637,733**	**2,734,339**	**77,099,161**
Non-Rated	360,588	-	-	360,588
Total gross amount	**69,087,678**	**5,637,733**	**2,734,339**	**77,459,750**
				-
Carrying amount	**68,211,757**	**5,270,559**	**1,481,681**	**74,963,996**
Collateral held for credit impaired assets & assets at FVPL	210,293,757	19,489,700	12,284,077	242,067,534

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 2023	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Micro Corporate				
Strong (rating A)	3,686,520	-	-	3,686,520
Satisfactory (rating B&C)	22,362,123	1,083,515	-	23,445,638
Watch list (higher risk) (rating D lower than C*)*	-	-	-	-
Default (Lower than D and over 90 days past due)	-	-	3,426,018	3,426,018
Total Rated	**26,048,643**	**1,083,515**	**3,426,018**	**30,558,176**
Non-Rated	3,804,796	36,701	**-**	**3,841,497**
Total gross amount	**29,853,439**	**1,120,217**	**3,426,018**	**34,399,674**
				-
Carrying amount	**29,476,190**	**1,075,609**	**1,736,704**	**32,288,503**
Collateral held for credit impaired assets & assets at FVPL	90,089,159	5,569,427	12,459,050	108,117,636
				-
OFF BALANCE SHEET	**13,319,632**	**748**	**-**	**13,320,380**
Credit cards Loss allowance	24,278	1,345	23,681	49,305

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 2024. 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 2024	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Mortgage				
Defaults	-	-	527,944	527,944
Non-Rated	109,946,093	1,215,443	-	111,161,536
Total gross amount	**109,946,093**	**1,215,443**	**527,944**	**111,689,479**
Collateral held for credit impaired assets & assets at FVPL	165,494,399	2,487,458	2,907,339	170,889,195
Consumer				
Defaults	-	-	1,419,550	1,419,550
Non-Rated	223,117,691	1,585,994	-	224,703,685
Total gross amount	**223,117,691**	**1,585,994**	**1,419,550**	**226,123,235**
Collateral held for credit impaired assets & assets at FVPL	193,845,279	1,173,381	1,427,876	196,446,536
Creditcards				
Defaults	-	-	975,206	975,206
Non-Rated	7,344,087	502,332	-	7,846,420
Total gross amount	**7,344,087**	**502,332**	**975,206**	**8,821,625**
Collateral held for credit impaired assets & assets at FVPL	-	-	-	-
OFF BALANCE SHEET	**7,250,199**	**67,061**	**-**	**7,317,260**
Credit cards Loss allowance	5,704	102	-	5,806

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 2023.

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 2023	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Mortgage				
Defaults	-	-	759,840	759,840
Non-Rated	83,935,671	431,286	-	84,366,957
Total gross amount	**83,935,671**	**431,286**	**759,840**	**85,126,797**
Collateral held for credit impaired assets & assets at FVPL	147,162,697	2,930,960	5,532,239	155,625,896
Consumer				
Defaults	-	-	1,028,919	1,028,919
Non-Rated	168,833,372	946,925	-	169,780,297
Total gross amount	**168,833,372**	**946,925**	**1,028,919**	**170,809,216**
Collateral held for credit impaired assets & assets at FVPL	153,705,721	747,346	608,786	155,061,852
Credit Cards				
Defaults	-	-	93,068	93,068
Non-Rated	6,370,317	27,061	-	6,397,378
Total gross amount	**6,370,317**	**27,061**	**93,068**	**6,490,446**
Collateral held for credit impaired assets & assets at FVPL	-	-	-	-
OFF BALANCE SHEET	**6,037,734**	**-**	**-**	**6,037,734**
Credit cards Loss allowance	126,894	1,125	77,316	205,335

	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Total loss allowance as per December 2024	3,190,240	2,334,263	5,592,545	11,117,048
Total loss allowance as per December 2023	6,269,119	1,402,102	4,602,085	**12,273,305**

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 2024	Total amount of Loans	Total amount of Forborne Loans	Forborne Loans (%)
Stage 1	752,641,992	0	0.00%
Stage 2	27,201,654	10,330,733	37.98%
Stage 3	9,801,113	2,988,185	30.49%
Exposure before impairment	**789,644,759**	**13,318,918**	**1.69%**
Stage 1 Allowance	3,190,240	0	0.00%
Stage 2 Allowance	2,334,263	856,280	36.68%
Stage 3 Allowance	5,592,546	1,692,067	30.26%
Total net amount	**778,527,710**	**10,770,571**	**1.38%**
Value of collateral	1,918,019,738	49,433,544	2.58%

5. Financial risk management (continued)

(b) Credit Risk (continued)

iii. Credit quality analysis (continued)

Loans with renegotiated terms

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

31 December 2023	Total amount of Loans	Total amount of Forborne Loans	Forborne Loans (%)
Stage 1	586,737,388	-	0.00%
Stage 2	24,253,311	3,554,668	14.66%
Stage 3	8,925,671	2,138,520	23.96%
Exposure before impairment	**619,916,370**	**5,693,188**	**0.92%**
Stage 1 Allowance	6,269,119	-	0.00%
Stage 2 Allowance	1,402,102	245,730	17.53%
Stage 3 Allowance	4,602,085	1,236,280	26.86%
Total net amount	**607,643,064**	**4,211,178**	**0.69%**
Value of collateral	1,417,040,456	27,296,360	1.93%

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 2024	**Retail**	**Corporate**	**Total Loans**
Residential, commercial or industrial property	228,345,020	917,002,463	1,145,347,482
Financial assets	37,835,275	167,302,917	205,138,191
Other	101,155,437	466,378,627	567,534,064
Total	**367,335,731**	**1,550,684,007**	**1,918,019,738**

	Loans to customers		
31 December 2023	**Retail**	**Corporate**	**Total Loans**
Residential, commercial or industrial property	118,842,987	550,750,146	669,593,133
Financial assets	31,972,681	105,184,014	137,156,695
Other	159,872,080	450,418,547	610,290,627
Total	**310,687,749**	**1,106,352,707**	**1,417,040,456**

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 2024 and 31 December 2023 is shown below:

	Note	**Loans to customers**		**Loans to banks**		**Investment Securities**	
		31-Dec-24	**31-Dec-23**	**31-Dec-24**	**31-Dec-23**	**31-Dec-24**	**31-Dec-23**
Carrying amount	8,9.1,9.2	788,312,577	619,916,370	47,184,965	49,382,354	245,940,073	275,111,300
Concentration by sector							-
Corporate		434,709,069	348,325,410	-	-	18,632,944	61,165,512
Government		-	-	-	-	176,522,550	121,903,189
Banks		-		47,089,606		36,235,854	
Supranational		-	-	-	49,010,277	7,883,728	45,297,048
Retail		342,486,471	258,462,925	-	-	-	-
Total		**777,195,540**	**606,788,335**	**47,089,606**	**49,010,277**	**239,275,076**	**228,365,749**

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 Liquidity and 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.

Managing liquidity risk is an integral part of BKT business operation. Therefore, liquidity adequacy is ensured from both perspectives internal and a regulatory perspective. Respectively, beside regulatory limits defined by Central Bank of the Republic of Kosovo the bank has established a framework with internal limits and steering measures.

Liquidity risk is monitored, analyzed and forecasted continuously, using different time horizons, to ensure that the Bank has adequate cash or cash-equivalents to meet its obligations in a timely manner, without incurring substantially higher costs. Worth to emphasize that regulatory ratios are monitored based on specifications given by the regulations, meanwhile the internal liquidity analyses and limits are monitored biased on modelled assumptions from Market and Liquidity Risk Department (MLRD).

5. Financial risk management (continued)

(c) Liquidity risk (continued)

As at 31 December 2024, 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	182,724,547	-	-	-	-	-	182,724,547
Placement and balances with Banks	130,728,542	1,096,525	4,006,691	-	-	-	135,831,757
Financial instruments measured at FVOCI	-	25,095,561	19,902,500	98,679,599	30,440,508	-	174,118,167
Financial instruments measured at amortized cost	2,987,777	2,947,387	18,757,674	29,775,652	10,688,420	-	65,156,909
Due from BKT Albania	448,787	-	-	-	-	-	448,787
Loans and advances to banks	-	-	32,976,015	14,113,591	-	-	47,089,606
Loans and advances to customers, net	17,152,239	17,534,574	74,507,357	351,478,306	316,523,065	-	777,195,540
Other assets	10,875,052	5,021,924	628,783	6,116	-	-	16,531,875
Total assets	**344,916,943**	**51,695,970**	**150,779,019**	**494,053,263**	**357,651,993**	**-**	**1,399,097,189**
Liabilities							
Customer deposits	654,811,925	43,710,643	185,358,790	203,371,831	8,845,387	-	1,096,098,576
Due to banks and REPO Agreements	94,195,345	2,931,988	26,322,421	-	-	-	123,449,755
Due to BKT Albania	2,664,693	-	-	-	-	-	2,664,693
Accruals and other liabilities	12,034,109	2,471,712	76,628	41,321	21,902	-	14,645,673
Lease Liability	2,281	-	37,490	1,347,468	3,050,304	-	4,437,543
Borrowings	-	-	-	-	-	-	-
Subordinated debt					22,064,103	-	22,064,103
Total liabilities	**763,708,353**	**49,114,343**	**211,795,330**	**204,760,621**	**33,981,696**	**-**	**1,263,360,343**
Net Position	**(418,791,410)**	**2,581,627**	**(61,016,311)**	**289,292,642**	**323,670,297**	**-**	**135,736,846**
Cumulative net position	**(418,791,410)**	**(416,209,783)**	**(477,226,094)**	**(187,933,452)**	**135,736,846**	**135,736,846**	**-**

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 2024 and 2023:

2024	**EUR**	**ALL**	**USD**	**GBP**	**CHF**	**Other**	**Total**
Assets							
Cash and balances with Central Bank	153,051,787	1,729	1,049,441	1,416,900	26,575,436	629,255	182,724,547
Placement and balances with Banks	113,734,218	-	21,573,418	71,455	365,374	87,292	135,831,757
Financial instruments measured at FVOCI	149,486,098	-	21,972,456	-	2,659,613	-	174,118,167
Financial instruments measured at amortized cost	50,945,301	-	11,606,945	1,792,224	812,440	-	65,156,909
Due from BKT Albania	436,661	11,242	-	211	673	-	448,787
Loans and advances to banks	43,183,290	-	3,906,316	-	-	-	47,089,606
Loans and advances to customers	777,195,510	-	30	-	-	-	777,195,540
Other assets	10,875,052	5,021,924	628,783	6,116	-	-	16,531,874
Total assets	**344,916,943**	**51,695,970**	**150,779,019**	**494,053,263**	**357,651,993**	**-**	**1,399,097,188**
Liabilities							
Customer deposits	1,066,928,595	5,421	15,575,390	3,038,871	10,275,824	274,475	1,096,098,576
Due to banks	97,064,491	-	24,247,243	1,230	2,136,791	-	123,449,755
Due to BKT Albania	-	-	2,664,639	-	-	55	2,664,693
Deferred tax liabilities	-	-	-	-	-	-	-
Provisions	197,096	-	-	-	-	-	197,096
Income tax liability	2,595 ,896	-	-	-	-	-	2,595,896
Total liability	**1,166,786,078**	**5,421**	**42,487,272**	**3,040,101**	**12,412,615**	**274,530**	**1,225,006,016**
Net position	**(418,791,410)**	**2,581,627**	**(61,016,311)**	**289,292,642**	**323,670,297**	**-**	**135,736,845**
Net position (GAP)	**(418,791,410)**	**(416,209,783)**	**(477,226,094)**	**(187,933,452)**	**135,736,845**	**135,736,845**	**-**

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 2024 and 2023:

2023	**EUR**	**ALL**	**USD**	**GBP**	**CHF**	**Other**	**Total**
Assets							
Cash and balances with Central Bank	127,655,623	1,634	711,439	986,491	24,026,884	6,564	153,388,635
Placement and balances with Banks	104,772,675	-	4,284,396	196,832	8,492,772	17,157	117,763,831
Financial instruments measured at FVOCI	121,097,353	-	21,077,209	1,595,307	2,633,089	-	146,402,957
Financial instruments measured at amortized cost	63,759,316	-	17,415,713	-	787,763	-	81,962,792
Due from BKT Albania	24,274	8,096	-	92	502	-	32,965
Loans and advances to banks	49,010,277	-	-	-	-	-	49,010,277
Loans and advances to customers	606,788,329	-	6	-	-	-	606,788,335
Other assets	6,998,260	2,099,864	5,404,693	9,365	-	-	14,512,183
Total assets	**288,841,083**	**22,102,662**	**167,170,756**	**439,111,439**	**252,636,035**	**-**	**1,169,861,974**
Liabilities							
Customer deposits	932,945,764	450	14,310,372	2,600,602	6,124,994	90,721	956,072,902
Due to banks	61,580,926	-	8,513,439	1,450	3,049,286	-	73,145,101
Due to BKT Albania	-	-	780,731	-	-	50	780,781
Deferred tax liabilities	-	-	-	-	-	-	-
Provisions	426,483	-	-	-	-	-	426,483
Lease liabilities	2,508,993	-	-	-	-	-	2,508,993
Accruals and other liabilities							
Total liabilitiy	**997,462,166**	**450**	**23,604,542**	**2,602,051**	**9,174,280**	**90,772**	**1,032,934,260**
Net position	**(317,466,131)**	**(34,919,490)**	**24,036,923**	**204,683,308**	**227,501,330**	**-**	**103,835,941**
Net position (GAP)	**(317,466,131)**	**(352,385,621)**	**(328,348,698)**	**(123,665,389)**	**103,835,941**	**103,835,941**	**-**

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 2024	Profit or loss 2024
ALL	5%	898
USD	5%	885,710
GBP	1%	2,476
CHF	5%	900,750
Other	5%	28,197

in EUR	Change in 2023	Profit or loss 2023
ALL	5%	874
USD	5%	1,039,796
GBP	1%	1,832
CHF	5%	1,339,077
Other	5%	3,248

Banka Kombetare Tregtare Kosovë sh.a.
Explanatory notes as of and for the period ended 31 December 2024
(amounts in EUR, unless otherwise stated)

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:

2024	**up to 1 Year scenarios**		**over 1 Year scenarios**	
	100 bp Decrease	100 bp Increase	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	(2,517,710)	2,517,710	4,852,289	(4,852,289)

2023	**up to 1 Year scenarios**		**over 1 Year scenarios**	
	100 bp Decrease	100 bp Increase	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	(2,517,710)	2,517,710	4,852,289	(4,852,289)

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 2024 and 2023 are as follows:

2024	*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	116,703,638	-	-	-	-	66,020,909	182,724,547
Balances with banks	54,980,516	3,014,196	12,636,213	46,024,117	-	19,176,715	135,831,757
Financial instruments measured at FVOCI	-	25,095,561	19,902,500	98,679,599	30,440,508	-	174,118,167
Financial instruments measured at amortized cost	2,987,777	2,947,387	18,757,674	29,775,652	10,688,420	-	65,156,909
Due from BKT Albania	5,610	11,220	50,489	269,272	-	112,197	448,787
Loans and advances to banks	5,030,160	23,002,197	9,945,586	9,111,663	-	-	47,089,606
Loans to customers	44,035,904	83,307,625	361,945,343	252,715,104	31,785,307	3,406,257	777,195,540
Total assets (TA)	**223,743,605**	**137,378,186**	**423,237,804**	**436,575,406**	**72,914,234**	**88,716,079**	**1,382,565,314**
Liabilities							
Customer Deposits, Due to banks& Liabilities based on Repo Transactions	148,652,801	61,863,909	280,176,962	568,682,498	8,845,387	153,991,467	1,222,213,024
Borrowings	-	-	-	-	-	-	-
Subordinated debt	-	-	22,064,103	-	-	-	22,064,103
Total liabilities (TL)	**148,652,801**	**61,863,909**	**302,241,065**	**568,682,498**	**8,845,387**	**153,991,467**	**1,244,277,127**

5. Financial risk management (continued)

(d) Market risk (continued)

ii) Interest rate risk (continued)

2023	*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	94,524,346	-	-	-	-	58,864,289	153,388,635
Balances with banks	114,746,572	-	3,017,259	-	-	-	117,763,831
Financial instruments measured at FVOCI	828,558	4,125,520	20,686,572	97,377,817	23,384,490	-	146,402,957
Financial instruments measured at amortized cost	2,414,855	-	26,126,254	51,036,860	2,384,823	-	81,962,792
Due from BKT Albania	32,965	-	-	-	-	-	32,965
Loans and advances to banks	-	-	49,010,277	-	-	-	49,010,277
Loans to customers	32,037,254	65,699,418	282,271,436	212,893,959	12,734,415	1,151,852	606,788,335
Total assets (TA)	**244,584,550**	**69,824,938**	**381,111,797**	**361,308,636**	**38,503,728**	**60,016,141**	**1,155,349,791**
Liabilities							
Customer Deposits, Due to banks& Liabilities based on Repo Transactions	599,316,176	56,988,273	135,972,623	233,264,161	-	-	1,025,541,233
Borrowings	-	-	4,457,551	-	-	-	4,457,551
Subordinated debt	-	-	-	-	22,081,501	-	22,081,501
Total liabilities (TL)	**599,316,176**	**56,988,273**	**140,430,174**	**233,264,161**	**22,081,501**		**1,052,080,285**

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 2024, BKT has reported the following ratios which does not include the profit of the second half of the year.

- 2024 Tier 1 Capital Ratio 14.17% (2023: 12.30%)
- 2024 Total Capital Ratio 17.02% (2023: 15.91%)

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 2024 and 2023 are detailed as following:

	31 December 2024	31 December 2023
Cash on hand	66,020,909	47,244,742
Balances with CBK	116,703,638	106,143,892
	182,724,547	**153,388,635**

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 2024 and 2023 are presented as follows:

	31 December 2024	31 December 2023
Cash and balances with Central Bank	182,724,547	153,388,635
Statutory reserves	(74,094,634)	(58,864,289)
Balances with banks	76,695,822	73,459,186
	185,325,735	**167,983,532**

Balances with banks at 31 December 2024 and 2023 include current accounts with resident and non-resident banks.

7. Placements and balances with banks

Placements and balances with banks as at 31 December 2024 and 31 December 2023 consisted as follows:

	31 December 2024	31 December 2023
Placements	58,697,239	44,226,630
Current accounts	76,695,822	73,459,186
Accrued interest	450,748	85,762
Impairment provision	(12,052)	(7,747)
	135,831,757	**117,763,831**

The placements in banks are with original maturity up to 6 months and bear interest income from 2.35% up to 6.35% (31 December 2023: 3.50% to 4.75%, with original maturity up to 1 year).

8. Investment securities

Investment securities as at 31 December 2024 and 31 December 2023 are presented as follows:

	31 December 2024	31 December 2023
Treasury bonds and Eurobonds- measured at FVOCI	174,118,167	146,402,957
Corporate bonds- measured at amortised cost	65,156,909	81,962,792
Total	**239,275,076**	**228,365,749**

a) Investment securities - measured at FVOCI.

Treasury bonds and Eurobonds as at 31 December 2024 comprise as follows:

Type	Nominal Value	Unamortized discount/ premium	Accrued Interest	Changes in fair value	Impairment	Book Value
EUR Denominated	149,668,000	(1,494,847)	1,532,362	(219,417)	-	149,486,098
CHF Denominated	2,656,184	12,362	8,091	(17,023)	-	2,659,613
GBP Denominated	-	-	-	-	-	-
USD Denominated	27,891,862	(254,333)	718,783	(6,383,856)	-	21,972,456
	180,216,045	**(1,736,819)**	**2,259,236**	**(6,620,296)**	-	**174,118,167**

Treasury bonds and Eurobonds as at 31 December 2023 comprise as follows:

Type	Nominal Value	Unamortized discount/ premium	Accrued Interest	Changes in fair value	Impairment	Book Value
EUR Denominated	132,408,000	(2,892,280)	2,214,931	(10,633,298)	-	121,097,353
CHF Denominated	2,699,784	29,471	8,223	(104,390)	-	2,633,088
GBP Denominated	1,553,420	11,480	38,820	(8,413)	-	1,595,307
USD Denominated	24,190,045	(418,184)	570,515	(3,265,168)	-	21,077,209
	160,851,250	**(3,269,513)**	**2,832,490**	**(14,011,270)**	**-**	**146,402,957**

8. Investment securities (continued)

b) Investment securities - measured at amortised cost

Investment securities measured at amortized cost as at 31 December 2024 comprise as follows:

Type	Nominal Value	Unamortized Discount/ Premium	Accrued interest	Impairment	Book Value
EUR Denominated	53,227,000	(3,000,368)	727,743	(9,074)	50,945,301
CHF Denominated	903,102	(92,888)	2,511	(285)	812,440
GBP Denominated	1,809,016	(32,317)	15,562	(39)	1,792,224
USD Denominated	11,415,921	(30,674)	257,002	(35,303)	11,606,945
Total	**67,355,039**	**(3,156,247)**	**1,002,818**	**(44,701)**	**65,156,909**

Investment securities measured at amortized cost as at 31 December 2023 comprise as follows:

Type	Nominal Value	Unamortized Discount/ Premium	Accrued interest	Impairment	Book Value
EUR Denominated	66,730,503	(2,278,619)	(475,543)	(217,026)	63,759,316
CHF Denominated	1,997,840	(137,446)	33,600	(1,106,231)	787,763
USD Denominated	17,294,118	16,388	342,201	(236,994)	17,415,713
Total	**86,022,461**	**(2,399,676)**	**(99,742)**	**(1,560,251)**	**81,962,792**

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 2024	31 December 2023
Total Loans to banks	**46,850,226**	**49,000,000**
Accrued interest	334,738	402,482
Less allowances for impairment on loans (note 24)	(95,359)	(392,205)
Loans and advances to banks	**47,089,606**	**49,010,277**

All loans are in EUR and bear interest rates ranging from 3.78% to 6.60%. All loans will mature within 4 - 27 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 2024	31 December 2023
Loans to customers, gross	785,773,548	616,661,357
Accrued interest	3,871,224	3,255,024
Less allowances for impairment on loans	(11,117,050)	(12,273,305)
Less deferred fee income	(1,332,183)	(854,742)
	777,195,540	**606,788,335**

Movements in the allowance for impairment on loans to customers:

	For the year ended as at December 31, 2024	For the year ended as at December 31, 2023
At 1 January	**12,273,305**	**12,135,183**
Impairment charge for the year, net	(69,392)	605,296
Written off loans	(1,086,864)	(467,174)
At the end of the period	**11,117,050**	**12,273,305**

During the year based on decision from the Board of Directors the Bank has written off loans in total amount of EUR 1,334,810 (2023: EUR 538,552), out of which impaired loans in amount of EUR 1,086,864 (2023: EUR 467,174).

The breakdown of the loan portfolio is as follows:

	2024	2023
Retail (individuals)	32%	42%
Private Enterprises	68%	58%

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 2024		31 December 2023	
	EUR	%	EUR	%
Construction and other industries	80,681,378	18%	67,029,140	19%
Wholesale Trade	124,082,171	28%	98,485,909	28%
Retail Trade	48,754,846	11%	48,754,846	14%
Manufacturing	77,988,044	18%	60,215,638	17%
Hotels and other services	29,705,254	7%	20,968,024	6%
Services	63,998,579	14%	38,062,028	11%
Agriculture	10,636,342	2%	7,460,251	2%
Other	6,775,476	2%	16,338,687	5%
Total	**442,622,091**	**100%**	**357,314,523**	**100%**

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

	31 December 2024		31 December 2023	
	EUR	%	EUR	%
Loans	332,106,774	96%	251,403,927	96%
Overdraft and credit cards	13,583,712	4%	10,343,178	4%
Total	**345,690,486**	**100%**	**261,747,105**	**100%**

10. Property and equipment

Property and equipment as at 31 December 2024 and 2023 are composed as follows:

(In EUR)	Land	Leasehold improvements	Motor vehicles	Computers and electronic equipment	Furniture and equipment	TOTAL
Cost						
At 1 January 2023	**13,875,000**	**3,301,793**	**980,669**	**6,684,100**	**1,600,202**	**26,441,763**
Additions	-	96,072	293,286	824,131	25,009	1,238,498
Disposals	-	-	(19,283)	(377,982)	(1,400)	(389,665)
At 31 December 2023/ 01-Jan-24	**13,875,000**	**3,397,865**	**1,254,671**	**7,130,248**	**1,623,811**	**27,281,596**
Additions	5,133	351,125	374,150	387,010	343,074	1,460,492
Disposals	-			409,864		409,864
At 31 December 2024	**13,880,133**	**3,748,990**	**1,628,821**	**7,927,122**	**1,966,885**	**29,151,952**
Accumulated depreciation						
At 1 January 2023	-	(3,041,098)	(611,303)	(5,804,515)	(1,500,704)	(10,957,620)
Charge for the year	-	(62,270)	(102,180)	(620,692)	(17,256)	(802,397)
Disposals	-	194	713	351,092	713	352,712
At 31 December 2023/ 01-Jan-24	-	**(3,103,174)**	**(712,770)**	**(6,074,116)**	**(1,517,246)**	**(11,407,306)**
Charge for the year	-	(77,735)	(174,497)	(425,500)	(61,086)	(738,819)
Disposals	-					-
At 31 December 2024	-	**(3,180,909)**	**(887,267)**	**(6,499,616)**	**(1,578,332)**	**(12,146,125)**
Net book value						
At 1 January 2023	**13,875,000**	**260,695**	**369,366**	**879,585**	**99,498**	**15,484,143**
At 31 December 2023	**13,875,000**	**294,691**	**541,902**	**1,056,133**	**106,565**	**15,874,290**
At 31 December 2024	**13,880,133**	**568,081**	**741,554**	**1,427,506**	**388,553**	**17,005,827**

As at 31 December 2024 and 31 December 2023 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 2023	3,445,652	3,445,652
Additions	1,168,991	1,168,991
Depreciation expense	(727,499)	(727,499)
As at 31 December 2023/1 January 2024	**3,887,144**	**3,887,144**
Additions	1,317,542	1,317,542
Depreciation expense	(909,088)	(909,088)
As at 31 December 2024	**4,295,598**	**4,295,598**

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

	31-Dec-24	**31-Dec-23**
As at 1 January 2024	**4,023,143**	**3,560,310**
Additions	1,317,541	1,168,991
Interest expense (note 19)	136,526	121,835
Payments	(1,039,667)	(827,993)
As at 31 December 2024	**4,437,543**	**4,023,143**

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

	For the year ended as at 31 December 2024	**For the year ended as at 31 December 2023**
Depreciation expense of right-of-use assets	909,088	727,499
Interest expense on lease liabilities (note 19)	136,526	121,835
Rent expense - short term leases payments (note 23)	10,380	89,945
Total amounts recognized in profit or loss	**1,055,994**	**939,280**

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

	31-Dec-24	**31-Dec-23**
Short-term lease liabilities	1,387,239	1,034,354
Long-term lease liabilities	3,050,303	2,988,789
Total lease liabilities	**4,437,543**	**4,023,143**

11. Intangible assets

Intangible assets as at 31 December 2024 and 2023 are composed as follows:

	Intangible assets	**Total**
Cost		
At 1 January 2024	496,755	496,755
Additions	597,246	597,246
Disposals	32,167	32,167
At 31 December 2023/ January 2024	**1,126,168**	**1,126,168**
Additions	364,595	364,595
Disposals	(1,410)	(1,410)
At 31 December 2024	**1,489,353**	**1,489,353**
Accumulated depreciation		
At 1 January 2024	(397,952)	(397,952)
Charge for the year	(12,376)	(12,376)
Disposals	13,786	13,786
At 31 December 2023/01 January 2024	**(396,542)**	**(396,542)**
Charge for the year	(227,486)	(227,486)
Disposals	-	-
At 31 December 2024	**(624,028)**	**(624,028)**
Net book value		
At 01 January 2024	**98,803**	**98,803**
At 31 December 2023	**729,626**	**729,626**
At 31 December 2024	**865,325**	**865,325**

As at December 31, 2024 and December 31, 2023 there are no intangible assets pledged.

12. Other assets

Other assets as at 31 December 2024 and 2023 are as follows:

	31-Dec-24	31-Dec-23
Cards transactions settlement	7,008,918	5,287,562
Prepaid expenses	2,184,231	2,068,245
Advances to suppliers	4,269	26,061
Collaterals repossessed by the Bank	2,932,342	2,043,889
Cash differences	1,709	200
Other assets	2,625,742	2,235,070
Investment in Affiliates	116,857	131,473
IRS Accrued income	1,535,756	888,336
	16,409,824	**12,680,836**
Less allowance for impairment	**(2,841,923)**	(1,397,984)
	13,567,901	**11,282,852**

Movements in impairment of other assets

	31 December 2024	31 December 2023
As of 1 January,	1,397,984	225,002
Additions during the year	1,516,279	1,172,982
Reverse charge	(72,340)	-
Balance as of 31 December	**2,841,923**	**1,397,984**

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

	31 December 2024	31 December 2023
At 1 January	2,043,889	2,192,771
Additions	983,001	132,178
Sales and disposals	(94,548)	(281,060)
At 31 December 2024	**2,932,342**	**2,043,889**

IRS Accrued income:

Notional Value	Carrying Value (Asset) LCY	Carrying Value Liabilites LCY
EUR 30,000,000	853,396	(600,508)

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13. Customer deposits

Customer deposits as of 31 December 2024 and 2023 are composed as follows:

	31 December 2024	31 December 2023
Current accounts:		
Individuals	412,140,731	341,498,528
Private enterprises	177,925,899	149,242,041
State owned entities	15,750,604	31,343,924
	605,817,234	**522,084,493**
Add: Current maturity of long-term customer deposits	177,244,667	152,930,727
Total short-term customer deposits	**783,061,901**	**675,015,220**
Term Deposits:		
Individuals	369,139,866	310,089,436
Private enterprises	76,325,232	81,035,448
State owned entities	44,816,244	38,405,974
	490,281,342	**429,530,858**
Less: Current maturity of long-term customer deposits	(177,244,667)	(152,930,727)
Total long-term customer deposits	**313,036,675**	**276,600,131**
	1,096,098,576	**951,615,351**

Current accounts and deposits can be further analysed as follows:

	31 December 2024			31 December 2023		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Current accounts	**583,479,590**	**22,337,645**	**605,817,235**	**504,000,096**	**18,084,397**	**522,084,493**
Term deposits	**483,449,006**	**6,832,335**	**490,281,341**	**424,488,116**	**5,042,742**	**429,530,858**
Up to one 1 year	177,768,473	4,427,895	182,196,368	125,371,541	3,167,867	128,539,408
Over two years	305,680,533	2,404,440	308,084,973	299,116,575	1,874,875	300,991,450
Total deposits	**1,066,928,596**	**29,169,980**	**1,096,098,576**	**928,488,213**	**23,127,139**	**951,615,351**

14. Due to banks and financial institutions

Due to banks as at 31 December 2024 and 31 December 2023 consisted as follows:

	31 December 2024	31 December 2023
Current accounts	358,145	218,187
Time deposits	54,125,032	40,577,929
Accrued interest	151,809	110,158
Due to banks	**54,634,986**	**40,906,275**
Due to BKT Albania	**2,664,693**	**780,781**
Repo Agreements	68,777,583	32,175,131
Accrued interest	37,186	63,695
Liabilities based on Repo Transactions	**68,814,769**	**32,238,826**
Total	**126,114,448**	**73,925,882**

Kosovo Government Bonds and Securities with a total value of EUR 71,340,000 (31 December 2023: EUR 35,880,000) were used to secure Repo agreements and borrowings from banks. Due to BKT Albania represents vostro accounts.

15. Accruals and other liabilities

	31 December 2024	31 December 2023
Accounts payable	8,196,889	5,400,277
Guarantee deposits received	6,663	6,663
Other liabilities	2,200,077	676,021
IRS (Interest rate swap) payables	1,449,052	904,169
	11,852,681	**6,987,130**

As of 31 December 2024, 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.

16. Borrowings

Borrowings as at 31 December 2024 and 31 December 2023 consisted as follows:

	31 December 2024	31 December 2023
Current maturity of long – term borrowings	-	2,222,222
Non-current part of long – term borrowings	-	2,222,222
Borrowings	**-**	**4,444,444**
Accrued interest	-	13,107
	-	**4,457,551**

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 2024.

	31 December 2024	31 December 2023
Subordinated loan	22,000,000	22,000,000
Total	**22,000,000**	**22,000,000**
Accrued interest	64,103	81,501
	22,064,103	**22,081,501**

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17. Share capital

At 31 December 2024 the authorized share capital is EUR 31,000,000 (2023: 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 2024 and 2023.

	31 December 2024			31 December 2023		
	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 2024 and 2023:

Movements on reserves	Fair Value Reserves	ECL	Deferred tax on Fair Value Reserves (10%)	Other reserves	Total reserves
Balance at 01 January 2023	**(13,046,608)**	**2,144,170**	**1,304,661**	**(292,002)**	**(9,889,779)**
Movements	(964,662)	4,791,396	96,466	-	3,923,200
Balance at 31 December 2023	**(14,011,270)**	**6,935,566**	**1,401,127**	**(292,002)**	**(5,966,579)**
Movements	7,390,974	(415,714)	(739,097)	-	6,236,163
Balance at 31 December 2024	**(6,620,295)**	**6,519,853**	**662,030**	**(292,002)**	**269,585**

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 2024, 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, 2024	For the year ended as at December 31, 2023
Loans to customers	45,055,245	38,157,345
Due from BKT Albania (Note 25)	16,173	5,154
Investment securities	11,694,581	11,350,389
Balances with banks	2,557,983	1,641,062
	59,323,982	**51,153,949**

19. Interest expenses calculated using the effective interest method

	For the year ended as at December 31, 2024	For the year ended as at December 31, 2023
Customer deposits	11,613,802	9,110,158
Due to banks	1,193,629	1,051,248
Interest expenses for borrowings	1,916,558	1,999,488
Interest expenses for leases (Note 10.1)	136,526	121,835
Other interest expense	127,522	1,073,790
	14,988,037	**13,356,519**

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, 2024	For the year ended as at December 31, 2023
Fee and commission income		
Lending activity	678,419	448,177
Payment services to clients	5,917,494	5,132,702
Customer accounts' maintenance	3,383,724	2,951,165
Cash transactions with clients	999,388	855,211
Total	**10,979,025**	**9,387,254**
Fee and commission expense		
Inter-bank transactions	(625,630)	(506,818)
Total	**(625,630)**	**(506,818)**
Fees and commissions, net	**10,353,395**	**8,880,436**

21. Other (expense) / income, net	For the year ended as at December 31, 2024	For the year ended as at December 31, 2023
Other income		
Gain on sale of repossessed assets[1]	92,452	476,887
Income from collection of written off loans	516,290	714,164
Other income	121,810	70,701
	730,552	**1,261,752**
Other expenses		
Write off of loans to customers, net	(247,946)	(71,378)
Other (expense) / income, net	**482,606**	**1,190,374**

[1] Booked value of total repossessed assets sold during 2024 is EUR 869,445
Total income from sale of repossesd assets during 2024 is EUR 92,452

22. Personnel expenses

Personnel expenses are composed as follows:

	For the year ended as at December 31, 2024	For the year ended as at December 31, 2023
Salaries	7,917,024	6,760,896
Social insurance	428,555	311,552
Other employee benefits	2,121,790	1,210,771
	10,467,369	**8,283,218**

23. Administrative expenses

Administrative expenses are composed as follows:

	For the year ended as at December 31, 2024	For the year ended as at December 31, 2023
Lease payments (note 10.1)	10,380	89,945
Credit/debit cards expenses	3,533,259	2,972,838
Telephone, electricity and IT expenses	556,112	512,305
Other external services	2,257,179	1,967,707
Repairs and maintenance	718,468	579,146
Security and insurance expenses	554,839	419,747
Taxes other than tax on profits	1,552,948	979,974
Marketing expenses	1,403,892	504,445
Office stationery and supplies	104,063	79,963
Sundry	210,055	382,149
Representation expenses	61,416	60,615
Training	96,090	77,342
	11,058,701	**8,626,177**

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 - FVOCI	Investment securities - amortized cost	Loans and advances to banks	Placements in banks	Provision for off balance items	Total
At 01 January 2023	**2,144,170**	**3,568,621**	**506,957**	**17,086**	**398,570**	**6,635,404**
Impairment charge/ (release) for the year	4,791,396	(2,008,370)	(114,751)	(9,340)	27,913	2,686,847
At 31 December 2023/ 01 January 2024	**6,935,566**	**1,560,251**	**392,205**	**7,746**	**426,483**	**9,322,251**
Impairment charge/ (release) for the year	(415,714)	(1,515,550)	(296,846)	4,306	(229,387)	**(2,453,191)**
At 31 December 2024	**6,519,853**	**44,701**	**95,359**	**12,052**	**197,096**	**6,869,060**
Write off	**3,469,422**	**1,105,958**				**4,575,379**

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 2024	31 Deecember 2023
Assets		
Placements and balances with banks:		
Aktif Yatirim Bankasi	224,867	152,860
Due from BKT Albania	448,787	32,965
Loans to customers:	-	-
KEDS / KESCO	-	-
CLK LOGISTICS HOLDING NV	-	-
Senior management	1,183,284	1,087,211
CLK LOGISTICS HOLDING NV	580,450	549,690
CB INT DIGITAL JSC	692	-
Other	267,054	33,610
Total Assets	**2,705,134**	**1,856,337**
Liabilities		
Customer current accounts and deposits:		
KEDS / KESCO	8,463,499	10,493,841
KEDS SHA	326,753	87,089
Aktif Yatirim Bankasi	19,891,990	9,988,614
Senior management	618,193	523,928
Due to BKT Albania	2,215,907	747,817
REPO BKT Albania	29,969,700	30,677,131
CLK LOGISTICS HOLDING NV	-	-
OTHER RELATED		
Other liabilities:	-	-
Aktif Yatirim Bankasi	-	-
Total Liabilities	**61,486,042**	**52,518,420**

25. Related party transactions (continued)

	31-Dec-24	31-Dec-23
Commitments and contingencies		
Guaranties in favour of customers:		
BKT Albania	-	-
KEDS / KESCO	-	-
Senior management	48,404	40,540
Commitments in favour of customers:	-	-
KEDS / KESCO	25,188	18,283
Senior Management	124,050	85,747
Other Related	24,482	20,401.44

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.

Statement of comprehensive income	**For the year ended as at December 31, 2024**	**For the year ended as at December 31, 2023**
Statement of comprehensive income		
Interest income from:	**77,650**	**33,479**
Aktif Yatirim Bankasi	39	-
KESCO JSC & KEDS SHA	2	-
BKT ALBANIA	16,174	5,127
CLK LOGISTICS HOLDING NV	30,760	-
Other Related	30,676	28,352
Interest expenses for:	**(36,182)**	**(28,022)**
Aktif Yatirim Bankasi	-	-
BKT Albania	(16,258)	(18,101)
KESCO JSC & KEDS SHA	-	-
Other Related	(19,924)	(9,921)
Fees and commissions Income:	**72,683**	**89,459**
KESCO JSC & KEDS SHA	67,959	39,612
CLK LOGISTICS HOLDING NV	504	-
CB INT DIGITAL JSC	60	-
Aktif Yatirim Bankas	2,058	7,677
Other Related	2,103	42,170
Net	**114,152**	**94,916**

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, 2024	**For the year ended as at December 31, 2023**
Directors	697,389	722,185
Executive officers	972,695	880,339
	1,670,084	**1,602,524**

26. Contingencies and commitments

Guarantees and letters of credit	**31 December 2024**	**31 December 2023**
Guarantees in favour of customers	30,426,080	27,925,820
Letters of credit issued to customers	-	-
	30,426,080	27,925,820
Provision (note 24)	(104,406)	(313,427)
Guarantees and letters of credit, net	**30,321,674**	**27,612,393**

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

Other	**31 December 2024**	**31 December 2023**
Undrawn credit commitments	118,237,968	78,762,117
Collaterals for loan portfolio	1,918,019,738	1,417,040,456

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 10,767,363 (2023: EUR 9,154,993); 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 2023.

Lease commitments

Lease commitments for the years ended 31 December 2024 and 2023 are composed as follows:

	31 December 2024	**31 December 2023**
Not later than 1 year	39,771	43,548
Later than 1 year and not later than 5 years	1,347,468	990,806
Later than 5 years	3,050,303	2,988,789
Total	**4,437,543**	**4,023,143**

27. Income tax

Income tax is comprised as follows:

	31 December 2024	**31 December 2023**
Current income tax expense	2,595,896	2,508,993
Deferred tax income	145,910	87,048
	2,741,807	**2,596,041**

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, 2024	**For the year ended as at December 31, 2023**
Profit before tax	30,282,460	26,215,765
Add/Less: non-deductible expenses	(294,826)	(1,207,999)
Non-allowable tax depreciation	436,637	249,946
CBK Impairment losses not allowed for tax purposes	713,710	1,832,218
Taxable profit/ (losses) for the year	**31,137,981**	**27,089,930**
Deductions on Tax Obigation	517,903	200,000
Current tax expense	**2,595,896**	**2,508,993**
Effective tax rate	**8.57%**	**9.57%**

27. Income tax (continued)

	For the year ended as at December 31, 2024	For the year ended as at December 31, 2023
Accumulated taxable profit	**31, 099,358**	**27,089,930**
Tax on income	2,592,033	2,508,993
Prepayments of income tax during the year	(2,059,082)	(1,550,323)
Income tax (receivable) / payable	**532,952**	**958,670**

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, 2024	For the year ended as at December 31, 2023
Assets / (Liability) at 1 January	1,679,007	1,669,588
Release for the period	(884,997)	9,419
Asset/ (Liability) at the end of the year	**794,011**	**1,679,007**

Deferred income tax liabilities are attributable to the following items:

	31 December 2024	31 December 2023
Deferred income on fees on loans	1,024	1,024
Decelerated depreciation	(195,837)	(57,460)
Interest expenses on deposits	9,642	17,164
Allowance for loan impairment	313,884	313,884
Fair value reserve for AFS securities	662,030	1,401,127
IFRS 16 Deferred Incom tax	3,268	3,268
	794,011	**1,679,007**

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

	31 December 2024	31 December 2023
Decelerated depreciation	(138,377)	(47,75)
Deferred interest expenses	(7,522)	(39,292)
Fair value reserve for AFS securities	(739,097)	96,466
	(884,997)	**9,419**

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-December -2024		31-December-2023	
Currency	Units per EUR	EUR per Unit	Units per EUR	EUR per Unit
USD	1.038900000	0.96255655	1.105000000	0.904977376
GBP	0.829180000	1.206010758	0.869050000	1.150681779
CHF	0.9412000000	1.062473438	0.926000000	1.079913607
ALL	98.15000000	0.010188487	103.8800000	0.009626492

29. Subsequent event

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