TEB

BNP PARIBAS JOINT VENTURE

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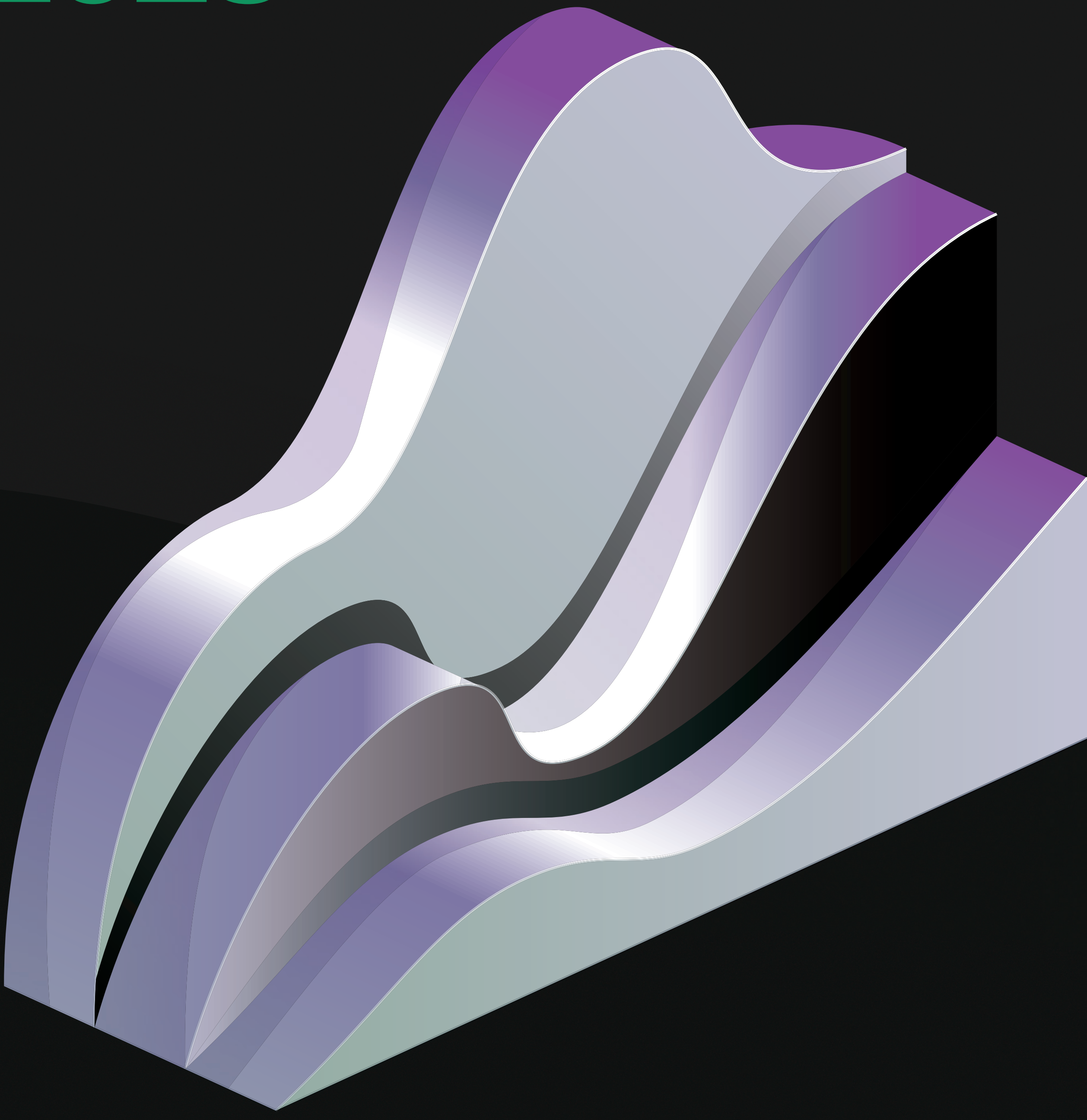
ANNUAL REPORT 2023



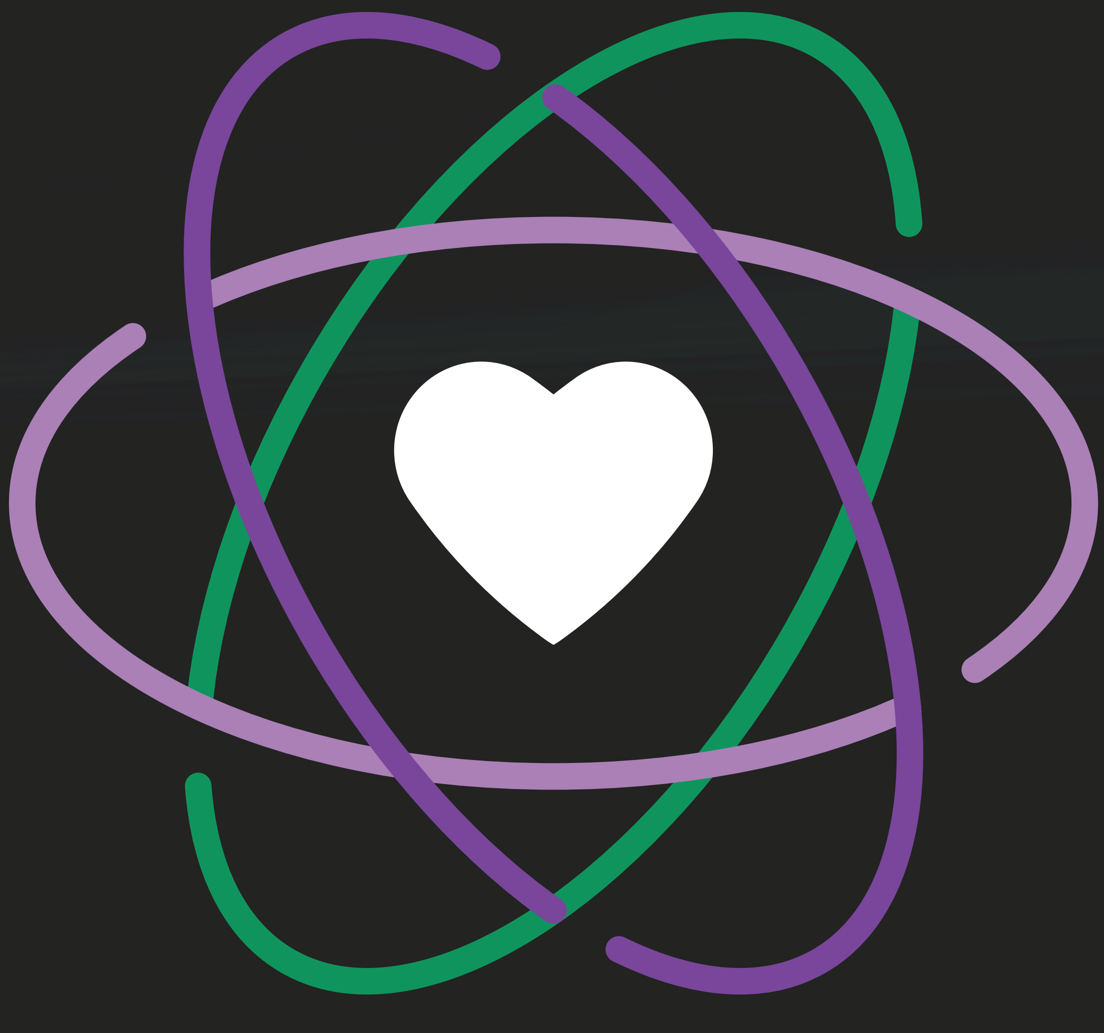
EXPANDING YOUR WORLD

Engaging with our customers to build a better and more sustainable future!

We offer sound and innovative financial solutions to individuals, professionals, customers and businesses while striving to maintain close relations with our customers and staff.

OUR VALUES

1. Honest, trustworthy and transparent
2. Product Leadership, pioneering and innovative
3. Customer Focus, People and Sustainability
4. Respectful of society, human rights and the environment
5. Customer-oriented with operational excellence and strong focus on high quality and ethics



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1 ABOUT TEB SH.A.

1.1 CORPORATE PROFILE

Corporate Overview

Innovation, growth and sustainability are the cornerstones of our identity. Over the past 16 years, TEB SH.A. (TEB) has emerged as a leading force in Kosovo's banking sector, renowned for its commitment to excellence. Guided by our overarching purpose – "The bank for a changing world" – we are dedicated to empowering our customers, their families and their communities to achieve success through a comprehensive suite of products and services.

Our ability to support both customers and employees stems from our affiliation with the TEB Group, forged through a partnership between two formidable financial institutions: BNP Paribas, a global powerhouse, and Türk Ekonomi Bankası, a prestigious bank in Turkey. As a member of this esteemed international consortium, TEB leverages the Group's extensive experience, financial stability, and global reach to deliver unparalleled value.

Central to our operations is Corporate Social Responsibility (CSR), one of our four foundational pillars, which aligns with our economic mission. Through various initiatives, we continuously strive to enhance our excellence, innovation, and accountability in serving our customers. Our unwavering focus defines our identity, shapes our collaborative efforts and drives our collective achievements.

Elevating Service Standards through Digital Innovation (ETHOS)

At the heart of our Bank's, ETHOS is a steadfast commitment to delivering unparalleled service with the customer at its focal point. We hold our customers in high regard, and as such, we have curated a suite of bespoke products and services tailored to meet their diverse needs, whether they be entrepreneurs, seniors, employees, or students. Our aspiration is to foster an environment where customers feel not only welcomed but also empowered to make informed financial decisions.

TEB is continuously advancing its digital landscape to better cater to our customers' evolving expectations. In alignment with the rapid pace of technological advancement, we are diligently enhancing our innovative multi-channel banking network, comprising Internet and Mobile Banking, Call Center services, SMS Services, ATMs, and POS terminals. This strategic evolution ensures that our customers can seamlessly access our services through their preferred distribution channels, with convenience, speed, and reliability being paramount

Community engagement

Corporate Social Responsibility (CSR) is deeply ingrained in our organizational fabric, serving as a cornerstone of our economic mission. Building on the legacy of our founding banks, we remain steadfast in our pursuit of excellence, innovation, and social responsibility. Through a myriad of projects, we strive to enrich Kosovo's cultural and sporting landscape while fostering sustainable development. Collaborating closely with local and international Chambers of Commerce, we spearhead initiatives that underscore our commitment to corporate citizenship. TEB takes immense pride in sponsoring Kosovo's football and basketball national teams, as well as supporting the Kosovo Paralympic Committee. In 2023, we were honored to serve as the principal sponsor of Rame Lahaj International Opera Festival, the most significant cultural event hosted in Kosovo.

Human-Centered Focus

Our dedicated staff constitutes the backbone of TEB's success. Their unwavering dedication and proactive mindset resonate with our customers, enabling us to fulfill our mission of assisting individuals and businesses in realizing their aspirations and effectively managing financial risks. Together, we are committed to build a brighter future and empowering our customers to achieve their goals.

1.2 VISION, MISSION AND STRATEGY

VISION

Our vision is to redefine banking experience in Kosovo, setting the standard for customer satisfaction and service excellence.

MISSION

Driven by a commitment to value creation, we strive to benefit not only our customers, shareholders, and employees, but also the wider society through our actions and innovations.

STRATEGY

Our strategy revolves around delivering superior and efficient banking experiences for all our customers, placing them at the forefront of everything we do. Through continuous innovation and a focus on sustainability, we aim to foster long-term growth while upholding our responsibility as a trusted banking institutions. TEB's offering is always rooted in our commitment to be a responsible bank. This commitment is embedded in all our values and is reflected in our business, through the way we develop products and services and how we deliver on our goals and promises.

1.3 CORE VALUES

Core Principles

At TEB SH A, we are committed to upholding fundamental principles that guide our corporate endeavors towards positive and sustainable outcomes across all dimensions. Whether it pertains to our environmental stewardship, efficient resource utilization, fostering employee well-being, or contributing to the welfare of society at large, our core values remain unwavering.

Customer-Centric Approach

Our unwavering commitment to customer satisfaction drives everything we do. We go above and beyond to understand and fulfill the diverse needs of our customers. Our emphasis on delivering high-quality services placing the customer at the heart of our operations. Tailored products and services are meticulously crafted to address the unique requirements of entrepreneurs, businesses, employees, students, and seniors alike. Our aim is to cultivate an environment where customers feel valued and at ease when managing their financial affairs.

Digital Evolution

Embracing the digital era, we are committed to continuous enhancement, ensuring that our products and services remain at the forefront of technological advancements and aligned with evolving customer expectations. Through systematic innovation, we refine our versatile multi-channel banking network, comprising Internet and Mobile Banking, Call Centre services, SMS Services, ATMs, and POS terminals. This empowers our customers to seamlessly conduct their banking transactions through the most suitable, dependable and convenient channels.

People Oriented

At the heart of our institution lies our esteemed team whose dedication and perseverance serve as the bedrock of our success. The proactive ethos of our EB family resonates with our valued customers, fostering enduring relationships built on trust and reliability. Recognizing the invaluable contribution of our staff, we prioritize ongoing investment in their growth and development. It is their unwavering commitment that propels TEB to the forefront of the banking landscape in Kosovo.

Human - Centered Approach

Central to our achievements is our unwavering dedication to both our customers and our team. Their needs and aspirations lie at the core of every decision we make. By proactively engaging with our customers, we gain insights that drive our innovation and shape our service offerings. This approach enables us to deliver exceptional value through pioneering, tailored, and trend-setting products and services that surpass expectations.

Commitment to Integrity

Integrity is the cornerstone of our operations, underpinning every interaction and decision. We adhere rigorously to the highest ethical standards, ensuring that trust and transparency define our relationships with customers, shareholders, and employees. Our commitment to excellence compels us to go beyond the ordinary, consistently striving to enhance value for all stakeholders. We foster a culture of open communication and welcome diverse perspectives, recognizing their potential to enrich our ideas and lead to more informed, balanced decisions.

Innovation & Technological Advancement

At the heart of our operations lies a deep appreciation for the passion and intellectual curiosity of our team. Their relentless pursuit of novel ideas and solutions drives our commitment to creating products that empower our customers and address their unique needs. Innovation serves as a cornerstone of our success, providing us with a strategic advantage in rapidly evolving markets.

Streamlined Operational Procedures

We are dedicated to crafting operational processes and products that prioritize user-friendliness, accessibility, and value addition. Our aim is to ensure that our services are easily accessible and intuitively designed to enhance user experience. Moreover, we strive to maintain fair pricing structures that accurately reflect the value delivered by our offerings.

1.4 SHAREHOLDER STRUCTURE

TEB Bank's share capital is €24,000,000 based on 2,400,000 issued shares, each with a par value of €10.

The number of shares refers to ordinary shares

Shareholder as of December 31, 2014	Share Ownership Paid in Capital (C)	Share
TEB HOLDING A.S*	24,000,000	100%

*The Bank is controlled by TEB Holding A.S. which is a company incorporated in Turkey (the "Parent Company") and owns 100% of the shares of the Bank. The shareholders of TEB Holding A.S. are the BNP Paribas and the Çolakoğlu Group, each of them owning 50% of the shares. BNP Paribas is the ultimate controlling party of the Parent Company and the Bank.

2 MESSAGES FROM MANAGEMENT

2.1 CHAIRWOMAN'S MESSAGE

Dear Shareholders,

I am delighted to share with you our annual report for the year ending December 31, 2023. It brings me great satisfaction to highlight another year of remarkable achievements for our bank within the dynamic financial landscape of Kosovo.

With inflation slowing down, the Kosovo economy exceeded growth expectations, recording a robust 3.8% increase in GDP; a leader in the region. This growth, fuelled by household consumption and diaspora remittances, has positively impacted our bank's performance.

We achieved significant growth, due to our unwavering commitment to providing exceptional service and innovative financial products to our customers, while always being in line with the Group's risk and compliance levels. The Bank has increased its gross loan portfolio by 11.8%, its deposits by 11%, and a Return on Equity of 25.1%.

The Bank continues to foster a positive work environment and enhance internal communication which has improved the well-being of the team. Although attracting new talented young professionals has become more difficult for the banking sector in general due to the younger generations' preferences, we are still regarded as one of best places for career development.

Following the recent legal developments focused on the digital transformation of processes in Kosovo, the Bank has increased its intensity in digitalizing processes to provide better services to our clients, in line with their expectations.

Being part of the BNP Paribas and TEB groups ensures that the Bank is always one the forefront of all the latest environmental, financial, and technological developments. Considering that Kosovo must harmonise the legislation with the EU, we are able to lean on the experience of the Group to avoid uncertainties and always remain compliant with the applicable legislative and regulatory framework.

On behalf of the Board of Directors, I would like to express my gratitude to our dedicated management team, employees, and customers for their work and their conviction in making TEB the best Bank in Kosovo. Our shareholders also deserve our gratitude for their commitment to the country of Kosovo and for supporting the Bank's long-term strategy. Looking ahead, we remain steadfast in our mission to deliver exceptional financial services, and to contribute to the continued growth of Kosovo's economy and society.

Ayşe Aşardağ

2.2. MESSAGE FROM THE CEO

The economic development of the Republic of Kosovo is nothing short of amazing. Despite all the political developments, the banking sector remained steadfast in its contribution to the economy. Our Bank had one of the best years since it began its operations in Kosovo. With inflation stabilising, our clients refocused on their future and fully invested in their plans, whereas we focused on investing in changing the bank to what we expect our clients will expect from us in the near future.

Kosovo continues to change at a faster pace and businesses including our bank are adapting to this change. Regarding international travel, the EU made it possible for Kosovo citizens to visit European countries freely without any visas. In terms of changes to the workplace, many companies now enable their employees to work remotely, which has pushed more traditional institutions to change and adapt. The government is also trying to create a suitable environment for these type of changes by focusing on solving longer term problems such as clean energy and foreign direct investment facilitation. At the same time, we have noticed our investments in the digitalisation of our processes have had very positive results which has encouraged us to continue on the same path.

The path to the digitalisation of all the Bank's processes is clear, however we are aware that the work that we do has an impact in our society. That is why we have become more mindful of the effect that we can have as a bank in the future generations of Kosovo. In the previous year we have been working on the ESG aspect of our processes and plan to be in line with European standards by the end of this year. Naturally, we need the regulators to encourage the banking and other sectors of the economy to do their part, so that the future generations inherit a better country than the one inherited by us.

We expect that the younger generation are going to be more aware of the world they live in and will expect more from the products and the services they purchase. Technological developments and the increased awareness regarding the economic impact on society and the environment imposes a new direction for banks to compete in, and we welcome it. We understand that what will be expected will benefit everyone. The clients will have better services, banks will become more efficient, and the environmental and social impact will be favourable.

This annual report presents the exceptional performance of the Bank during the previous year. There has been continuous improvement in all the Bank's functions and services to clients have improved. Most importantly, the performance of the Bank has not come to the expense of the Cost of Risk; it still remains very low. I want to express gratitude towards our Shareholders and Board of Directors for their continuous support and their vision on our quest to becoming the best Bank in Kosovo. I also want to thank our team members for their hard work in executing and exceeding our plans. As we have done in the past, we plan to stay loyal to our clients and support them in every way we can, so that they can rely on us for whatever the future brings.

Orçun Özdemir

3 TEB SH.A. IN 2023

3.1. TEB IN FIGURES

	2023	2022	Increase/ Decrease	Percentage
Balance Sheet Indicators (000 EUR)				
Total Assets	858,736	760,448	98,288	12.9%
Total Loans (Gross)	608,520	544,496	64,024	11.8%
Deposits	722,942	651,408	71,534	11.0%
Shareholders' Equity	115,442	94,412	21,030	22.3%
Gross Loans / Total Assets	70.9%	71.6%	(0.7pp)	-
NPL / Total Loans	1.13%	1.15%	(0.02pp)	-
NPL Coverage Ratio	72.0%	75.2%	(3.2pp)	-
Income Statement Indicators				
Net Interest Income	41,320	35,243	6,077	17.2%
Net Non-Interest Income	9,098	9,462	(364)	(3.8%)
Net Banking Income	50,418	44,705	5,713	12.8%
Net Profit for the Year	22,900	20,986	1,914	9.1%
Cost / Income Ratio	48.2%	48.5%	(0.3pp)	-
Jaw effect	0.70%	0.22%	0.48pp	-
Profitability Ratios				
Return on Equity ("ROE")	25.1%	25.1%	-	-
Return on Assets ("ROA")	2.7%	2.8%	(0.1pp)	-
Net Interest / Average Interest Earning Assets	6.1%	5.6%	0.5pp	-
Solvency & Liquidity Ratios				
Capital Adequacy Ratio ("CAR")	14.7%	14.0%	0.7pp	-
Liquid Assets / Short term liabilities	26.9%	28.5%	(1.6pp)	-
Risk Weighted Assets ("RWA")	639,281	533,965	105,316	19.7%
Other Indicators				
Branches	30	29	1	-
Employees	604	611	(7)	(1.1%)

3.2 KEY FINANCIAL INDICATORS

3.2.1. Financial Position of the Bank

The Bank's assets amounted to EUR 858.7 million at December 31, 2023 (December 31 ,2022: EUR 760.4). Consistent with previous years, the structure of assets is dominated by gross loans (70.9% of total assets). The gross loan portfolio grew by 11.8% or EUR 64 million amounting to EUR 608.5 million (compared to EUR 544.4 million as at December 31, 2022).

The credit quality of the outstanding loans continued to improve as the NPL ratio dropped to 1.13% (2022: 1.15%), representing the lowest NPL ratio among the established players in the banking sector in Kosovo. At the same time the Bank maintained a high NPL coverage ratio of 72.0% in 2023. Both ratios are indicators of our prudent risk management practices and good corporate governance.

In the liabilities side, the Bank's customer deposits amounted to EUR 722.9 million at December 31, 2023 representing an increase of 11.0% compared to EUR 651.4 million at December 31, 2022. The Bank's Loan-to-Deposit ratio stood at around 84% at 2023-year end. In addition, total equity at EUR 115.4 million ensures that there is stable funding base for credit growth.

3.2.2. Financial Performance of the Bank

Net interest income rose by 17.2% amounting to EUR 41.3 million (compared to EUR 35.2 million in 2022), which represents the highest increase in the last four years (2022: 14.4%), derived from the increase in total interest income by 17.7% or EUR 6.3 million. Net interest generated from interest earning assets is 6.1%, up by 0.5 pp compared to 2022, reflecting favorable interest rate developments (increases).

On the other hand, net non-interest income amounted to EUR 9.1 million at December 31, 2023 down -3.9% from December 31, 2022 (EUR 9.5 million). Despite the growth in net fees and commission income (mainly from cards, SMS banking and E-banking) driven by the increase in the number of customers and overall economic activity in the country, this growth was slightly outpaced by the increase in other financial / non-financial expenses and provisions.

The Bank effectively managed its cost-to-income ratio, maintaining it at 48.2% in 2023, a slight improvement from 48.5% in 2022, showcasing ongoing efforts towards operational efficiency. Additionally, the Bank achieved a positive jaw effect of 0.70% in 2023, with net banking income growing by 12.8%, higher than the 12.1% increase in operating expenses. In 2023 net profit increased by 9.1% to EUR 22.9 million (2022: EUR 20.9 million) representing the Bank's highest ever recorded net profit.

In terms of profitability indicators, at the end of 2023 the Bank generated a Return on Equity (ROE) at 25.1% in similar levels compared to 2022, while Return on Asset (ROA) was at 2.7% in 2023, down by 0.13pp from 2022.

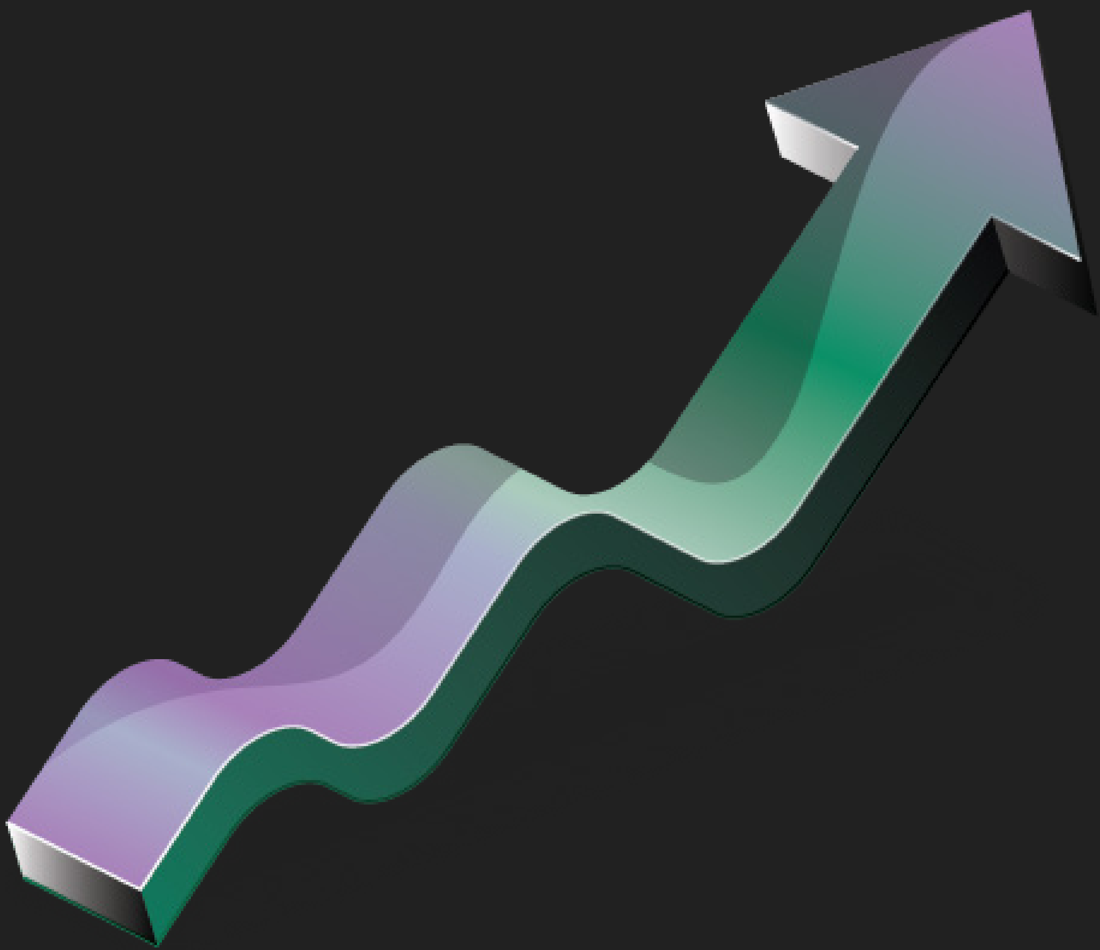
3.2.3. Solvency and Liquidity ratios

Regarding solvency and liquidity ratios, the Banks' Capital Adequacy Ratio remained robust at 14.7% for the year end in 2023. Thereby, exceeding the Central Bank of Kosovo (CBK) minimum requirement of 12%, and effectively covering the increase in Risk Weighted Assets by 19.7% or EUR 105 million.

Liquidity Coverage Ratio(LCR) of the Bank is 279 % in 2023 that is 146.4pp lower compared to 425.4% in 2022 which is highly above the 100% of regulatory requirement. Also we keep monitoring Liquidity Ratio as an internal one as it is more a regulatory requirement. Liquid assets / short term liabilities ratio of the Bank in 2023 is 26.9%, a decrease by 1.6pp compared to 28.5% in 2022 which is well managed remaining above the 25% internal ratio. These ratios show that ALMT well managed the Balance Sheet transformation from the environment of low interest rates to higher rates.

3.2.4. Other indicators

In 2023, the Bank opened a branch, increasing the total number of branches to 30 (2022: 29), while the number of full-time employees decreased slightly to 604 compared to 611 at the end of 2022.



4 BUSINESS UNITS

4.1. RETAIL BANKING

The Retail Banking Division is a key part of our bank's mission which provides financial solutions that meet the needs and aspirations of our diverse customer base. We offer a range of products and services, including savings, loans, mortgages, credit cards and insurance. We also provide digital and mobile banking platforms that enable our customers to access their accounts anytime, anywhere.

In 2023, we faced a dynamic and competitive market environment, with changing customer preferences, regulatory developments and technological innovations. Retail Banking has performed exceptionally well, achieving strong financial results, oriented in customer experience, always aiming to understand the entire customer journey in our bank.

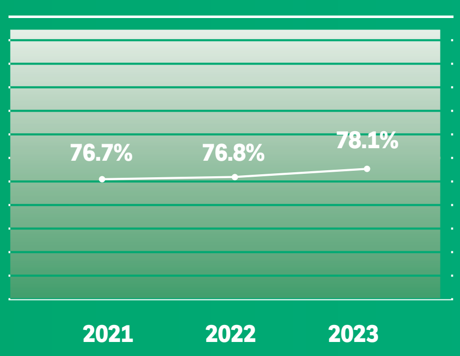
Despite these challenges, we delivered strong results and achieved significant milestones. Here are some of the highlights of the year:

2023 KEY FIGURES

In 2023, Retail Banking experienced growth in various areas of financial performance, driven by strategic initiatives and commitment to maintain a stable and sustainable business model.

CUSTOMER BASE

ACTIVE CUSTOMER BASE [RATIO]

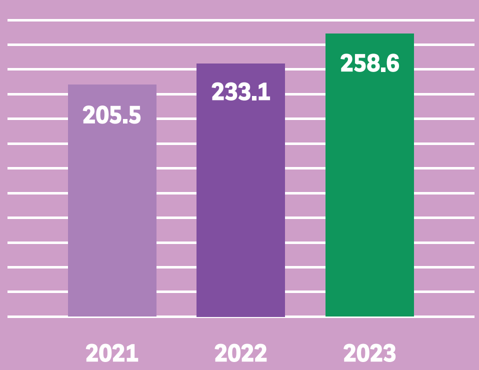


The customer acquisition targets progressed in accordance with the strategic assumptions. In 2023, 37,000 new customers have been on boarded, bringing our total customer base to 294,000.. In terms of active customers, **78%** of our customer base are active customers who continuously use the products of our bank.

Among others, TEB Retail Banking has achieved to develop the base of salary receivers, thereby it achieved to increase for **4,000** new salary receivers with a net growth of existing base with **6%** and increase of the market share in customers' salaries from **18.20%** to **18.80%**.

LOAN GROWTH

INDIVIDUAL LOAN PORTFOLIO [MILLIONS]

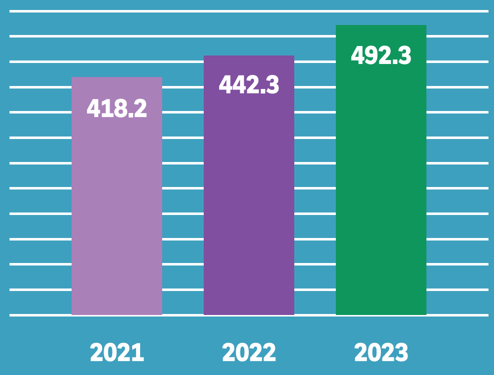


Retail Banking Division achieved a remarkable growth in loans in 2023, surpassing our targets and expectations, with a year-over-year development of **11%**. As a result, TEB in retail loans achieved an increase of **25.5** million by remaining the third bank in the market with market share 15.5%.. Total outstanding loan portfolio is **259 million**.

This success was driven by several factors, such as innovative products, competitive pricing, excellent customer service and effective marketing campaigns. The growth in loans reflects our commitment to provide accessible and affordable financial solutions. to our customers.

DEPOSITS GROWTH

INDIVIDUAL DEPOSIT PORTFOLIO [MILLIONS]

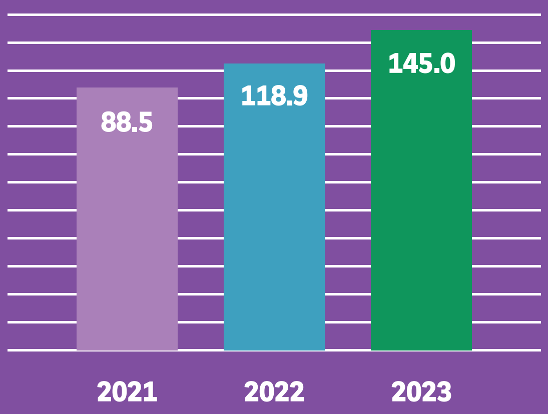


One of the highlights of the year 2023 was the remarkable growth in deposits. Our deposit portfolio increased by **11.3%** [**50** million] compared to previous year, reaching a total of **492 million** deposit balance portfolio, which reflects our strong commitment to provide convenient and secure banking services.

This was the result of our strategic initiatives to enhance customer loyalty, expand our branch network, and offer excellent customer experience. In addition to our deposit growth, we also focused on market dynamics, strengthening our position as a leading bank in retail banking market by achieving to maintain our market share at **13%**.

MOBILE BANKING - TEB MOBILE

USAGE DEVELOPMENT [THOUSANDS]

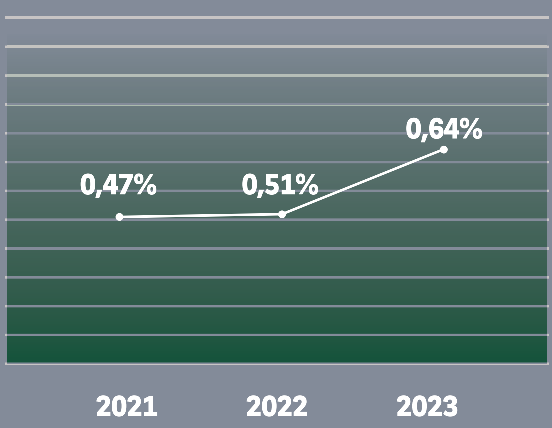


Retail Banking sector has undergone a transformation in recent years, with the advent of mobile technology which is playing a significant role in this change. The trends toward mobile banking has been on the rise and our bank has been at the forefront of this development.

Over the past year, the number of customers using TEB Mobile has increased to **145,000** customers, with a growth ratio of **22%**. We managed to have **92,000** active TEB Mobile users, making **1.5 million** transactions during the year. This success reflects our commitment to provide convenient, secure and innovative solutions for our customer, as well as our ability to adapt to the changing needs and preferences of the market.

QUALITY OF LOAN PORTFOLIO - NON PERFORMING LOANS

NPL MANAGEMENT [RATIOS]



Despite the challenging economic environment, 2023 highlighted our continued commitment and focus to maintain a high quality loan portfolio. One of the key priorities for Retail Banking was to effectively manage non-performing loans which resulted as the lowest ratio in the market.

Alongside the success in loan growth, we achieved to maintain the quality of our individual loan portfolio where the ratio of non-performing loans is **0.64%**, well below the market average of **1.36%**. Success in managing NPL demonstrates our resilience in the face of adversity. It also reflects commitment to deliver value to our customers, shareholders and stakeholders.

Strategic Priorities for 2024

	GOALS	STRATEGIES
CUSTOMER PRIORITIES	•Enhance customer experience •Reduce friction and operational burden in each step of the customer's journey •Diversification of customer base •New customer segmentation - infinite banking	•Innovation in customer interaction models •Fragmented sales activities based on target groups •Data-driven customer insights and sales leads •Competitive lending approach •Fast decision making [focus: automation of processes] •Digital onboarding and digital lending
GROWTH PRIORITIES	•Active customers base •Salary recievers base •Individual loan portfolio •Individual deposit portfolio •Maintain sound quality of loan portfolio	•Establish customer experience mindset among the sales team •Explore the problem-solution cycle of our customer •Focus on the product value proposition •Shift from "selling" to "serving" and "information" to "emotion"
EFFICIENCY PRIORITIES	•Accelerated customer journey •Simple & fast processes •Business alignment •Improvement and simplification of services •Adaptation of technology and automation	•Business process mapping that identifies bottlenecks, gaps and inefficiencies •Business process automation that uses technologies to perform certain tasks •Implementation of digital platforms and channels
LEARNING & GROWTH	•Foster a culture of learning and development •Create a team that adapts to the strategies of the bank •Promote a performance-based activity •Internal promotion orientation	•Deliver adequate knowledge and tools to perform tasks effectively •Organize internal and external workshops, seminars, webinars and conferences •Encourage cross-functional collaboration and knowledge sharing through project teams

Digitalization strategy

In 2024, Retail Banking Division is steadily committed to enhancing Digital Sales through our robust Digital Channels. Our strategic focus centers on the seamless digitalization of our products and services, ensuring that our valued customers have access to cutting-edge technology and an array of innovative offerings. By adhering to our comprehensive Digital Program, we anticipate delivering the following services via our digital platforms (TEB Mobile & WEB):

1. Digital Onboarding:
Streamlining the customer onboarding process through digital channels.

2. Digital KYC (Know Your Customer):
Enhancing digital customer identification and verification processes.

3. Digital Lending:
Facilitating loans, credit cards, and other financial products through our digital interfaces with end to end approach.

4. Expanding Service Range on Digital Platforms:
Enriching our digital ecosystem by introducing new services to cultivate independent banking with requiring our customers to visit our physical branches.

Enhancing Visibility and Accessibility

To bolster our digital presence, we are committed to ensuring that our digital channels are easily discoverable and accessible for our customers. This strategic move is expected to drive increased traffic to our digital platforms. Additionally, we will continue leveraging marketing channels to promote our suite of products and guide customers toward our digital offerings.

Empowering Active Customers with TEB Mobile

In 2024, a key objective is to equip our active customers, particularly those utilizing credit products, with the TEB Mobile Product. This initiative aligns with our goal of enhancing the adoption of TEB Mobile among our customer base.

Investment in Customer Service and Support

Our commitment extends beyond technology. We recognize the critical role of exceptional customer service. To this end, we are establishing a dedicated team to handle all digital applications across our various channels, including TEB Mobile, Website, E-Banking, and Email (Info or Customer Care). This investment ensures that our customers receive prompt and efficient assistance.

Digitalization Program: A Path to Innovation

Looking ahead, our Bank remains consistent in its Digitalization Program. Our vision is to create an innovative ecosystem of digitally delivered banking services. By seamlessly transitioning from conventional to a hybrid banking model (conventional and digital bank), we aim to elevate the banking experience for our customers through multichannel solutions.

Note: The Digitalization Program, initiated in 2023, continues to be a driving force in our journey toward a technologically advanced banking landscape.

Looking forward to 2024

As a Bank, we had a remarkable year in 2023 in Retail Banking, where we successfully delivered on our strategic objectives and enhanced our customer experience. We have launched several innovative products and services, expanded our digital capabilities, and strengthened our partnerships with other business units. We have also invested in our people, culture, and values, fostering a collaborative and inclusive environment that supports bank's vision and mission.

As we look ahead to 2024, we are excited about the opportunities and possibilities that await us. We are confident that we can leverage our strengths and competitive advantages to grow our market share, revenue, and profitability. We are committed that we have the right strategy, the right team, and the right mindset to grow our business and create value for our customers and stakeholders. We believe that by working together as a team, we can overcome any obstacles and achieve our vision of becoming the leading retail bank in the country.

4.2. CARD AND POS BUSINESS DIVISION

With a highly motivated, dedicated team and unwavering support from Card and ADC Operations, Card and POS Business Division has achieved its best results to date. Over the past decade, we have established ourselves as market leaders in various key metrics, including Credit Card Number, Credit Card Turnover, POS Terminals Number, POS Turnover, E-commerce Merchant Number and E-commerce Turnover.

This dominance in the market has been achieved through our relentless pursuit of creativity, efficiency, and assertiveness in all areas. We have organized over 160 campaigns, both internally and externally, and introduced innovative projects such as Credit Card, E-commerce, mobile Cash (Card-less Cash), TEB-Mobile card features, upgraded websites, and other cutting-edge products.

Credit Card: Starcard has brought about a significant transformation in consumer expenditure in Kosova, leading to a notable surge in volume turnover in 2023. Through a thorough analysis of our customers' requirements, we consistently strive to introduce the most advantageous aspects of the card industry to the market. Our portfolio of credit cards remains the most well-established in our market, encompassing a diverse range of options such as Visa Infinite, Starcard, Premium Starcard, Shecard, Business Credit Card, Agro and Women Entrepreneur Card.

To bolster our card offerings in 2023, we have orchestrated special promotions and campaigns, including additional installment options for Starcard transactions, credit card activation campaigns, exclusive collaborations with merchants offering up to a 20% bonus on purchases, and supplementary bonuses for online transactions. We have meticulously selected over 40 Premium Merchants from various sectors, which had an impact in the overall 2023 Credit Card Turnover.

Furthermore, our commitment to a loyalty program has resulted in awarding of over 650,000€ of bonus to our credit and debit card users in the year 2023.

Visa Infinite Card

In response to technological advancements and innovative opportunities in the global banking card industry, TEB recognized the need to bring for the first time in Kosovo market, Visa Infinite Card. This Card represents the highest level of Credit Card offered by commercial banks in Kosovo and is distinguished as the first metal card in the market. The Visa Infinite Card provides customers with numerous benefits, including a high credit limit, travel life insurance, travel health insurance, extended product warranty, access to over 1,000 Airport Lounges, global ATM access, and privileged personal global emergency communication, regardless of the customer's location.

E-commerce: Currently, we are the exclusive provider of Payment Gateway services in the Kosova market, offering the unique feature of installment payments through our Credit Card. Our Payment Gateway has earned the confidence of prominent merchants in our market, establishing us as the foremost leader in e-commerce transaction volume. We have effectively formed partnerships with nearly all online retailers.

Priorities of 2024 for Card and POS Business

In an era of rapid technological advancements, we are fully embracing a digital transformation with new projects on the horizon. This positions us at the forefront of an exhilarating digital revolution, poised to reap the benefits of this transformative journey. One of our key drivers behind embracing digital transformation is the potential for increased efficiency in business operations by implementing digital tools and platforms which will result in significant time and cost savings for our customers.

Moreover, the final step of our Card Business leadership in the Kosovo market is that, the cards will be personalized domestically. This initiative reflects our commitment to providing the highest level of service and convenience to our esteemed cardholders in Kosovo.

Additionally, Bank will initiate a series of personalized campaigns that will provide various incentives such as additional installment plans, discounts, grace periods, and bonus products. These campaigns are designed to cater to the unique needs and preferences of our customers, therefore further enhancing their banking experience.

As we embark on this transformation journey, we are excited about the endless possibilities that lie ahead. With our commitment to innovation and customer-centric solutions, we are confident in our ability to deliver unparalleled value to our customers.

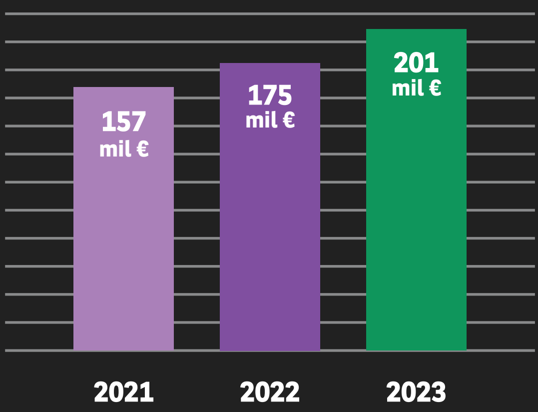
4.3. SME BANKING

The SME Banking Department continued its successful performance in 2023, achieving 13% increase in the total outstanding loan portfolio. Additionally, the deposit side showed stable performance with a general positive trend, ending the balance sheet with 9% increase compared to 2022.

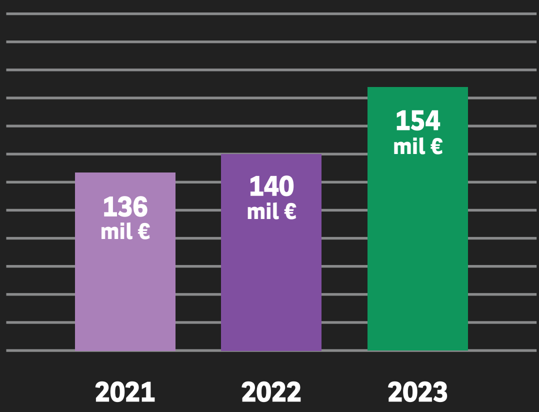
Maintaining a qualitative loan portfolio remained our focus in 2023, with constant improvements leading to a decrease in NPL from 2.18% by the end of year 2022 to 1.57% as of December 31, 2023.

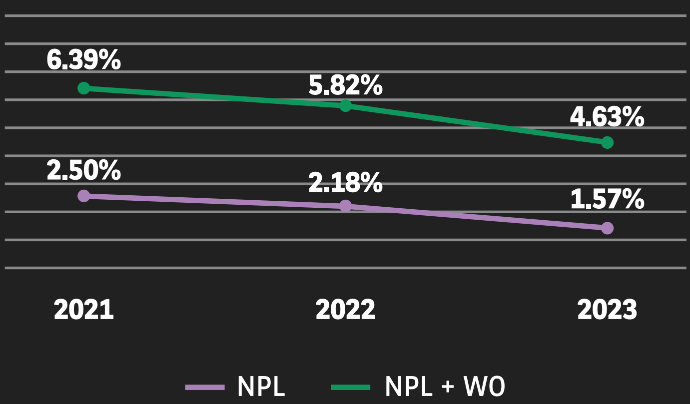
The graphs below present the loan outstanding (consisting of Loans, Overdraft, and non-cash loans), deposit outstanding portfolio, and NPL ratio.

LOAN OUTSTANDING PORTFOLIO



DEPOSIT OUTSTANDING PORTFOLIO





The SME Banking Department undertook numerous activities in 2023 to improve processes and increase market presence, organizing various campaigns with diversified offers for SME business customers. Geographically, our presence expanded to western part of Kosovo with the opening of a new branch in Istog, offering full SME and Agro services.

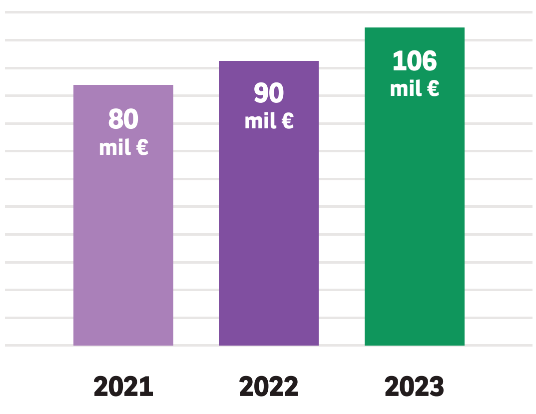
Our Women in Business program continued its activities, and we organized the GEW (Global Entrepreneurship Week) with participation in local and social media, culminating in a closing event with 50 attendees and our Executive Office. Additionally, we sponsored the "Regional Women Entrepreneurs" event organized by USAID, focusing on "Empowering Women in Business" though conferences, discussions and B2B meetings.

The Agro Segment saw a steady growth, meeting the needs of this important sector and maintaining leadership in market. Overall, 2023 marked the best year for the SME Banking Department, characterized by a healthy growth, diverse campaign and offers, and high motivation for new challenges and results in 2024.

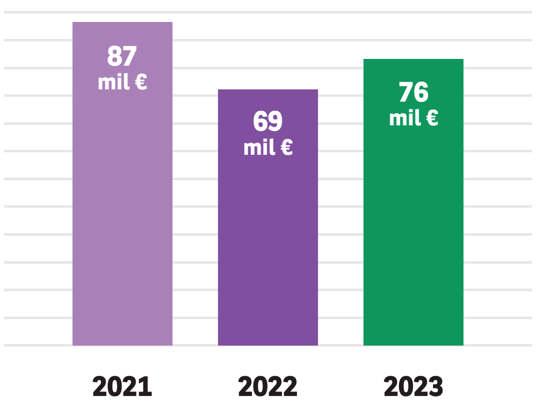
4.4. CORPORATE BANKING

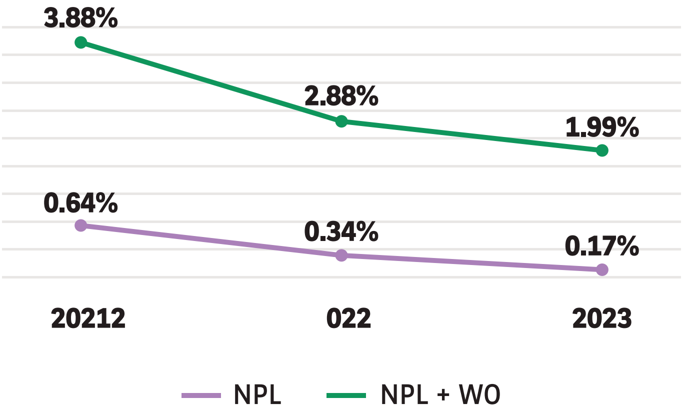
The Corporate Department sustained its successful performance throughout 2023, achieving 8% of increase in the total outstanding loan portfolio. Maintaining a high-quality loan portfolio remained our primary focus in 2023, with consistent improvements leading to a decrease in NPL from 0.34% at the end of 2022 to 0.17% as of December 31, 2023.

CORPORATE LOAN OUTSTANDING



CORPORATE DEPOSIT OUTSTANDING





Throughout 2023, the Corporate Department undertook various activities to enhance processes and strengthen market presence, serving a diverse clientele including private and public companies, embassies and institutional customers. The volume of incoming and outgoing business transfers via IOMT increased from 461 million to 483 million, with 96% executed through ADC channels /E-banking.

Overall, 2023 marked a successful year for the Corporate Banking Department, characterized by a healthy growth and a high level of motivation to tackle new challenges and achieve further results in 2024.

Transfers

The digital era has become a part of our daily routine, leading to an adaptation toward the necessity of using digital channels. In 2023, 95.05% of total IOMT transfers for SME and Corporate where conducted through E/M banking, while 97.13% of National Transfers have been conducted through digital channels. Customers are benefiting from digital channels, resulting in reduced paperwork and workload in branches. Changes in E/M banking features were initiated in 2023, and the FX Conversion features is set to be launched in 2024.

4.5. ALM-TREASURY (ASSET AND LIABILITY MANAGEMENT)

The objectives of the ALM-Treasury are on the one hand to manage the interest-rate risk , liquidity risk and foreign exchange risk emerging from banking activities, on the other hand to make prudent investments which increase the value of capital by managing the mismatch between assets & liabilities and ensuring the healthy functionality of the Bank's liquidity under stress conditions. Simply stated, the purpose of the ALM-Treasury is to reduce risks and increase returns on Bank's Balance Sheet by respecting the local and global regulations, norms and standards to keep the Bank's reputation as solid, robust, sustainable, reliable and responsible for all the stakeholders.

In TEB, the ALM-Treasury function is strong and comprehensive, as it is necessary to carry out prudent asset and liability management. This strength is essential for providing sustainable and secure financial services to customers. We must be confident that our funding is solid, and all our indicators are in line with the risk management requirements.
ALM-Treasury plays a pivotal role in bringing together the different activities of the Bank. Appropriate liquidity and balance sheet management is a key factor in ensuring to reach the interest income targets and maintain a healthy liquidity profile.

This is being done by effective short term cash flow and long-term liquidity management, guiding the business lines, by creating investment and funding strategies based on prevailing market conditions, interest rate and volume trends of the balance sheet items and internal and external risk parameters.

The experience, theoretical and technical know-how, and custom-tailored solutions are the primary strengths that carry TEB's ALM-Treasury to success. The advanced technological infrastructure and databases are the other important factors that result in the successful performance of the Department.

ALM-Treasury has a forward looking processes involving simultaneous asset and liability management to measure, monitor and control the impact of changing interest rates on the Bank's earnings, asset value, liquidity, and capital requirements.

ALM-Treasury has very strong risk awareness in conducting its business that is in line with the prudent approach of the Bank and the Group. For the day-to-day management of liquidity and risk related to our asset-liability structure, the Bank's Board has delegated responsibility to ALCO members to discuss recent market developments and take decisions in accordance with set principles of risk reduction and mitigation.

ALM-Treasury enjoys the strong support of its both French and Turkish parent companies and exclusive access to national and international capital and money markets in controlling its risks and performing its duties.

ALCO

To manage liquidity risk, internal liquidity steering, interest rate in the banking book and structural foreign exchange risk, TEB SH.A. has established the Local Asset and Liability Committee (ALCo) as a permanent decision making committee. The ALCo is comprised of senior management and convenes monthly to review external and internal developments, local risks and decides on policies and strategies that have to be validated and implemented.

MLRC

During 2023 TEB SH.A. has established the Market and Liquidity Risk Committee (MLRC) for ALM-T as an advisory committee, in order to manage market risk, liquidity risk, internal liquidity steering, interest rate in the banking book and counterparty credit risk related to policies, procedures and limits, as well as to link ALCo proceedings with the Board of Directors through Risk Committee. The MLRC is comprised of senior management.

MLRC informs Risk Committee (RC) and Joint ALCo about the committee decisions.

What's next?

During 2023, ALM-T achieved the biggest profit ever by perceiving the rate increases. ALM-T allows low-yield securities to mature or sells them back to raise funds, which are subsequently used for loans. Remaining excess funds in non-remunerated accounts were transferred into remunerated placements.

During 2024, ALM-T will continue to pay special attention to interest rate environment and will try to optimize all Balance Sheet items in order to contribute as best as possible to the Bank.

5 INFORMATION TECHNOLOGY

The past year has been a period of significant transformation and advancement in our IT. Our efforts have been directed towards modernizing our systems, enhancing operational efficiency, bolstering our security posture and Digital Transformation. This report summarizes the key projects completed in 2023, highlighting our strategic approach to obsolescence management, major networking upgrades, operational improvements, and security enhancements.

Our main perspective was digitalization of currently active customers and serving them in alternative distribution channels without losing core banking facilities functioning smoothly. Starting from acquiring, for all the processes we aimed efficiency and treated each of these projects with this vision, taking into consideration the customer satisfaction with simplicity below and more projects were implemented successfully.

Looking ahead, our bank remains steadfast in its Digitalization Program. Our vision is to create an innovative ecosystem of digitally delivered banking services. By seamlessly transitioning from conventional to a hybrid banking model (conventional and digital bank), we aim to elevate the banking experience for our clients through multichannel solutions.

112 projects were selected within the scope of the Digitalization Program launched in 2023. %56 of these projects have been completed and activated.

IT infrastructure department highlights

Obsolescence Management

A cornerstone of our strategy has been to address and manage obsolescence proactively, keeping our systems up to date was very important. We have successfully phased out outdated hardware and software, ensuring our IT infrastructure remains robust, secure, and capable of meeting the evolving needs of our business.

Networking Enhancements

We undertook a critical upgrade of our network infrastructure by replacing the **core switches**. This project was pivotal in improving network performance, reliability, and scalability. The new switches have enhanced our network's ability to handle high volumes of traffic and have reduced bottlenecks, significantly improving overall efficiency.

The migration of our **phone recording system** to a more advanced platform has streamlined operations and improved reliability and integrity about record keeping program of group. This upgrade has provided us with better quality recordings, easier access to archived calls, and enhanced compliance capabilities.

Operational and Security-Centric Changes

The deployment of the new **Cisco UCSX Server** marked a significant enhancement in our IT virtualization capabilities. This server provides exceptional scalability, performance, and resilience, enabling us to meet current demands while also providing the flexibility to scale operations as needed.

Switching to **Office 365** has been one of the year's most impactful changes. By leveraging cloud technology, we have reduced resource usage and operational costs. Office 365 offers our employees worldwide access to a suite of tools, including MS Teams, enhancing collaboration and productivity across the organization.

We have improved our **NIST compliance program**, extending its scope and enhancing our performance across several domains. These improvements have strengthened our cybersecurity framework, reducing vulnerabilities and enhancing our defense against cyber threats.

We have made significant strides in improving our **IT continuity**, resilience, and availability. These enhancements ensure that our operations can withstand disruptions and continue without significant impact.

Business Solutions Department highlights

We enable our customers to easily **apply for a credit card via mobile** banking application.

Corporate customers are able to create a **Drop Box code via e-banking** business, to be able to deposit money to Drop Boxes any time they want.

The **SWIFT auto payment** project was completed. Under a certain amount, transactions are completed automatically, after fraud prevention approval.

Thanks to the **digital KYC review** project, the annual review of the know your costumer process can be completed on mobile.

Payments that are realized in **E-Kosova** platform are now processed automatically for all of the institutions that are provided in the platform.

With the completion of the **international transfers in TEB Mobile** project, retail customers can perform SWIFT payments without visiting the branch.

New **Push Notification infrastructure for TEB Mobile** was deployed which enables communicating with clients instantly and reducing expenses of SMS's.

Cardless Cash development gave the opportunity customers to withdraw money with a code from ATM without using a physical card.

6 HUMAN RESOURCES

At TEB SH.A, we recognize the paramount importance of nurturing a culture that embodies support and inclusivity for the success of our team. Such a culture not only fosters a sense of belonging but also empowers our colleagues to excel in their roles. We are staunch advocates of continuous feedback, as well as personal and professional development, ensuring that our endeavors are aligned with our core values and mindset.
Despite facing multifaceted challenges, including the intricacies of rapidly evolving markets and an ever-changing global landscape, our team has exhibited exemplary resilience and determination. Their unwavering commitment to exceeding expectations in supporting our customers fills us with pride. We are deeply gratified that our strategy, brand, and values resonate strongly with our workforce. Moving forward, we are committed to further investing in their career development and training to nurture their growth as professionals.

Central to our ethos is the belief that employee engagement should be a reciprocal dialogue, with equal emphasis placed on listening to our workforce and keeping them well-informed. We hold our colleagues' perspectives in high regard and actively incorporate them into our decision-making processes.

Our people are the cornerstone of our success, and it is our steadfast endeavor to uphold a positive employee experience and cultivate robust relationships with both our employees and managers. We acknowledge that maintaining high levels of enthusiasm, energy, and motivation is pivotal to achieving superior job performance, fostering creativity, enhancing productivity, and driving innovation.

In summary, our unwavering commitment lies in fostering a supportive and inclusive culture, investing in the development of our employees, and engaging with them meaningfully to chart our path to success together.

Career development

TEB recognizes the criticality of attracting and retaining top talent to realize its organizational goals. To this end, we are dedicated to crafting a workplace experience that not only aligns with individual employee aspirations but also prioritizes collective skill development. Our approach entails gaining a deep understanding of employee values and integrating them into our workplace culture. Furthermore, we are committed to identifying the skills requisite for the Bank's success and providing employees with ample training and development opportunities, ranging from on-the-job training to external programs. By steadfastly focusing on these initiatives, we aim to cultivate an enticing workplace environment conducive to retaining top talent and equipping employees with the necessary skills to contribute to the Bank's long-term success.

Throughout 2023 our HR department organized various training programs, including onboarding sessions for new hires, refreshment training for existing staff, leadership training across all managerial levels, future leadership training for potential managers, and specialized external training tailored to departmental needs.

As of year-end 2023, the TEB team comprised 604 employees. During the year, we recruited 131 banking and financial services professionals, of which 50 were interns who embraced the challenges and became integral members of our bank. Additionally, 160 employees were promoted. Consistent with our objectives and the principle of transparent communication at TEB, vacancies were advertised to all employees, including interns, ensuring equal opportunities for growth and advancement within the organization.

The voice of employees

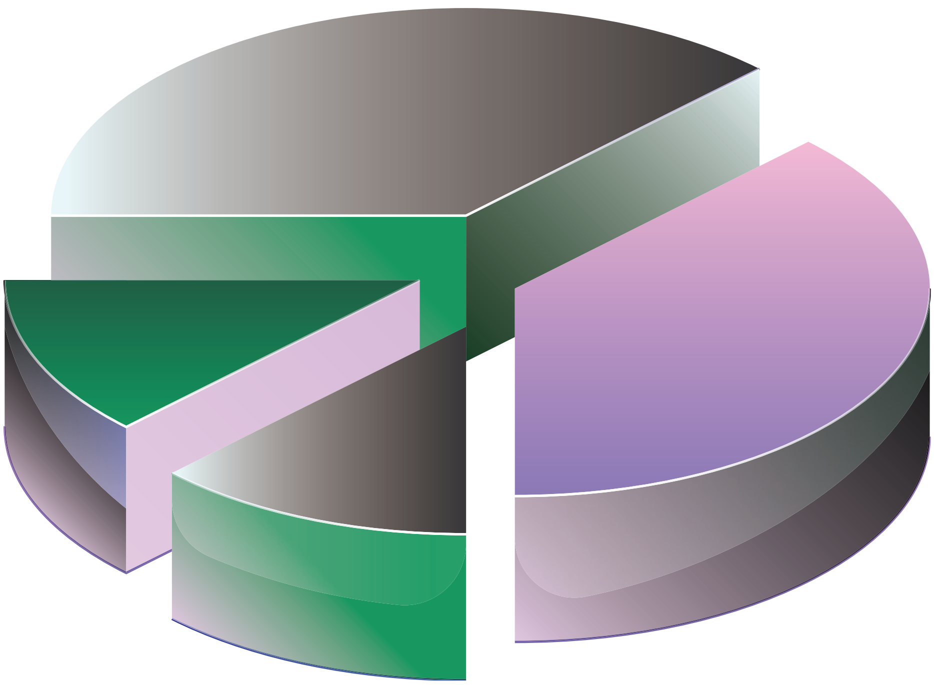
Throughout the year, we conducted various surveys and focus groups, enabling us to gain profound insights into our employees' opinions. This empowered them to actively contribute not only to their personal well-being but also that of their colleagues and the enhancement of our workspace. The insights garnered from these initiatives will serve as the cornerstone of our agenda for 2023.

Social activities

We are deeply committed to fostering our employees' happiness and motivation. In addition to fostering collaboration, we prioritize organizing social activities to bolster interpersonal relationships and contemplate ways to enhance our work environment to be more conducive to camaraderie. Social activities are instrumental in expressing appreciation for our employees and fostering a robust support system.

What's Next?

In 2024, the HR Department will focus on career development, talent management, performance management, employee well-being, and talent acquisition. We remain steadfast in nurturing the relationships forged with our employees and will continue to elevate employee satisfaction, thereby directly contributing to the attainment of the Bank's overarching objectives.



7 MANAGEMENT/ CORPORATE GOVERNANCE

7.1. BOARD OF DIRECTORS

Chairwoman: Ayşe Aşardağ
Vice Chair: Alp Yilmaz
Vice Chairman: Luc Delvaux
Member: Nilsen Altintaş
Member: Esra Peri Aydoğan
Member: Birol Deper
Member: Osman Durmus
Member: Fatma Gülden Yüncüoğlu
Member: Nimet Elif Kocaayan
Member: Oya Gökçen
Member: Hakan Tıraşın
Managing Director and Member: Orçun Özdemir

Governance

TEB SH.A. has a Board of Directors currently comprising twelve members with extensive banking experience. The Board carries out its duties and responsibilities according to the requirements set out in the Bank's charter and pursuant to all relevant legislation and requirements imposed by the Central Bank of Kosovo (CBK) and regulators. The Board meets at least quarterly.

The role of the Board of Directors

The Board's primary task is to supervise the financial and business activities of the Bank. It is responsible for defining the Bank's organizational and administrative structure, its business policy including operational and administrative units, their sub-units and functions, supervisory positions and reporting relationships. Moreover, the Board is tasked with the supervision of senior management activities. The Board of Directors determines and establishes the Bank's ban king structure and exposure levels, reviews and approves necessary adjustments and measures. Furthermore, the Board is responsible for adopting the report of senior management on business operations based on the semi-annual balance sheet, profit and loss statement, annual balance sheet and internal and external audit reports. Decisions taken by the Board require a majority vote from members who are either present or voting by proxy.

7.2. COMMITTEES

Committees of the TEB Sh. A. Board

In line with TEB SH.A.'s Charter, regulations and the Bank's requirements, our Board of Directors has established an Audit Committee, a Risk Committee, a Corporate Governance Committee, a Remuneration Committee, an Upper Credit Committee, and an IT and Data Management Committee, all consisting of Board members with relevant experience and external experts. The Board can also establish ad hoc committees and determine their composition and tasks, where relevant and appropriate. The Committees do not make decisions in lieu of the Board of Directors, but act as advisors to them.

Audit Committee

Committee Chair: Luc Delvaux
Members: Ayşe Aşardağ
Birol Deper
Independent Member: Bashkim Uka

Duties and Responsibilities:

The Audit Committee serves as an independent and objective committee to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing financial reporting and other financial information of the Bank, systems of internal control regarding finance, accounting, and financial reporting processes.

The Audit Committee meets at least quarterly.

Upper Credit Committee

Committee Chair: Osman Durmuş
Committee Vice Chair: Haluk Kırcalı
Members: Alp Yılmaz
Ayşe Aşardağ
Oya Gökçen

Duties and Responsibilities:

This committee is authorized to take credit decisions on amounts starting from €1 million up to €7 million based on the rating of the requester.

Corporate Governance Committee

Committee Chair: Luc Delvaux
Members: Ayşe Aşardağ
Esra Peri Aydoğan
Orçun Özdemir

Duties and Responsibilities:

The Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- The general organizational structure of the Bank;
- The key governance documents of the Bank, especially the Charter of the Bank, the documents regulating the operations of the General Assembly of Shareholders, the Board of Directors, the Committees of the Board of Directors, the Executive Committee and the various Management Committees;
- The scope, duties, ways of functioning of the various Committees of the Board of Directors, with due care for clear division of responsibilities among them;
- The way relations with shareholders can be structurally organized and monitored;
- The overview of issues related to Corporate Social Responsibility.

The Corporate Governance Committee meets at least quarterly.

Risk Committee

Committee Chair: Nimet Elif Kocaayan
Committee Vice Chair: Osman DURMUŞ
Members: Alp Yılmaz
Ayşe Aşardağ
Luc Delvaux

The objective of the Risk Committee is to oversee the risk profile, approve and monitor the risk management framework of the Bank within the context of the risk reward strategy determined by the Board of Directors. As such, the Risk Committee is responsible for monitoring all risk-related components and functions derived from credit, market, liquidity, and operational risks.

The Risk Committee meets on a monthly basis.

IT and Data Management Committee

Committee Chair: Fatma Gülden Yüncüoğlu
Members: Ayşe Aşardağ
Luc Delvaux
Alp Yılmaz
Orçun Özdemir

Duties and Responsibilities:

The Committee serves as an independent and objective committee to analyse, monitor, prepare and suggest any matter related to the Bank IT and Data Governance issues, to the Board of Directors.

The IT and Data Management Committee meets at least quarterly.

Remuneration Committee

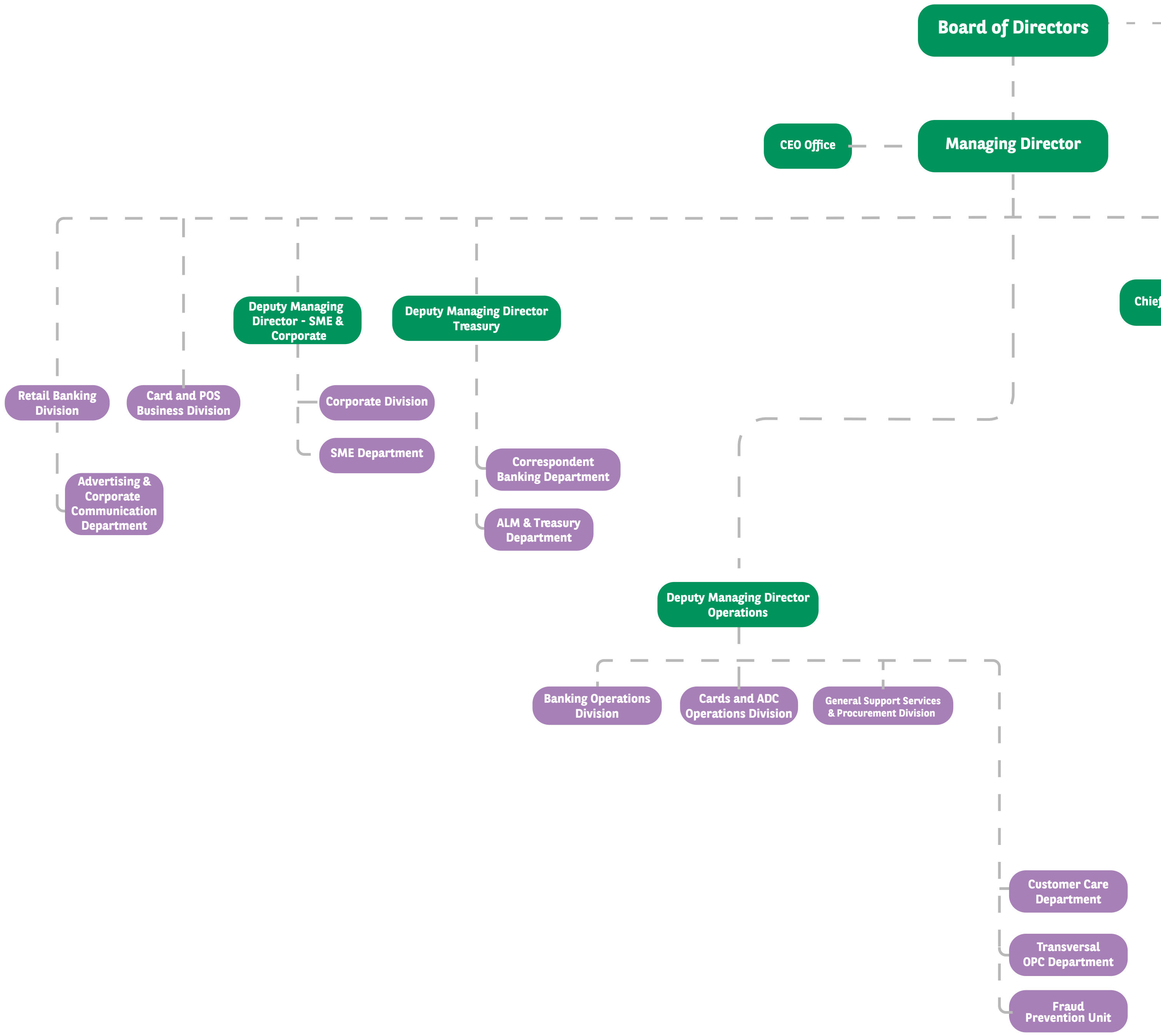
Committee Chair: Ayşe Aşardağ
Members: Luc Delvaux
Alp Yılmaz
Nilsen Altıntaş
Orçun Özdemir

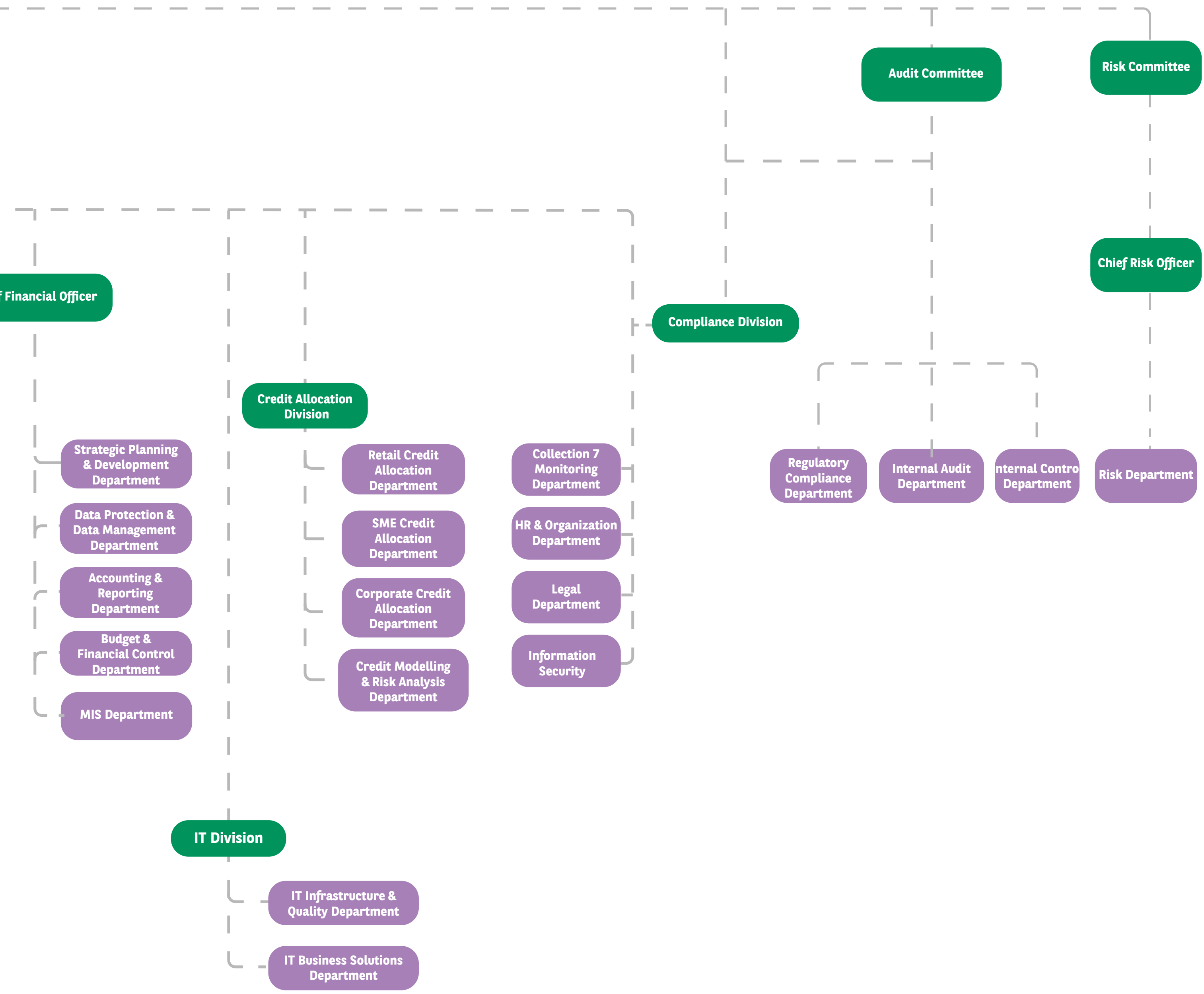
Duties and Responsibilities:

The Remuneration Committee is responsible for the determination, monitoring, and supervision of the remuneration implementations on behalf of the of Directors.

The Remuneration Committee meets at least twice in a year.

7.3. ORGANIZATIONAL STRUCTURE




Audit Committee
Risk Committee
Chief Risk Officer
f Financial Officer
Compliance Division
Credit Allocation Division
Strategic Planning & Development Department
Data Protection & Data Management Department
Accounting & Reporting Department
Budget & Financial Control Department
MIS Department
Retail Credit Allocation Department
SME Credit Allocation Department
Corporate Credit Allocation Department
Credit Modelling & Risk Analysis Department
Collection 7 Monitoring Department
HR & Organization Department
Legal Department
Information Security
Regulatory Compliance Department
Internal Audit Department
nternal Contro Department
Risk Department
IT Division
IT Infrastructure & Quality Department
IT Business Solutions Department

7.4. RISK MANAGEMENT

As a nature of banking business, the Bank is exposed to credit, market, liquidity and operational risks which are identified and monitored in line with the Group and international standards. The Bank measures and monitors risk in a prudent and conservative manner. The risk management function's purpose is to serve as the second level control, and it is organized within the framework of respective regulation.

The process of risk management is composed of risk identification, analysis, measurement, and risk monitoring, through establishing sound policies and procedures which are practical and understood at all levels of the Bank. Our risk management works in cooperation with the senior management to ensure that the risk level of the Bank is in accordance with Group policies and in line with the Bank's risk appetite. The Risk Department is managed by Chief Risk Officer and maintains its independence in its daily functions as they report directly to the Board of Directors through the Risk Committee (RC).

7.4.1. Credit Risk

Credit risk is the most common risk that the Bank is exposed to, considering the local market structure and overall conditions. TEB is exposed to credit risk through its lending, trade finance, and treasury activities, nevertheless, credit risk may arise in other circumstances as well. Credit risk management is conducted through regular analysis of the debtors' credit worthiness, all credit exposures are reviewed at least on an annual basis, while large exposures are monitored on regular basis. The monitoring function has the mandate to observe and monitor large exposures on a monthly basis within Watch List Doubtful Committee, in case of any observed credit deterioration. The monitoring process considers but is not limited to cash flow and sales performance, credit covenants, payment behavior, profitability, liquidity, solvency, and debt ratio.

The Board of Directors through its power delegation of credit authority has the final authority in the allocation of loan facilities and approval of credit policies. This power is delegated to the Credit Committees and the Chief Executive Officer with certain conditions and limits. The exercise of these delegated powers is regularly monitored and reported by internal control, risk management, and internal audit, as part of second and third line of defense respectively. On the other hand, Risk Management Department reports to the Risk Committee on a monthly basis about loan development on the portfolio level, including the KRI summary, regulatory and Board of Directors limits, loan delinquency, exposure by segment and industry, the NPL trend, collection activities, etc.

Credit stress testing is another important component in understanding possible events or changes in the market that could impact the Bank's balance sheet by simulating different default scenarios on the existing bank portfolio. Moreover, the Bank implements IFRS 9 principles for the assessment and calculation of expected credit loss and calculation of impairment for its financial assets.

7.4.2. Market Risk

Market risk involves possible losses that a bank may incur as a result of the exposure of its balance sheet and off-balance sheet accounts to interest-rate risk, or exchange-rate risk, resulting from fluctuations in the financial markets. TEB ALM-Treasury oversees operational management of the market risk and optimizes the returns within the set risk appetite limits, while the Risk Management Department monitors the market-risk exposure as the second level of control in order to ensure to maintain the Bank's conservative risk profile.

7.4.3. Interest-Rate Risk

As part of market risk, the interest-rate risk arises from the risk that an asset would lose in value due to the change in interest rates. Interest-rate risk is determined by measuring the rate of sensitivity of assets, liabilities and off-balance sheet items providing 100/200 basis point +/- shock simulations over Net Banking Income on a monthly basis. IRR is closely monitored through the gap and duration analyses. Possible negative effects of interest-rate fluctuations on financial position and cash flow are minimized by means of prompt decisions.

7.4.4. Exchange-Rate Risk

Exchange-rate risk is defined as a possible loss that a bank may incur with all of its currency assets and liabilities in the event of changes in exchange rates. Position limits determined by the Board of Directors are monitored on a daily basis as are possible changes in the Bank's monetary positions that may occur as a result of routine foreign currency transactions.

7.4.5. Liquidity Risk

Liquidity risk is defined as the risk that the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. The liquidity risk is managed by ALM-Treasury- within the defined policies and procedures. Liquidity risk is monitored with several ratios and GAP analysis. The limits are set and the extraordinary conditions together with their own limits are defined to make proper liquidity management. The Bank's policy is to have an asset structure that is sufficiently liquid to meet all kinds of liabilities as they fall due. The Board of Directors regularly reviews and determines liquidity ratios and the relevant standards for maintaining high liquidity at all times. TEB has in place an effective system for the timely reporting of the liquidity position to the Board of Directors, senior management and all related departments. Moreover, liquidity stress tests are another important tool to measure bank liquidity at different business assumptions, which are reported on a monthly basis to the Risk Committee.

7.4.6. Capital Adequacy

The Bank's aim is to ensure it owns sufficient capital to cover the risks involved in its lending business activities. TEB SH.A. being in line with the regulation requirements, has implemented an internally driven capital assessment process based on its own approach and methodologies. This process assesses whether TEB SH.A. holds sufficient capital to face all the risks it bears given its strategy and Risk Appetite. It considers all the drivers (internal and external) that could influence TEB SH.A. solvency (e.g. internal risk assessment, regulatory constraints related to capital such as regulatory ratio, leverage ratio or business environment constraints through stress tests). The Risk Management Department monitors and reports capital adequacy ratios to senior management and to the Board of Directors through the Risk Committee.

7.4.7. Operational Risk and Business Continuity

The Operational Risk function is responsible for monitoring operational risk events as defined by the Basel Committee on Banking Supervision (BCBS). TEB SH.A. has a system appropriate to the nature, extent and complexity of the Bank's business in order to effectively identify key risk indicators and assess, monitor and control operational risk events. The Bank implements methods to assist other departments in identifying, monitoring, controlling, and mitigating operational incidents. The Operational Risk function provides operational risk training for all staff, especially those who are responsible for reporting incidents and assessing all processes in terms of operational risk and identifying risky processes.

Business Continuity consists entirely of plans that ensure the continuity of the Bank's critical business functions in case of any business interruption incident arises from internal or external factors. The Operational Risk function is constantly engaged in defining, measuring, and reporting risk to the Chief Risk Officer. The results of Operational Risk and Business Continuity activities are reviewed, assessed and reported on a monthly basis to the Risk Committee and on a quarterly basis to the Board of Directors.

We have integrated our Operational Risk related tasks to the BNP Paribas Group Risk Management. Our Operational Risk function has direct access to the Group's system for reporting and managing Operational Risk Management related issues, which are named Historical Incidents and RCSA (Risk Control Self-Assessment). Risk Control Self-Assessment (RCSA) is applied to identify and to evaluate operational risks and associated controls. It adds value by increasing an operating unit's involvement in designing and maintaining control and risk systems, identifying risk exposures, and determining corrective action. The aim of RCSA is to integrate risk management practices and culture into the way that the staff carry out their jobs, and business units achieve their objective.

7.5. AUDIT, CONTROL, COMPLIANCE AND LEGAL

7.5.1. Internal Audit

The Internal Audit function is one of the key components in the Bank's governance structure, as the third line of defense. It is independent and as such reports directly to the Board of Directors through the Audit Committee.

The Internal Audit, as part of the Inspection Générale, is an assurance function, whose mission is to provide, as a result of objective examination of evidence, an independent, and objective assurance that the governance, the risk management and the control of the Bank are properly and effectively setup and managed. It is the Internal Audit Department's responsibility to provide assessment on the adequacy and effectiveness of the TEB SH.A. Kosovo processes, in order to control the Bank's activities and manage the risks being raised from the processes.

Audit activities are carried out by the Internal Audit Department according to the audit plan, which is prepared at least on an annual basis using a risk-based methodology, which includes the overview of a multi-year past and future audit plan to make sure that all units of the Bank are audited within the audit cycle. The annual plan is validated by the Audit Committee and approved by the Board of Directors.

The work of the Internal Audit Department is performed in compliance with the applicable laws, regulations, group audit practices in place, and in compliance with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors, which is the governing body for the internal audit profession worldwide.

7.5.2. Compliance

This report has been drawn up to provide interested parties with information on the results of functioning of the Compliance Control system at TEB SH. A. The main tasks of the Compliance function are to identify and manage compliance risks in order to protect customers and employees against breaches of legal provisions and requirements. Other tasks of the Compliance function are to keep senior management up to date with new regulatory requirements and to advise the departments on implementing new provisions and requirements.

Compliance controls as well as other internal control processes that are aimed at ensuring the proper conduct of our businesses and services as well at preventing market abuse, insider dealing and conduct breaches, are from time to time subject to regulatory reviews and inquiries in certain jurisdictions.

Anti-money laundering and Know Your Customer processes and controls aimed at preventing the misuse of our products and services to commit financial crime, continue to be subject of regulatory reviews, investigations and enforcement actions in several jurisdictions.

Combatting financial crime and complying with applicable laws and regulations are vital to ensure the stability of banks, such as TEB SH.A. and the integrity of the international financial system. To ensure Compliance with all laws and regulations, policies and processes are continuously evaluated and reviewed across the Group. Compliance training is mandatory for all new employees and includes awareness building as well as an introduction to the prevention of compliance risks, including corruption as well.

We expect our employees to act honestly, responsibly, fairly and professionally, to serve the best interests of customers and to respect the integrity of the markets. Our code of conduct, comprising our values, ethical business conduct and requirements, forms the basis for how our employees should behave with colleagues and our customers, business partners, shareholders and the authorities. TEB's code of conduct includes ethical business provisions that are aimed at managing conflict of interest, preventing market abuse, fighting terrorism and other economic crimes including money laundering.

We are committed to adhering to strict laws, regulations and guidelines to combat money laundering, finance of terrorism, to prevent violation of international financial sanctions. Furthermore, the Bank documented policies and procedures consistent with applicable ABC regulations and requirements to prevent, detect and report bribery and corruption. We scrutinize our customers and their transactions to prevent our name and our products and services from being misused for such purposes and this can be seen by implementing of advanced tools related to AML / CFT and International financial sanctions.

In the year 2023 we had a significant progress in different Compliance areas which strengthen further our Compliance set-up especially on trainings, KYC, AML, Sanctions & Embargoes.

Our Compliance Division is led by the Senior Manager (Head of Compliance Division) and is independent from all other functions of the Bank. The Head of Compliance Division reports directly to the Managing Director in regular basis and periodically to the Board of Directors.

Compliance main achievements for 2023-year in our financial institution are:

- The global rating of the Bank by the Group Auditor is upgraded considering the compliance sustainability of the governance, risk management and control framework related to Financial Security
- The AML Compliance set-up has been significantly reinforced, specifically on cash controls as well as alert management;
- Contributions to simplification of 'Know Your Customer' (KYC) process
- Projects about efficiency in Compliance domain continued and will be the top priority for upcoming years (with focus on digital banking alternatives);
- Training of AML Compliance team members continued (100% certified in the area of Financial Security).
- Automatizing and enhancing the systems for screening, filtering, monitoring and adverse information continued and advanced further,
- Strengthening the AML risk culture within the Bank by the AML Automated Detection Tools,
- Adherence to Kosovo Sanctions Law.

We expect to see better results in the year 2024. Looking ahead we can see significant opportunities for growth up in our banking group. The goals and objectives for year 2024 are, but not limited to:

- Compliance must continue the high quality performance in order to keep the robust compliance program,
- Keep the staff awareness and training level on Compliance related topics, specifically those related to AML & CFT, required as per the law,
- Re-enforce the current AML automated detection solutions in order to be in coherence with new trends in AML / CFT / ABC and International financial sanctions and embargoes,
- Continue to increase the efficiency in Compliance domain as the top priority of the Bank, using technology to facilitate the processes without compromising from the robust set-up,
- Anticipate mobilities and manage staffing in order to maintain a robust compliance set up,
- Ensure that there is a fluid communication within our teams,
- Support the Business Line in the deployment of new controls, policies and procedures, reporting and processes.

7.5.3. Regulatory Compliance

The Regulatory Compliance Department's main responsibility, in line with the Bank's strategy of being a compliant bank, is to identify, assess and monitor the regulatory compliance risks faced by the Bank. The Department reports directly to the Audit Committee / Board of Directors, informs them about these risks, and follows up corrective measures when needed. Furthermore, the Department advises Senior Management regarding Compliance topics through opinions, review of operating framework and in the process design. The Regulatory Compliance Department operates on a pro-active basis assessing the Regulatory Compliance risks associated with bank's business activities, including the development of new products.

The main focus is on Central Bank of Kosovo regulatory requirements and BNPP's policy requirements, therefore the Regulatory Watch process has been very active during 2023 and monitored all the changes in regulatory framework and created actions plans for the stakeholders.

During 2023, the Department has implemented the Group Global Priorities in full, and in order to further instill the Compliance culture among employees, has made awareness campaigns by highlighting the cornerstone of guidance toward ethical and prudent banking.

The cornerstone of guidance toward the ethical and prudent banking is the Group's Code of Conduct. It has detailed explanations of the topics such as: Protection of Interest of Customers, Financial Security, Market Integrity, Professional Ethics, Respect for Colleagues, Involvement with Society and Group Protection. The Department is responsible to ensure that all employees are informed about and respect the Group's Code of Conduct.
Furthermore, the campaigns with training material were followed by more granular topics such as Conflicts of Interest, Gifts Invitation and other advantageous declarations, Personal Offices and Outside Business Interests, and regarding the Whistleblowing importance and treatment of alerts.

The Regulatory Compliance Department works closely with BNPP Group in order to implement the highest compliance, ethical and integrity standards, while always protecting the interest of customers.

7.5.4. Internal Control

The Internal Control Department at TEB SH.A. is dedicated to strengthen, support and maintain internal controls while enhancing the control culture at all levels of the organization. The functions of Internal Control and Operational Risk at TEB are structured separately. The Internal Control Department, an independent body, reports directly to the Board of Directors via the Audit Committee every quarter. It is an essential component of the second-line of defense and performs its responsibilities in line with this role.
The controls are designed to:

- Verify proper adherence to internal rules and procedures and the consistency and compliance of internal rules with legal regulations,
- Contribute to safeguarding assets,
- Assess the adequacy, effectiveness and efficiency of daily operations,
- Contribute to the identification and assessment of risks related to the organization's current and proposed future business activities, including new products.

The primary emphasis of the Internal Control Department will be on-site controls at branches and periodic controls from the Group. Furthermore, control activities on the first-line of defense will be another focus area to enhance and improve the effectiveness and quality of first-level controls.

7.5.5. Legal

LEGAL as an integrated function of the Group oversees all the legal risks of the Bank, by ensuring consistency in its policies and agreements and by providing legal advice to all the banks functions. There are a few functions that have been established by the Group to ensure the uniform and collaborative approach of LEGAL (i.e. the Regulatory Watch process (which takes place on a local, regional and global level), the Standardized Contract Management process, legal dispute management). The function is distinctly independent, and it does its own first and second level controls, its own risk assessment, and has its own budget.

In 2023, there were many positive developments, where the Legal Department significantly contributed towards improving the processes of the bank. The increased digitalization process of the Bank has required continuous legal input to translate the improved client experience into clear and enforceable agreements with the client.

LEGAL also contributed to the increase of efficiency of bank's processes by analyzing the necessity and removing bureaucratic requirements. One aspect of the function's work that has seen measurable success is the management of legal disputes (not including credit collection cases), where LEGAL liaises with the other Bank's functions to ensure that any potential dispute is resolved with the party without necessarily requiring going to court. The number of court cases has continued to decrease and the plan is to resolve the old remaining cases while to continue resolving potential disputes at the earliest stages.

For the year 2024, LEGAL plans to standardize and automate all of the most used agreements, so that the increased efficiency can be directed towards more demanding tasks such as electronic identification and electronic signatures.

8 AUDITORS REPORT

TEB SH.A. Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as at and for the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of the Directors and Management of the TEB SH.A.

Opinion

We have audited the financial statements of **TEB SH.A.** ("the Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements presents fairly, in all material respects the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of the Bank for the year ended 31 December 2022 have been audited by another auditor who issued an unmodified opinion on 23 March 2023.

Other information included in TEB Sh.A. 2023 Annual Report

Other information consists of the information included in Bank's 2023 Annual Report in accordance with the requirements of the Law No. 04/L-093 other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

Responsibilities of management and those charged with governance for the financial statements (continued)

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 Responsibility for audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Ernst & Young Certified Auditors Kosovo sh.p.k.
Ernst & Young Kosovo
30 April 2024
Prishtina, Kosovo

Mario Vangjeli
Certified Auditor

ERNST & YOUNG CERTIFIED AUDITORS LTD. KOSOVO SH.P.K.
EY

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

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and balances with banks	6	112,225	114,788
Loans and advances to banks	7	102,560	49,561
Debt securities at fair value through other comprehensive income	8	21,535	41,833
Loans and advances to customers	9	598,079	535,048
Investment properties	10	2,035	1,920
Other financial assets	11	8,086	6,168
Other assets	12	1,643	1,473
Premises and equipment	13	4,559	3,832
Right-of-use-assets	14	5,214	3,338
Intangible assets	15	2,800	2,460
Deferred income tax asset	28	-	27
TOTAL ASSETS		**858,736**	**760,448**
LIABILITIES			
Customer deposits	16	722,942	651,408
Other liabilities	19	992	621
Lease liabilities	14	5,281	3,388
Other financial liabilities	17	12,312	9,316
Provisions for liabilities and charges	18	1,035	814
Corporate income tax liability		681	489
Deferred tax liability	28	51	-
TOTAL LIABILITIES		**743,294**	**666,036**
SHAREHOLDER'S EQUITY			
Share capital	20	24,000	24,000
Retained earnings		91,333	70,933
Other reserves		109	(521)
TOTAL SHAREHOLDER'S EQUITY		**115,442**	**94,412**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**858,736**	**760,448**

These financial statements have been approved by the Executive Management of the Bank on 30 April 2024 and signed on their behalf by:

Mr. Orçun Özdemir
Managing Director

Mr. Rezak Fetai
Chief Financial Officer

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

	Note	2023	2022
Interest income	21	42,060	35,748
Interest expense	22	(740)	(505)
Net margin on interest and similar income		**41,320**	**35,243**
Net impairment (loss)/release on loans and advances to customers	9	(511)	(159)
Net margin on interest and similar income after allowance for expected credit losses		**40,809**	**35,084**
Fee and commission income	23	17,777	17,418
Fee and commission expense	24	(7,224)	(7,288)
Net fee and commission income		**10,553**	**10,130**
Net operating income		**51,362**	**45,214**
Net gains/(losses) from foreign currencies revaluation		511	483
Net gains/(losses) on revaluation of investment properties		115	259
Net (impairment)/release for credit related commitments		53	98
Other operating incomes		355	646
Other operating expenses		(1,873)	(1,787)
Other impairments and provisions	25	(689)	(84)
Personnel costs	26	(10,057)	(9,025)
Depreciation and amortisation	13,14,15	(4,953)	(5,199)
Administrative expenses	27	(9,301)	(7,474)
PROFIT BEFORE TAX		**25,523**	**23,131**
Income tax expense	28	(2,623)	(2,145)
PROFIT FOR THE YEAR		**22,900**	**20,986**
Other comprehensive income/(loss)			
Other comprehensive income that will be reclassified to profit and loss statement			
Debt securities at fair value through other comprehensive income: Net gain on debt instruments at fair value of FVOCI		630	(532)
Other comprehensive income / (loss) for the year		**630**	**(532)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,530**	**20,454**

The notes on pages 5 to 64 are an integral part of these financial statements.

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

	Share capital	Retained earnings	Other reserves	Total
Balance at 1 January 2022	**24,000**	**74,947**	**11**	**98,958**
Profit for the year	-	20,986	-	20,986
Other comprehensive income	-	-	(532)	(532)
Total comprehensive income	**-**	**20,986**	**(532)**	**20,454**
Dividend payment	-	(25,000)	-	(25,000)
Balance at 31 December 2022	**24,000**	**70,933**	**(521)**	**94,412**
Balance at 1 January 2023				
		22,900		**22,900**
Profit for the year			630	**630**
Other comprehensive income				
Total comprehensive income	**-**	**22,900**	**630**	**23,530**
Dividend payment		(2,500)		**(2,500)**
Balance at 31 December 2023	**24,000**	**91,333**	**109**	**115,442**

The notes on pages 5 to 64 are an integral part of these financial statements.

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

	Notes	2023	2022
Cash flows from operating activities			
Profit before tax		**25,523**	**23,131**
Adjustments for:			
Depreciation of property, plant and equipment	13	1,614	1,683
Depreciation of right-of-use-assets	14	1,306	1,085
Amortization of intangible assets	15	2,033	2,431
Net Gains/(loss) on disposal of premises and equipment		(11)	(18)
Gain from sale of repossessed assets		(240)	(365)
Gain from fair value of investment property		(115)	(259)
Gains on investments in debt securities		(13)	(4)
Loans expected credit losses	9	2,348	1,417
Expected credit losses of other financial assets	25	119	(183)
Miscellaneous provisions	25	623	242
Impairment/(release) for credit related commitments		(53)	(98)
Interest income	21	(42,060)	(35,748)
Interest expense	22	740	505
		(8,186)	**(6,181)**
Net decrease/(increase) in:			
Mandatory reserve with CBK		(3,024)	(6,943)
Loans and advances to customers		(65,139)	(67,501)
Other financial assets		(2,089)	(2,764)
Other assets		(213)	(307)
Net increase/(decrease) in:			
Customer deposits		71,601	10,226
Other financial liabilities		2,996	4,083
Provision for liabilities and charges		221	(209)
Other liabilities		144	(36)
		4,497	**(63,451)**
Interest received		41,869	35,728
Interest paid		(698)	(902)
Income taxes paid		(2,395)	(2,336)
Cash inflows in operating activities		**35,087**	**(37,142)**
Cash flows from investing activities			
Acquisition of debt securities at fair value through other comprehensive income		-	(4,967)
Proceeds from disposal of investments in debt securities		20,744	9,157
Proceeds from disposal of premises and equipment		33	20
Gain from sale of repossessed asset		240	365
Gains on investments in debt securities		13	4
Acquisition of premises and equipment	13	(2,319)	(2,540)
Acquisition of intangible assets	15	(2,363)	(2,048)
Net cash flows used in investing activities		**16,348**	**(9)**
Cash flow from financing activities			
Dividend payment		(2,500)	(25,000)
Repayment of borrowings		-	(1,715)
Repayment of principal portion of lease liabilities		(1,393)	(1,323)
Net cash flows from/used in financing activities		**(3,893)**	**(28,038)**
Net increase in cash and cash equivalents		**47,542**	**(65,189)**
Cash and cash equivalents at 1 January		101,944	167,133
Cash and cash equivalents at 31 December	6	**149,486**	**101,944**

The notes on pages 5 to 64 are an integral part of these financial statements.

1. INTRODUCTION

TEB SH.A. ("the Bank") was incorporated in the Republic of Kosovo on 19 December 2007 when it was granted a licence by the Central Bank of Kosovo ("CBK") for banking activities. The Bank commenced its operations in January 2008.

The Bank is controlled by TEB Holding AS which is a company incorporated in Turkey (the "Parent Company") and owns 100% of the shares of the Bank. The shareholders of TEB Holding AS are BNP Paribas and Çolakoĝlu Group, each of them owning 50% of the shares. BNP Paribas is the ultimate controlling party of the Parent Company and the Bank.

Registered address and places of business: The registered head office of the Bank is located in Preoc n.n. 7KM main road Prishtina - Ferizaj, Gracanica 10500, Republic of Kosovo.

Principal activity: The Bank operates as a fully-fledged bank in accordance with Law No.04/L-093 on Banks, Microfinance Institutions and non-bank financial institutions and provides services to all categories of customers in the Republic of Kosovo through its network of 30 (2022: 29) main branches located in Prishtina, Gjakova, Peja, Prizren, Ferizaj, Mitrovica and Gjilan.

At 31 December 2023, the Board of Directors of the Bank is comprised of:

- Ayşe Aşardağ (Chair)
- Luc Delvaux (Vice Chair)
- Alp Yilmaz (Vice Chair)
- Nimet Elif Kocaayan (Member)
- Osman Durmus (Member)
- Nilsen Altintaş (Member)
- Birol Deper (Member)
- Esra Peri Aydoğan (Member)
- Fatma Gülden Yüncüoğlu (Member)
- Orçun Ozdemir (Member & Managing Director)
- Oya Gökçen (Member)
- Hakan Tıraşın (Member)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"), under the historical costbasis except for financial instruments based on fair value, and by the revaluation of investment properties and financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Functional and presentation currency

These financial statements are presented in EUR, which is the Bank's functional currency. Functional currency is the primary currency of the economic environment in which the Bank operates, being the Republic of Kosovo.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

The list of the abbreviations used in these financial statements is provided below:

Abbreviation	Full name
CBK	Central Bank of Kosova
TEB Group	TEB Holding AS
Group	BNP Paribas
BoD	Board of Directors
EBRD	European Bank for Reconstruction and Development
IFRS	International Financial Reporting Standard
EIR	Effective interest rate
IR	Interest Rate
IRR	Interest Rate Risk
RSA	Rate-sensitive assets
RSL	Rate-sensitive liabilities
ROU asset	Right of use asset
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
AC	Amortised Cost
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
PD	Probability of Default
DR	Default Rates
EAD	Exposure at Default
DpD	Days past Due
ECL	Expected Credit Loss
LECL	Lifetime Expected Credit Loss
LGD	Loss Given Default
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments' cash flows represent Solely Payments of Principal and Interest
CCF	Credit Conversion Factor
PEA	Private Enforcement Agents
CFO	Chief Financial Officer
CRO	Chief Risk Officer
ALM	Asset-liability management
ALCo	Asset-liability committees
WLDC	Watch List- Doubtful Committee
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio

Financial instruments - key measurement terms

Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have not occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any expected credit loss allowance. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate). The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

- For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.
- For financial assets for which there is an incurred credit loss (credit impaired assets in stage 3), the effective interest rate applies to the amortized cost of the instrument and not to its gross carrying amount.
- For financial liabilities the effective interest rate is the rate that discounts future estimated payments to the amortized cost of the financial liability.

The calculation of the effective interest rate includes transaction costs, fees and points paid or received that are an integral part of the effective interest rate.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price the Bank accounts for that instrument at that date as follows:

a) A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.
b) In all other cases, the fair value measurement is adjusted to defer the difference. After initial recognition, the Bank recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 3 for critical judgements applied by the Bank in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent SPPI. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 3 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Financial assets – reclassification

Financial assets are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Bank did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – expected credit loss allowance.

The Bank assesses the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Bank identifies a SICR since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

Refer to ***Significant increase in credit risk "SICR"*** paragraph for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit-impaired assets and definition of default is explained under

Financial assets impairment For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Bank measures expected credit losses over the period that the Bank is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

Financial assets – write-off

Financial assets are written-off, in whole or in part according to delinquency and collateral coverage as regulated with local regulation. On the other hand, when the Bank has exhausted all recovery efforts and has concluded that there is no reasonable expectation of recovery, it may decide to write off an asset before local requirements due date.

Financial assets – de-recognition

The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale**.**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Financial assets – modification

The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset significant change in interest rate, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank assesses whether the modification of the terms are substantial or not. If the modified asset is not substantially different from the original asset and the modification does not result in de-recognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – de-recognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying amounts is attributed to a capital transaction with owners.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all vault cash, interbank placements and unrestricted deposits with the CBK, with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Cash and cash equivalents (continued)

Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the CBK

Mandatory cash balances with the CBK are carried at AC and represent non-interest bearing mandatory reserve deposits which are not available to finance the Bank's day-to-day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks (loans and advances to banks)

Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities

Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss.

An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers

Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Repossessed collateral

Repossessed collateral represents non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in Repossessed assets within other assets. The Bank subsequently measures repossessed collateral at the lower between cost (amount initially recognised) and fair value less costs to sell. Repossessed collateral is written off in case they are not resold by the Bank within 5 years from repossession based on regulation of central bank.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Repossessed collateral (continued)

Movable property is not recognised as an asset when repossessed. Any loss arising from the above re-measurement is recorded in profit or loss and can be reversed in the future. Gains or losses from the sale of these assets are recognized in the profit or loss.

Financial guarantees

Financial guarantees require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected credit loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Credit related commitments

The Bank issues financial guarantees and commitments to provide loans. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Investment property

Investment property is property held by the Bank to earn rental income or for capital appreciation, or both and which is not occupied by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period.

Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs.

The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Any resulting increase in the carrying amount of the property is recognized in profit or loss unless it relates to a transfer from owner-occupied property to investment property in which case the increase is recognised in other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged against any revaluation surplus previously recognized in other comprehensive income, if any, with any remaining decrease charged to profit or loss for the year.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Investment property (continued)

In the absence of current prices in an active market, the Bank considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
(c) discounted cash flow projections based on reliable estimates of future cash flows by external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The fair value of the Bank's investment property is determined based on the report of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, where required. Historical cost includes expenditure that it is directly attributable to the acquisition of the items of property and equipment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Each year, the Bank assesses whether there are indications that assets may be impaired. If any such indication exists, the recoverable amounts are estimated. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the profit or loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the operating result for the period.

Land and construction in progress are not depreciated. Depreciation on other items of property and equipment is recognised in profit or loss using the straight-line method to allocate their cost over their estimated useful lives. The annual depreciation rates are determined by the estimated useful lives of certain assets as presented below:

Category of assets	Depreciation rates used
Leasehold improvements	Shorter of useful life and the term of the underlying lease
Furniture, fixtures and equipment	3-5 years
Computers and related equipment	3-5 years
Motor vehicles	5 years

Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost and subsequently at cost less accumulated amortisation and any accumulated impairment loss. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are entirely comprised of computer software and licenses, which are amortised using the straight-line method over their estimated useful life of up to five years. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Right-of-use assets

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

Bank acting as a lessee

The Bank leases various offices for its branches, ATMs and headquarters. Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives.

Impairment of non-financial assets

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

Due to other banks and customer accounts

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income.

Income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised in respect of 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 temporary differences on 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Deferred tax (continued)

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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Tax exposures

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

Provisions for liabilities and charges

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

Charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a charge occurs, as identified by the legislation that triggers the obligation to pay the charge. If a charge is paid before the obligating event, it is recognised as a prepayment.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Bank uses the incremental borrowing rates calculated by Treasury Department.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Employee benefits

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

Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends

Dividends are recorded in equity in the period in which they are declared by the Bank's shareholders and approved by the CBK in accordance with CBK regulation in force. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note.

Interest income and expense

Interest income and expense are recorded for all financial instruments measured at AC, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Bank relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price less directly attributable transaction costs). As a result, the effective interest rate is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fees and commissions

Fee and commission incomes and expenses are recognised as following:

Fees received that are an integral part of the effective interest rate of a financial instrument (origination fees such as fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents, etc.) are amortized according to the effective interest rate method over the effective life of the contracts.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATIONS (CONTINUED)

Fees and commissions (continued)

Fees for which the performance obligation is satisfied at a point in time – these fees are recognised as revenue or expense when the performance obligation is satisfied (usually when the service is executed). Such fees and commission include fees from (for): international payments, domestic payments, SMS banking, credit card fees (merchant commissions, fees from customers of other banks that use Bank's POS and ATM terminals, VISA and Master fees, etc.), account servicing fees (cash withdrawal fee, cash deposit fee, pin reset, closing account fees), fees from money transfers, etc.

Fees for which the performance obligation is satisfied over time – these fees are recognised as revenue or expense when performance obligation is satisfied over time (generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided). Such fees include credit card and account maintenance fees, fees for guarantees and letter of credits, etc.

Foreign currency translation

The functional currency of the Bank is Euro, the currency of the primary economic environment in the Republic of Kosovo.

Monetary assets and liabilities in other currencies are translated into the functional currency at the official exchange rate of CBK at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of CBK, are recognised in profit or loss for the year (as foreign exchange translation gains fewer losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected Credit Loss (ECL) measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 33. The following components have a major impact on credit loss allowance: definition of default, criteria for SICR, PD, EAD and LGD, as well as models of macro-economic scenarios. The Bank based on the published IFRS 9 Impairment Policy regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Starting in June 2023, the bank started ECL calculations based on the newly validated methodology. ECL parameters EAD, PD, and LGD were updated based on the recent data as model requirements. In the new methodology of the ECL, forward-looking information is integrated by taking into account macroeconomic indicators and scenarios. For the Commercial Macroeconomic Model, indicators such as GDP, CPI, Annual Remittances, and loan growth indicators are used. As a result of the correlation test, GDP is the only variable significant for the model based on the default history of the bank. For the Retail Macroeconomic Model, the indicators Annual Remittance and CPI are significant in the model.

The baseline scenario represents the more likely outcome resulting from the Bank's normal budgeting process, while the better and worst-case scenarios represent more optimistic or pessimistic outcomes.

On the other hand, for end of December 2023 the Bank continue Appling additional ECL in amount of EUR 1 mil. (2022:1.1 mil.) as an add- on factor for the customers and sectors that might have been effected negatively due to COVID 19, for Construction and Construction Trade Material sectors, and also for the individually assessed cases by WLDC and Provision Committee. Based on management's assessment, the Expected Credit Loss recorded after the add – on factor is appropriate. Beside the additional provision for the specific sectors and committee decisions. Based on the projected environment due to the Visa liberalization process that was predicted to happen on January 2024, TEB SH. A conducted a sensitivity analysis on the Retail un-collaterized part of the portfolio, by estimating that 3.6% of this portfolio will be in more than 30 days in delay, and they will be moved to Stage2 with provisioning of 7.76%. As a result of the analysis for December 2023 ECL results the Banks management decided on additional provision – Overlay for Stage2 in amount of EUR 712K.The potential risk of credit deterioration will be followed by the Bank and the overlay amount will be re-evaluated during the year.

Credit exposure on revolving credit facilities (e.g. credit cards, overdrafts). For such assets, the Bank applies twelve-month maturity and ECL is applied. Based on the Bank's internal procedures, such products are assessed on a yearly basis following a sound credit risk assessment and legally such limits are revocable and Bank can cancel the undrawn commitment at any time.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, besides minimum of 30 DpD which is used as backstop criteria, the Bank uses other qualitative forward looking criteria defined by the Bank to determine what should be considered as a significant increase in credit risk and thus compare the relative lifetime between the default risk at each observation date with the lifetime default at the origination date. Beside the qualitative backstop criteria's, the Bank has Unlikely To Pay (UTP) criteria's as disclosed in the IFRS9 Impairment Policy, which are used as another instrument for SICR measurement for Retail and Commercial portfolio. If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Significant increase in credit risk ("SICR") (continued). If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to exist or has changed.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

The Bank identified securities as a liquidity portfolio and classified them as held to collect and sell.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months' interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument.

The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation), are not relevant for assessing whether cash flows are SPPI.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Modification of financial assets. When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

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

Transfers to and valuation of investment properties. Investment property is stated at its fair value based on reports prepared by an independent, professionally qualified and licensed appraiser at the end of the reporting period.

The main assumptions and the methods used for valuation, are as follows

- The fair value of the investment property as of 31 December 2023 was determined by using the Sales Comparison Method and Residual Method.
- A haircut of 20% was applied to reach to the comparison immediate selling value.

Impairment of PPE and Right of use Asset: The Bank has assessed the impact of COVID 19 pandemic in the impairment of its non-financial assets. Based on the impairment analyses, the pandemic has not significantly impacted the carrying amount of the Company's property, plant and equipment, right of use assets and intangible assets. No impairment indicators have been noted that are triggered from the COVID 19 pandemic.

Determining lease term - Extension and termination options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

Most extension options in offices and equipment leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4. STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

The following new amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period. The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Bank as of 1 January 2023:

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. The Bank does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the Bank's financial performance, financial position or cash flows.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. The amendments had no material impact on the financial statements of the Bank.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments had no material impact on the financial statements of the Bank.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments had no impact on the financial statements of the Bank.

The adoption of these amendments to the existing standards and interpretations has not led to any material changes in the Bank's financial statements.

4. STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

Standards issued but not yet effective and not early adopted

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose as at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

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

5. CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

ECL methodology calculation changed from a simplified approach which didn't include forward looking information, to an advance ECL calculation approach, which includes macroeconomic indicators.

For Commercial Model based on the correlation test only GDP had significant impact, and for Retail Model the used macro indicators that were significant are: GDP, Annual Remittance and CPI. From the new applied methodology, the impact on the ECL compared June with May 2023 results were a release of EUR 700K.

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

6. CASH AND BALANCES WITH BANKS

	2023	2022
Cash on hand	**37,858**	**37,590**
Cash at banks		
- Current accounts with banks	6,099	10,487
- Current account with Central Bank of Kosova ("CBK")	2,791	4,258
- Statutory reserve account with CBK	65,493	62,469
	74,383	**77,214**
Cash and balances with banks before credit loss allowance	**112,241**	**114,804**
Expected credit loss allowance	(16)	(16)
Total cash balances with banks	**112,225**	**114,788**

As at 31 December 2023 the Bank has recognized EUR 16 thousand (2022: 16 thousand) as credit loss allowance for cash, current accounts with banks and balances with Central Bank, according to bank's credit loss policy which has estimated a probability of default of 0.05% and loss given default of 45%.

In accordance with the CBK requirements, the Bank maintains a minimum of 10% of customer deposits with maturities up to one year as statutory reserves. The statutory reserve may be held in the form of highly liquid instruments, including cash on hand, accounts at the CBK or at other banks in Kosovo, and the amounts held at the CBK should not be less than half of the total statutory reserves. As of 31 December 2023 and 2022 statutory reserve is comprised of cash held at CBK.

Cash and cash equivalents in the statement of cash flows as at 31 December 2023 and 31 December 2022 comprise:

	2023	2022
Cash on hand and current accounts with banks	43,956	48,078
Unrestricted balance with the CBK	2,791	4,258
Loans and advances to banks (note 7)	102,739	49,608
Total	**149,486**	**101,944**
Credit loss allowance	(180)	(49)
Total	**149,306**	**101,895**

Credit quality. The following table presents the credit grade assigned by Moody's, Fitch and Standard and Poor's credit rating agencies. All balances with 7 counterparts (2022: 7) are performing in Stage 1.

Ratings	**2023**	**2022**
A+	5,902	8,895
A3	12	1,548
B3	185	38
B2	-	-
BBB+	-	-
Not Rated	-	6
CBK balances – not rated	68,284	66,727
Total cash and balances with Central Bank (excluding cash on hand)	**74,383**	**77,214**
Expected credit loss allowance	(16)	(16)
Total cash on hand and at banks (carrying amount)	**74,367**	**77,198**

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

7. LOANS AND ADVANCES TO BANKS

	2023	2022
Loans and advances to banks	102,739	49,608
Expected credit loss allowance	(179)	(47)
Total loans and advances to banks	**102,560**	**49,561**

Loans and advances to banks at 31 December 2023 and 31 December 2022 that have original maturities of less than 3 months and are included in cash equivalents.

The annual interest rates on time deposits with banks at the end of reporting period were as follows:

- EUR: 2023 – max I/R 5.3%, min I/R -1.40% EUR: 2022 – max I/R 2.00%, min I/R -0.60%
- USD: 2023 – max I/R 5.67%, min I/R 2.87% USD: 2022 – max I/R 4.75%, min I/R 0.01%

Credit quality. Credit rating is assigned by Moody's, Fitch and Standard and Poor's credit rating agencies. For the purpose of ECL measurement, loans and advances to banks are performing in Stage 1. The carrying amount of due from other banks balances at 31 December 2023 below also represents the Bank's maximum exposure to credit risk on these assets:

	31 December 2023	31 December 2022
AA1	20,266	-
A2	17,004	13,002
Aa3	16,918	15,909
B2	-	-
B3	29,010	3,000
Unrated	19,541	17,697
Gross carrying amount	**102,739**	**49,608**
Expected credit loss allowance	(179)	(47)
Carrying amount	**102,560**	**49,561**

The changes in the credit loss allowance and gross carrying amount due from other banks between the beginning and the end of the annual period.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12 months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12 months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Loans and advances to banks								
At 1 January 2023	(47)	-	-	**(47)**	49,608	-	-	**49,608**
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(179)			**(179)**	102,739	-	-	**102,739**
Derecognized during the period	47			**47**	(49,608)	-	-	**(49,608)**
Total movements with impact on credit loss allowance charge for the period	**(132)**	**-**	**-**	**(132)**	**53,131**			**53,131**
At 31 December 2023	**(179)**	**-**	**-**	**(179)**	**102,739**			**102,739**

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

7. LOANS AND ADVANCES TO BANKS (CONTINUED)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12 months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12 months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans and advances to banks								
At 1 January 2022	(209)	-	-	**(209)**	72,476	-	-	**72,476**
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(47)			**(47)**	49,608	-	-	**49,608**
Derecognized during the period	209	-	-	**209**	(72,476)	-	-	**(72,476)**
Total movements with impact on credit loss allowance charge for the period	**162**	**-**	**-**	**162**	**(22,868)**	**-**	**-**	**(22,868)**
At 31 December 2022	**(47)**	**-**	**-**	**(47)**	**49,608**	**-**	**-**	**49,608**

8. INVESTMENTS IN DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Kosovo Government Bonds	12,889	31,471
Turkish Government Bonds	8,646	10,362
Total	**21,535**	**41,833**

The yields for Kosovo Government Bonds and Turkish Government Bonds at the end of reporting period were as follows:

- Kosovo Gov. Bonds: 2023 – max yield 3.18%, min yield 1.29% 2022 – max yield 3.18%, min yield 0.88%
- Turkish Gov. Bonds: 2023 – max yield 3.02%, min yield 2.97% 2022 – max yield 3.38%, min yield 2.19%

Although the Government of the Republic of Kosovo is not rated, public debt currently is at levels below 25% of GDP and the projected growth in the medium term is expected to remain below 25% of GDP and deficit within -2% of the GDP as mandated by the International Monetary Fund fiscal rule. These are the key factors for assessing the instruments issued by the Government as stable.

Investment in debt securities at 31 December 2023 and 2022 are all measured at fair value through other comprehensive income.

The movement during the year in debt securities at fair value through other comprehensive income is presented as follows:

	2023	2022
Opening balance	41,833	45,414
Additions	-	4,967
Matured investments	(12,877)	(8,057)
Sold investments	(7,867)	(1,100)
Charge of accrued interest	265	69
Investment securities available for sale at FVOCI	379	562
Exchange rate effect	12	98
Premium amortization	(210)	(120)
Closing balance	**21,535**	**41,833**

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

8. INVESTMENTS IN DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2023. Such assets by default are classified in Stage 1 for which an ECL allowance is recognised based on Basel minimum PD of 0.05% and LGD of 45% for Kosovo Government Bonds, and 1% PD and LGD 45% for Turkish Government Bonds.

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Kosovo Government Bonds				
Not rated	13,193			13,193
Total AC gross carrying amount	13,193			13,193
Less credit loss allowance	(3)			(3)
Less change in fair value at FVOCI	(301)			(301)
Net Kosovo Government Bonds	**12,889**			**12,889**
Turkish Government Bonds 2023: B (2022: B2)	8,654			8,654
Total AC gross carrying amount	8,654			8,654
Less credit loss allowance	(40)			(40)
Less change in fair value at FVOCI	32			32
Net Turkish Government Bonds	**8,646**			**8,646**
Total Carrying value (fair value)	**21,535**			**21,535**

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2022. Such assets by default are classified in Stage 1 for which an ECL allowance is recognised based on Basel minimum PD of 0.05% and LGD of 45% for Kosovo Government Bonds, and 1% PD and LGD 45% for Turkish Government Bonds.

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Kosovo Government Bonds				
Not rated	**32,148**	**-**	**-**	**32,148**
Total AC gross carrying amount	32,148	-	-	32,148
Less credit loss allowance	(7)	-	-	(7)
Less change in fair value at FVOCI	(670)	-	-	(670)
Net Kosovo Government Bonds	**31,471**	**-**	**-**	**31,471**
Turkish Government Bonds 2022: B3 (2021: BB-)	**10,681**	**-**	**-**	**10,681**
Total AC gross carrying amount	10,681	-	-	10,681
Less credit loss allowance	(49)	-	-	(49)
Less change in fair value at FVOCI	(270)	-	-	(270)
Net Turkish Government Bonds	**10,362**	**-**	**-**	**10,362**
Total Carrying value (fair value)	**41,833**	**-**	**-**	**41,833**

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

9. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2023	31 December 2022
Gross carrying amount of loans and advances to customers at AC	608,520	544,496
Credit loss allowance	(10,441)	(9,448)
Total carrying amount of loans and advances to customers at AC	**598,079**	**535,048**

Portfolio of loans and advances to customers meet the SPPI criteria for measurement at AC. As a result, loans and advances are classified and measured at AC. The gross carrying amount presented in the statement of financial position best represents the Bank's maximum exposure to credit risk arising from loans and advances to customers. Gross carrying amount and credit loss allowance of loans and advances to customers at AC by categories at 31 December 2023 and 31 December 2022 are summarised below:

	31 December 2023			31 December 2022		
	Gross carry-ing amount	**Credit loss allowance**	**Carrying amount**	**Gross carry-ing amount**	**Credit loss allowance**	**Carrying amount**
Loans to individuals	**314,223**	**(5,722)**	**308,501**	**285,394**	**(3,245)**	**282,149**
Standard lending	274,110	(4,498)	269,612	248,399	(2,340)	246,059
Overdrafts	2,405	(129)	2,276	2,214	(89)	2,125
Credit Cards	37,708	(1,095)	36,613	34,781	(816)	33,965
Loans to legal entities	**294,297**	**(4,719)**	**289,578**	**259,102**	**(6,203)**	**252,899**
Standard lending	241,214	(4,053)	237,161	211,932	(5,323)	206,609
Overdrafts	49,269	(522)	48,747	43,429	(748)	42,681
Credit Cards	3,814	(144)	3,670	3,741	(132)	3,609
Total loans and advances to customers at AC	**608,520**	**(10,441)**	**598,079**	**544,496**	**(9,448)**	**535,048**

The movement in the release of credit loss allowance is as follows:

	2023			2022		
	Individuals	**Legal Entities**	**Total**	**Individuals**	**Legal Entities**	**Total**
Balance at 1 January	3,245	6,203	9,448	3,512	5,896	9,408
(Release)/loss for the year	3,163	(815)	2,348	442	975	1,417
Loans written-off	(686)	(669)	(1,355)	(708)	(669)	(1,377)
Balance at 31 December	**5,722**	**4,719**	**10,441**	**3,246**	**6,202**	**9,448**

The credit loss recognized in profit or loss is as follows:

	2023			2022		
	Individuals	**Legal Entities**	**Total**	**Individuals**	**Legal Entities**	**Total**
Release/(charge) during the year	(3,163)	814	(2,349)	(442)	(975)	(1,417)
Recoveries from written off loans	635	1,203	1,838	697	561	1,258
	(2,528)	**2,017**	**(511)**	**255**	**(414)**	**(159)**

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

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

At 31 December 2023, the ten largest borrowers represent 5.32% (2022: 4.41%) of the total loans. Loans and advances to customers include accrued interest of EUR 2,946 thousand (2022: EUR 2,706 thousand) and deferred disbursement fee of EUR 1,642 thousand (2022: EUR 1,568 thousand).

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Standard lending								
At 1 January 2023	**2,166**	**1,656**	**3,840**	**7,662**	**446,659**	**8,595**	**5,077**	**460,331**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(100)	1,148	-	1,048	(13,917)	10,389	-	**(3,528)**
Transfer from Stage 1 to Stage 3	(28)	-	893	865	(1,788)	-	1,406	**(382)**
Transfer from Stage 2 to Stage 1	17	(178)	-	(161)	1,537	(2,175)	-	**(638)**
Transfer from Stage 2 to Stage 3	-	(279)	622	343	-	(1,105)	903	**(202)**
Transfer from Stage 3 to Stage 1	-	-	-	-	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	25	(31)	(6)	-	42	(93)	**(51)**
(Release-Repayment)/Increase from the same Stage	(830)	(246)	(158)	(1,234)	(94,411)	(869)	(556)	**(95,836)**
Fully repaid during the year	(402)	(451)	(413)	(1,266)	(84,301)	(2,017)	(657)	**(86,975)**
New originated	1,338	728	124	2,190	235,892	7,393	210	**243,495**
Total movements with impact on credit loss allowance charge for the period	**2,161**	**2,403**	**4,877**	**9,441**	**489,671**	**20,253**	**6,290**	**516,214**
Movements without impact on credit loss allowance charge for the period:								
Write-offs			(890)	(890)	-	-	(890)	**(890)**
At 31 December 2023	**2,161**	**2,403**	**3,987**	**8,551**	**489,671**	**20,253**	**5,400**	**515,324**

For practical purpose, loans transferred to stage 3 from the newly generated loans are presented in this line, there are no newly generated loans in stage 3, as they would otherwise be classified as POCI. Transfers are presented based on the balance at the beginning of the year and at the end of the year.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Standard lending								
At 1 January 2022	**3,118**	**1,159**	**3,627**	**7,904**	**396,834**	**7,784**	**5,383**	**410,001**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(91)	721	-	630	(4,999)	3,566	-	**(1,433)**
Transfer from Stage 1 to Stage 3	(30)	-	487	457	(1,180)	-	860	**(320)**
Transfer from Stage 2 to Stage 3	27	(229)	-	(202)	1,833	(2,570)	-	**(737)**
Transfer from Stage 3 to Stage 2	-	(177)	468	291	-	(781)	633	**(148)**
Transfer from Stage 2 to Stage 1	-	-	(10)	(10)	5	-	(17)	**(12)**
Transfer from Stage 3 to Stage 1	-	88	(191)	(103)	-	226	(296)	**(70)**
(Release-Repayment)/Increase from the same Stage	(1,223)	(95)	293	(1,025)	(85,005)	(620)	(487)	**(86,112)**
Fully repaid during the year	(556)	(350)	(218)	(1,124)	(83,130)	(2,126)	(547)	**(85,803)**
New originated	922	538	261	1,721	222,301	3,116	424	**225,841**
Total movements with impact on credit loss allowance charge for the period	**2,167**	**1,655**	**4,717**	**8,539**	**446,659**	**8,595**	**5,953**	**461,207**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(876)	(876)	-	-	(876)	**(876)**
At 31 December 2022	**2,167**	**1,655**	**3,841**	**7,663**	**446,659**	**8,595**	**5,077**	**460,331**

Releases and/or repayments from the same stage, in the above disclosed tables, represent the amount of repayments during the year, for the loans that were active as of 1 January 2023 and 2022 and are still active loans as of 31 December 2023 and 2022, and whose Stage has remained unchanged during 2023 and 2022.

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

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Loans fully repaid during the year, represent the loans that were active as of 1 January 2023 and 2022, but were fully repaid during the year and are not anymore active as of 31 December 2023 and 2022.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Overdrafts								
At 1 January 2023	**168**	**335**	**334**	**837**	**44,083**	**1,103**	**457**	**45,643**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(4)	127	-	123	(784)	898	-	**114**
Transfer from Stage 1 to Stage 3	(1)	-	101	100	(147)	-	140	**(7)**
Transfer from Stage 2 to Stage 1	1	(99)	-	(98)	401	(392)	-	**9**
Transfer from Stage 2 to Stage 2	-	(29)	44	15	-	(103)	61	**(42)**
Transfer from Stage 3 to Stage 1	-	-	-	-	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	**-**
(Release - Repayment)/Increase from the same Stage	(66)	(23)	14	(75)	3,483	(33)	(68)	**3,382**
Fully repaid during the year	(33)	(62)	(79)	(174)	(6,572)	(243)	(114)	**(6,929)**
New originated	13	15	6	34	9,347	254	14	**9,615**
Total movements with impact on credit loss allowance charge for the period	**78**	**264**	**420**	**762**	**49,811**	**1,484**	**490**	**51,785**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(111)	(111)	-	-	(111)	**(111)**
At 31 December 2023	**78**	**264**	**309**	**651**	**49,811**	**1,484**	**379**	**51,674**

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Overdrafts								
At 1 January 2022	**220**	**71**	**221**	**512**	**34,001**	**663**	**293**	**34,957**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(7)	321	-	314	(873)	978	-	**105**
Transfer from Stage 1 to Stage 3	(2)	-	129	127	(227)	-	206	**(21)**
Transfer from Stage 2 to Stage 3	3	(14)	-	(11)	278	(265)	-	**13**
Transfer from Stage 3 to Stage 2	-	(15)	106	91	-	(123)	111	**(12)**
Transfer from Stage 2 to Stage 1	0	-	-	0	1	-	-	**1**
Transfer from Stage 3 to Stage 1	-	0	(0)	(0)	-	1	(0)	**1**
(Release - Repayment)/Increase from the same Stage	(57)	1	(3)	(59)	5,724	2	(10)	**5,716**
Fully repaid during the year	(28)	(41)	(29)	(98)	(4,411)	(236)	(57)	**(4,704)**
New originated	39	12	8	59	9,590	83	12	**9,685**
Total movements with impact on credit loss allowance charge for the period	**168**	**335**	**432**	**935**	**44,083**	**1,103**	**555**	**45,741**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(98)	(98)	-	-	(98)	**(98)**
At 31 December 2022	**168**	**335**	**334**	**837**	**44,083**	**1,103**	**457**	**45,643**

Releases and/or repayments from the same stage, in the above disclosed table, represent the amount of repayments during the year, for the overdrafts that were active as of 1 January 2023 and 2022 and are still active overdrafts as of 31 December 2023 and 2022, and whose Stage has remained unchanged during 2023 and 2022.

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

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Overdrafts fully repaid during the year, represent the overdrafts that were active as of 1 January 2023 and 2022, but were fully repaid during the year and are not anymore active as of 31 December 2023 and 2022.

	Expected credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Credit Cards								
At 1 January 2023	**276**	**128**	**544**	**948**	**35,895**	**1,885**	**742**	**38,522**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(23)	230	-	207	(2,507)	2,931	-	**424**
Transfer from Stage 1 to Stage 3	(7)	-	239	232	(477)	-	453	**(24)**
Transfer from Stage 2 to Stage 1	3	(21)	-	(18)	400	(441)	-	**(41)**
Transfer from Stage 2 to Stage 3	-	(51)	217	166	-	(493)	344	**(149)**
Transfer from Stage 3 to Stage 1	0	-	(1)	(1)	4	-	(2)	**2**
Transfer from Stage 3 to Stage 2	-	0	(0)	(0)	-	2	(1)	**1**
(Release)/Increase from the same Stage	(83)	22	(19)	(80)	1,144	(0)	(69)	**1,075**
Fully repaid during the year	(38)	(22)	(12)	(72)	(4,897)	(343)	(126)	**(5,366)**
New originated	31	127	52	210	5,957	1,355	119	**7,431**
Total movements with impact on credit loss allowance charge for the period	**159**	**413**	**1,020**	**1,592**	**35,519**	**4,896**	**1,460**	**41,875**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(353)	(353)	-	-	(353)	**(353)**
At 31 December 2023	**159**	**413**	**667**	**1,239**	**35,519**	**4,896**	**1,107**	**41,522**

	Expected credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Credit Cards								
At 1 January 2022	**346**	**100**	**546**	**992**	**31,141**	**1,506**	**751**	**33,398**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(11)	64	-	53	(780)	927	-	**147**
Transfer from Stage 1 to Stage 3	(5)	-	232	227	(328)	-	334	**6**
Transfer from Stage 2 to Stage 3	6	(28)	-	(22)	516	(540)	-	**(24)**
Transfer from Stage 3 to Stage 2	-	(23)	144	121	-	(244)	206	**(38)**
Transfer from Stage 2 to Stage 1	0	-	(45)	(45)	15	-	(65)	**(50)**
Transfer from Stage 3 to Stage 1	-	1	(25)	(24)	-	9	(36)	**(27)**
(Release)/Increase from the same Stage	(60)	6	(3)	(57)	3,391	(28)	(41)	**3,322**
Fully repaid during the year	(37)	(17)	31	(23)	(3,342)	(232)	(96)	**(3,670)**
New originated	37	25	66	128	5,282	487	91	**5,860**
Total movements with impact on credit loss allowance charge for the period	**276**	**128**	**946**	**1,350**	**35,895**	**1,885**	**1,144**	**38,924**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(402)	(402)	-	-	(402)	**(402)**
At 31 December 2022	**276**	**128**	**544**	**948**	**35,895**	**1,885**	**742**	**38,522**

Releases and/or repayments from the same stage, in the above disclosed table, represent the amount of repayments during the year, for the credit cards that were active as of 1 January 2023 and 2022 and are still active credit cards as of 31 December 2023 and 2022, and whose Stage has remained unchanged during 2023 and 2022.

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

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Credit cards fully repaid during the year, represent the credit cards that were active as of 1 January 2023 and 2022, but were fully repaid during the year and are not anymore active as of 31 December 2023 and 2022.

Analysis by credit quality of loans outstanding at 31 December 2023 and 31 December 2022 is as follows:

	2023			2022		
	Individuals	**Entities**	**Total**	**Individuals**	**Entities**	**Total**
Stage 1 and Stage 2						
0 days past due	308,426	287,342	**595,768**	280,655	250,475	**531,130**
1 to 30 days past due	1,625	1,349	**2,974**	1,538	1,070	**2,608**
31 to 90 days past due	654	408	**1,062**	735	334	**1,069**
Total Stage 1 and Stage 2 impaired loans	**310,705**	**289,099**	**599,804**	**282,928**	**251,879**	**534,807**
Stage 1 and Stage 2 Individually impaired loans						
0 days past due	113	1,239	**1,352**	179	2,651	**2,830**
1 to 30 days past due	-	250	**250**	-	150	**150**
31 to 90 days past due	2	226	**228**	2	431	**433**
Total Stage 1 and Stage 2 impaired loans	**115**	**1715**	**1,830**	181	3,232	**3,413**
Stage 3 collectively impaired loans						
0 days past due	303	69	**372**	60	28	**88**
1 to 30 days past due	150	40	**190**	33	1	**34**
31 to 90 days past due	94	28	**122**	24	44	**68**
over 90 days past due	2,339	710	**3,049**	1,913	732	**2,645**
Total Stage 3 Collectively impaired loans	**2,886**	**847**	**3,733**	**2,030**	**805**	**2,835**
Stage 3 Individually impaired loans						
0 days past due	122	416	**538**	80	433	**513**
1 to 30 days past due	-	156	**156**	14	309	**323**
31 to 90 days past due	123	44	**167**	1	162	**163**
over 90 days past	272	2,020	**2,292**	160	2,282	**2,442**
Total Stage 3 Individually impaired loans	**517**	**2,636**	**3,153**	**255**	**3,186**	**3,441**
Total loans	**314,223**	**294,297**	**608,520**	**285,394**	**259,102**	**544,496**
Expected credit losses	(5,722)	(4,719)	(10,441)	(3,245)	(6,203)	**(9,448)**
Net loans	**308,501**	**289,578**	**598,079**	**282,149**	**252,899**	**535,048**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system. The amounts presented are gross of allowance for ECL.

ECL distribution based on Behaviour Rating Scale for business loans - December 2023 the values are gross carrying amounts in Euro, not rounded in nearest thousand.

Internal Rating Master Scale	Stage1	Stage2	Stage3	Grand Total
Average	9,000	4		9,004
Below Average	224,222	35,192		259,414
Poor	169,536	127,894		297,430
Weak	153,073	40,269		193,342
Speculative	62,229	107,822		170,051
Substandard	842	1,180,212		1,181,054
Default			2,638,405	2,638,405
Total	**618,902**	**1,491,393**	**2,638,405**	**4,748,700**

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

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

ECL distribution based on Application Rating Scale business loans - December 2022 the values are gross carrying amounts in Euro, not rounded in nearest thousand.

Internal Rating Master Scale	Stage1	Stage2	Stage3	Grand Total
Very Good	67			**67**
Good	2			**2**
Above Average	0	15		**15**
Average	73			**73**
Below Average	167,363	114,038		**281,401**
Poor	746,666	479,430		**1,226,096**
Weak	517,974	602,107		**1,120,081**
Speculative	50,085	202,920		**253,005**
Substandard	2	364,727		**364,729**
Default			2,947,096	**2,947,096**
No Rating	50,921	42,660	3,545	**97,126**
Grand Total	**1,533,153**	**1,805,897**	**2,950,641**	**6,289,691**

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. A decision to restructure is subject to the following:

- the restructuring increases the probability that the borrower will be able to repay the exposure;
- the new payment plan is in line with the actual and expected future payment capacity of the borrower;
- the borrower offers additional collateral, if possible and appropriate.

Loans with renegotiated terms	2023	2022
Stage 1	287	527
Stage 2	1,178	1,181
Stage 3	995	1,444
Total gross amount	**2,460**	**3,152**
Individual impairment	(618)	(938)
Collective impairment	(394)	(566)
Net loans with renegotiated terms	**1,448**	**1,648**

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

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2023		31 December 2022	
	Net loans	**%**	**Net loans**	**%**
Individuals	309,213	51.70%	282,149	52.7%
Electricity, gas, water	1,046	0.17%	1,162	0.2%
Industry	53,159	8.89%	49,478	9.2%
Agriculture	10,874	1.82%	9,045	1.7%
Services and other	22,907	3.83%	18,962	3.5%
Hotels and restaurants	12,290	2.05%	12,252	2.3%
Transport and communication	9,348	1.56%	8,425	1.6%
Construction	24,370	4.07%	19,300	3.6%
Trading	154,872	25.89%	134,275	25.1%
Net loans to customers	**598,079**	**100.0%**	**535,048**	**100.0%**

Types of collateral

The Bank's policies regarding obtaining collateral have not changed compared to the last year policy.

The fair value of collateral disclosed below is determined by the Bank's internal and external local certified appraisals and aims to represent the market value realisable by the legal owners of the assets. Due to local circumstances in Kosovo where the market is not active, the Bank seeks to adopt a prudent approach in determining the value of such collaterals. The Bank aims to use collaterals that could be converted into liquid assets within a reasonably short period of time.

	2023			2022		
	Individual s	**Corporate**	**Total**	**Individuals**	**Corporate**	**Total**
Mortgages	65,818	362,919	**428,737**	55,625	337,508	**393,133**
Cash collateral	2,479	3,957	**6,436**	2,580	3,974	**6,554**
Merchandise and equipment pledged	75,350	558,162	**633,512**	93,444	495,542	**588,986**
Cars pledged	22,305	66,021	**88,326**	17,068	53,958	**71,026**
Total	**165,952**	**991,059**	**1,157,011**	**168,717**	**890,982**	**1,059,699**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2023:

	Over-collateralised assets		Under-collateralised Assets	
	Carrying value of the assets	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of col-lateral**
Loans to individuals	66,026	160,520	248,197	5,427
Loans to legal entities	267,112	944,548	27,185	46,511

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

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The effect of collateral at 31 December 2022:

	Over-collateralised assets		Under-collateralised Assets	
	Carrying value of the assets	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Loans to individuals	67,726	165,578	217,668	3,139
Loans to legal entities	236,351	860,499	22,751	30,483

The outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Loans to corporate customers	**9,200**	**8,076**
Loans	7,018	6,704
Overdraft	1,397	1,230
Credit Card	785	142
Loans to individuals	**4,209**	**1,046**
Loans	2,266	945
Overdraft	207	26
Credit Card	1,736	75
Total	**13,409**	**9,122**

10. INVESTMENT PROPERTIES

	31 December 2023	31 December 2022
Investment properties at fair value at 1 January	**1,920**	1,661
Increase in fair value from valuation	115	259
Investment properties at fair value at 31 December	**2,035**	**1,920**

Investment property of the Bank includes a construction land transferred from owner occupied property to investment property held for capital appreciation. Land was acquired in 2013, for purpose of utilizing it for building the new Bank headquarter. On 20 May 2019, the Bank's Executive Committee took a decision to abandon the plan for the headquarters complex in favour of the current long-term lease solution. Such decision resulted in the transfer of the asset to investment property. The Bank choose to measure the investment property at fair value.

Fair value measurement

Measurement of the investment property is classified in level 3 of the fair value hierarchy as inputs and assumptions used in arriving at the fair value are unobservable. In the absence of an active market, the fair value of the investment property as of 31 December 2023 was determined by using the Sales Comparison Method and Residual Method.

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

10. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques	Description of valuation technique
Comparison method	Direct Comparison Method is based on comparison of prices for similar properties in the same market with a distance of less than 500m. Comparable sale prices were adjusted, where appropriate, by taking into account indexes for regulatory plans, location of property and access and infrastructure. The average price per m2 based on the comparison of bids with similar conditions, was adjusted with the offer factor minus -10%/20%.
Development method	Development method takes into consideration all developments and construction costs to achieve the highest and best use and into determining the final value of the Investment Property.

A haircut of 20% was applied to reach to the immediate sale value.

An increase/decrease in the immediate sale value by +/-10% would result in an increase/decrease of fair value by EUR 203,5 thousand (2022: 192 thousand).

The fair value of the Bank's investment property at initial recognition and subsequently as of 31 December 2023 and 2022 has been determined on the basis of valuations carried out at those dates by independent, professionally qualified appraisers who have recent experience in valuing similar properties in Kosovo and are not connected with the Bank.

11. OTHER FINANCIAL ASSETS

	2023	2022
Account maintenance and credit card fees receivable	2,012	2,019
Receivables from financial institutions	6,822	4,939
Other financial assets	328	198
Total other financial assets (gross amount)	**9,162**	**7,156**
Impairment allowance	(1,076)	(988)
Total other financial assets (carrying amount)	**8,086**	**6,168**

Receivables from financial institutions are related to withdrawals or payments performed with cards of other banks in the Bank's POSs or ATMs. The Bank assessed a provisions for other financial assets that are due for more than 3 months (see note 25).

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

12. OTHER ASSETS

	2023	2022
Repossessed assets	300	342
Prepaid expenses	1,286	1,094
Other	57	37
Total other assets	**1,643**	**1,473**

Movements in the repossessed assets during the year are shown below:

	2023	2022
At 1 January	342	608
Additions	184	16
Write down to NRV	(225)	(282)
At 31 December	**301**	**342**

13. PREMISES AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
Cost					
As at 1 January 2022	**5,202**	**2,330**	**10,640**	**1,033**	**19,205**
Additions	145	271	2,023	101	**2,540**
Disposals	-	(456)	(558)	(91)	**(1,105)**
As at 31 December 2022	**5,347**	**2,145**	**12,105**	**1,043**	**20,640**
Additions	433	861	1,007	44	**2,345**
Disposals	(27)	(694)	(651)	-	**(1,372)**
As at 31 December 2023	**5,753**	**2,312**	**12,461**	**1,087**	**21,613**
Accumulated depreciation					
As at 1 January 2022	**4,595**	**2,027**	**8,823**	**785**	**16,230**
Charge for the year	340	164	1,098	81	**1,683**
Disposals	-	(455)	(559)	(91)	**(1,105)**
As at 31 December 2022	**4,935**	**1,736**	**9,362**	**775**	**16,808**
Charge for the year	203	243	1,084	84	**1,614**
Disposals	(27)	(687)	(654)	-	**(1,368)**
As at 31 December 2023	**5,111**	**1,292**	**9,792**	**859**	**17,054**
Carrying amount					
As at 31 December 2022	**412**	**409**	**2,743**	**268**	**3,832**
As at 31 December 2023	**642**	**1,020**	**2,669**	**228**	**4,559**

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Bank leases various office buildings and space for its ATMs. Rental contracts are typically made for fixed periods of 6 months to 10 years, but may have options to extend the lease for the same period of time set forth in the lease agreement.

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

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The right of use assets by class of underlying items is analysed as follows:

	Office buildings	ATM space	Total
Carrying amount at 1 January 2022	**2,228**	**246**	**2,474**
Additions	2,118	209	2,327
Disposals	(353)	(25)	(378)
Depreciation charge	(973)	(112)	(1,085)
Other			
Carrying amount at 31 December 2022	**3,020**	**318**	**3,338**
Additions	3,203	123	**3,326**
Disposals	(141)	(3)	**(144)**
Depreciation charge	(1,157)	(149)	**(1,306)**
Carrying amount at 31 December 2023	**4,925**	**289**	**5,214**

Lease liability analysed as per maturity is as follows:

Maturity analysis	**2023**	**2022**
Year 1	1,410	1,110
Year 2	1,083	924
Year 3	922	608
Year 4	705	453
Year 5	235	293
Onwards	926	-
Total	**5,281**	**3,388**
Analysed as:		
Current	1,410	1,110
Non-current	3,871	2,278
Total	**5,281**	**3,388**

Amounts recognized in profit and loss	**2023**	**2022**
Depreciation expense on right-of-use-assets	1,306	1,085
Interest expense on lease liabilities	109	67
Expense relating to short-term leases	17	27
Tax and other expenses related to leases	255	252
Total cash outflow for leases	**1,687**	**1,431**

Total cash flow amount for leases amount to 1,393 thousand (2022: 1,323 thousand). All lease payments are fixed.

As of 31 December 2023 the Bank is committed for EUR 1.4 thousand (2022: 1.1 thousand) for short term leases.

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

15. INTANGIBLE ASSETS

	Software
Cost	
As at 1 January 2022	**16,188**
Additions	2,048
Disposals	(616)
As at 31 December 2022	**17,620**
Additions	2,363
Disposals	(302)
As at 31 December 2023	**19,681**
Accumulated amortization	
As at 1 January 2022	**13,342**
Charge for the year	2,431
Disposals	(613)
As at 31 December 2022	**15,160**
Charge for the year	2,033
Disposals	(312)
As at 31 December 2022	**16,881**
Carrying amount	
As at 31 December 2022	**2,460**
As at 31 December 2023	**2,800**

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

16. CUSTOMER DEPOSITS

	31 December 2023	31 December 2022
Demand Deposits		
Individuals	508,583	453,613
Legal entities	178,870	163,038
	687,453	**616,651**
Term Deposits		
Individuals	32,444	34,367
Legal entities	3,045	390
	35,489	**34,757**
Total Customer deposits	**722,942**	**651,408**

As at 31 December 2023, customer accounts include accrued interest of EUR 126 thousand (2022: EUR 193 thousand).

Term deposits and current accounts by legal status as a portion of the total balance are as follows:

	2023	2022
Individuals	75%	75%
Legal entities	25%	25%
	100%	**100%**

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

17. OTHER FINANCIAL LIABILITIES

	31 December 2023	31 December 2022
Transfers of customers' funds in transit	7,364	5,653
Due to suppliers	2,242	1,429
Credit cards bonuses payable	767	718
Staff bonuses	1,043	851
Other payables to customers for credit cards	328	255
SMS banking-mobile	384	315
Other financial liabilities	184	95
Total other financial liabilities	**12,312**	**9,316**

Transfers of customers' funds in transit represents the payments collected on behalf of third parties, which remained unpaid to the intended recipients at the year end.

Credit card bonuses payable represent liabilities to customers for transactions realised with credit cards within the TEB POS network, namely for each purchase made through TEB merchants network the customers are entitled to bonuses (star points) which can be used for further purchases from customers at any merchant where TEB POS is installed.

18. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	31 December 2023	31 December 2022
Provisions for:		
Unused commitments	279	334
Legal cases	77	91
Guarantees	12	9
Unused vacation	44	34
Tax provision	112	-
Other	511	346
Total provisions for liabilities and other charges	**1,035**	**814**

19. OTHER LIABILITIES

	31 December 2023	31 December 2022
Withholding tax	31	28
Social security	80	71
Personnel income tax	53	47
VAT and other taxes	210	87
Other	618	388
Total other liabilities	**992**	**621**

20. SHARE CAPITAL

The authorised and paid up share capital of the Bank as at 31 December 2023 and 2022 comprises 2,400 thousand ordinary shares with a nominal value of EUR 10 each.

Shareholder	**As at 31 December 2023**		**As at 31 December 2022**	
	Percentage ownership	**Amount**	**Percentage ownership**	**Amount**
TEB Holding A.S.	100%	24,000	100%	24,000
Total	**100%**	**24,000**	**100%**	**24,000**

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

20. SHARE CAPITAL (CONTINUED)

The shares are ordinary in nature and have no preferences or restrictions attached thereto. All shares are fully paid. Holders of ordinary shares are entitled to cast one vote for each ordinary share they hold. All TEB SH.A. shares belong to a single shareholder i.e. TEB Holding A.S.

21. INTEREST INCOME

	2023	2022
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	38,794	34,534
Investments in debt securities at FVOCI	683	904
Due from other banks at AC	2,583	310
Total interest income	**42,060**	**35,748**

22. INTEREST EXPENSE

	2023	2022
Term deposits	563	331
Savings accounts	46	94
Borrowed funds	22	13
Interest expense on lease liabilities	109	67
Total interest expense	**740**	**505**

Interest rates for term deposits vary based on the maturity of the deposits. The annual interest rates on time deposits with clients at the end of reporting period were as follows:

- 2023 – max I/R 2.5 %, min I/R 0.0%
- 2022 – max I/R 2.8%, min I/R 0.0%

23. FEE AND COMMISSION INCOME

	2023	2022
Credit cards	10,454	10,403
Account service fees (net of provisions)	3,774	3,781
International payments	2,261	2,044
SMS Banking	380	339
Domestic payments	624	129
Guarantees and letters of credit	161	142
Other fees	123	580
Total fee and commission income	**17,777**	**17,418**

Maintenance fees for credit cards and accounts, and fees for guarantees and letter of credits are recognized as income when performance obligations are performed over time (accrued over time as services are rendered). Based on the contractual terms the Bank has the right to payment for performance completed at each month end for account maintenance fees and at year end for Credit Card maintenance fees.
Regarding commissions for guarantees and letter of credits, clients can choose to pay the commission at the end of month, end of quarter or to pay in advance. Advance payments are recorded as unearned incomes and recorded as income on accrual bases by reference to completion of the service.

For the year ended 31 December 2023, fees and commission incomes from individuals represent approximately 43% and fees and commission incomes from businesses represent approximately 57% of total fee and commission incomes.

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

24. FEE AND COMMISSION EXPENSES

	2023	2022
Credit cards	5,298	5,503
Central bank fees	598	527
International payments	597	504
Domestic payments	336	365
Other fees	393	388
Guarantees and letters of credit	2	1
Total fee and commission expense	**7,224**	**7,288**

25. OTHER IMPAIRMENTS AND PROVISIONS

	2023	2022
Other Impairment and Provision (charges)/releases:		
Cash and cash equivalents	-	21
Loans and advances to other Banks	(132)	162
Investment securities	13	-
Legal cases and litigations	13	143
Other receivables and assets	-	-
Credit Card commissions	1	(40)
Unused annual leave	(10)	(1)
Impairment for repossessed property	(225)	(283)
Provision for taxes	(112)	-
Other financial assets (note 11)	(88)	(43)
Other provisions	(149)	(43)
Total other impairments and provisions	**(689)**	**(84)**

26. PERSONNEL COSTS

	2023	2022
Salaries and wages	8,002	7,133
Bonuses	1,266	1,095
Mandatory pension contributions	437	383
Health insurance	223	200
Staff training	94	206
Other costs	35	8
Total personnel costs	**10,057**	**9,025**

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

27. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2023	2022
Software maintenance fee	1,399	763
Marketing and sponsorship	1,371	918
Telecommunication	761	805
Security and insurance	729	628
Repair and maintenance	655	605
Representation	647	470
Consultancy and professional fees	606	413
Travel	533	497
Service expenses, credit cards	338	182
Utilities	318	310
Office supplies	291	307
Tax and other expenses related to leases	255	252
Cleaning expenses	186	148
Business taxes and licenses	183	208
Legal, collateral execution, and audit fees	146	161
Operating lease expenses for premises	17	27
Other expense	866	780
Total administrative and other operating expenses	**9,301**	**7,474**

As an exception allowed by IFRS 16 requirements, the Bank accounts for short-term leases and leases of low value assets by recognizing the lease payments as an operating expense on a straight line basis.

28. INCOME TAXES

a) Components of income tax expense

	2023	2022
Current tax expense	2,587	2,144
Deferred tax expense/(credit)	36	1
Total income taxes	**2,623**	**2,145**

b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

Detailed below is the calculation of the effective tax rate and a reconciliation of the current income tax expense:

	2023	2022
Profit before taxation	**25,523**	**23,131**
Theoretical tax charge at statutory rate of 10%	2,552	2,313
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	379	135
- Sponsorships	-	25
- Non-taxable income	(41)	(58)
- Corporate income tax adjustment	(267)	(271)
Income tax expense for the year	**2,623**	**2,144**

Current income tax is calculated based on the income tax regulations applicable in Kosovo, using tax rates enacted at the reporting date. The tax rate on corporate income is 10% (2022: 10%).

c) Movement in deferred tax balances

Differences between the IFRS financial statements and the Kosovo taxation regulations give rise to temporary differences between the carrying amount of loans and advances to customers for IFRS reporting purposes and for tax purposes. The tax effect of these temporary differences is calculated at the enacted rate of 10% (2022:10%).

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

28. INCOME TAXES (CONTINUED)

The tax effect of the movements in the temporary differences in 2023 is detailed below.

	1-Jan-2023	Charged/ (credited) to profit or loss	Charged / (credited) directly to other comprehensive income	31-Dec-2023
Tax effect of deductible/(taxable) temporary differences				
Lease liabilities	338	123	-	**461**
Fair valuation of Investment properties	(72)	(12)	-	**(84)**
Right-of-use assets	(334)	(122)	-	**(456)**
Fair valuation of investments in debt securities	95	-	(67)	**28**
Net deferred tax asset/(liability)	**27**	**(11)**	**(67)**	**(51)**
Recognised deferred tax asset	**101**	**-**	**(67)**	**34**
Recognised deferred tax liability	**(74)**	**(11)**	**-**	**(85)**
Net deferred tax asset/(liability)	**27**	**(11)**	**(67)**	**(51)**

The tax effect of the movements in the temporary differences in 2022 is detailed below.

	1-Jan-2022	Charged/ (credited) to profit or loss	Charged / (credited) directly to other comprehensive income	31-Dec-2022
Tax effect of deductible/(taxable) temporary differences				
Lease liabilities	278	61	-	**339**
Fair valuation of Investment properties	(46)	(26)	-	**(72)**
Right-of-use assets	(272)	(62)	-	**(334)**
Fair valuation of investments in debt securities	38	-	56	**94**
Net deferred tax asset/(liability)	**(2)**	**(27)**	**56**	**27**
Recognised deferred tax asset	**45**	**-**	**56**	**101**
Recognised deferred tax liability	**(47)**	**(27)**	**-**	**(74)**
Net deferred tax asset/(liability)	**(2)**	**(27)**	**56**	**27**

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

29. RELATED PARTY DISCLOSURES

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Bank is controlled by TEB Holding A.S incorporated in Turkey (Immediate Parent), which owns 100 % of the ordinary shares as at 31 December 2023 and 2022 (see Note 1). The following table summarizes the related party transactions and balances at 31 December 2023 and the related expenses for the year then ended. Loans and advances to banks with related parties are all current nostro accounts that have no interest rate. Loans and advances to customers and Customer deposits are at arms lengths loans and deposits to related parties. Commission expenses comprise of international correspondence commission and fees and operating expenses are consultancy expenses with related parties. Intangible assets are charges from the Group for the developments in the Bank's system that met the definition of intangible assets. Guarantees at year end comprise of guarantees issued by the Bank with the confirmation of the group banks. All transactions are conducted at arm's length.

At 31 December 2023, the outstanding balances with related parties were as follows:

	Ultimate parent company	Immediate parent company	Entities under common control	Key management personnel
Loans and advances to banks	59	-	535	-
Loans and advances to customers	-	-	-	313
Intangible assets	-	-	-	-
Customer deposits	-	-	-	582
Other financial liabilities	115	25	213	-

The income and expense items with related parties for 2023 were as follows:

	Ultimate parent company	Immediate parent company	Entities under common control
Interest income	-	-	24
Commission expenses	3	-	109
Operating expenses	-	274	-

At 31 December 2023, other rights and obligations with related parties were as follows:

	Ultimate parent company	Immediate parent company	Entities under common control	Key management personnel
Guarantees issued at the year end	550	-	4,412	70

29. RELATED PARTY DISCLOSURES (CONTINUED)

At 31 December 2022, the outstanding balances with related parties were as follows:

	Ultimate parent company	Immediate parent company	Entities under common control	Key management personnel
Loans and advances to banks	86	-	368	-
Loans and advances to customers	-	-	-	250
Intangible assets	-	-	598	-
Customer deposits	-	-	-	447
Other financial liabilities	145	17	254	-

The income and expense items with related parties for 2022 were as follows:

In thousand EUR	Ultimate parent company	Immediate parent company	Entities under common control
Interest income	-	-	1
Commission expenses	1	-	159
Operating expenses	-	225	-

At 31 December 2022, other rights and obligations with related parties were as follows:

	Ultimate parent company	Immediate parent company	Entities under common control	Key management personnel
Guarantees issued at the year end	871	-	3,915	116

Key management compensation is presented below:

	2023	2022
Salaries	399	353
Bonus	157	144
Pension Contribution	43	40
Total key management compensation	**599**	**537**

30. COMMITMENTS AND CONTINGENCIES

Guarantees and letters of credit

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

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

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guarantees and letters of credit (continued)

Credit related commitments (continued). Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The aggregate outstanding amounts of guarantees and letters of credit issued by the Bank are as follows:

	2023	**2022**
Financial guarantee	9,270	9,458
Letters of credit	2,469	1,875
Other guarantees	78	45
Total	**11,817**	**11,378**
Unused commitments for revolving facilities	103,950	102,132
Total credit related commitments	**115,767**	**113,510**
ECL for guarantees	(12)	(9)
ECL for revolving facilities	(279)	(334)
Total credit related commitments, net of ECL	**115,476**	**113,167**

Commitments by credit quality based on credit risk grades at 31 December 2023 is as follows.

	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Financial guarantee	9,270	-	-	**9,270**
Letters of credit	2,469	-	-	**2,469**
Other guarantees	56	22	-	**78**
Total Guarantees and Letter of Credits	**11,795**	**22**	**-**	**11,817**
Loans commitments not yet disbursed	101,199	2,751	-	103,950
Total credit related commitments	**112,994**	**2,773**	**-**	**115,767**
Less: Provision for guarantees and Letter of Credits	(9)	(3)	-	**(12)**
Less: Provision for loan commitments	(162)	(117)	-	**(279)**
Total commitments	**112,823**	**2,653**	**-**	**115,476**

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

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments by credit quality based on credit risk grades at 31 December 2022 is as follows.

	Stage 1	Stage 2	Stage 3	
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total
Financial guarantee	9,458	-	-	9,458
Letters of credit	1,875	-	-	1,875
Other guarantees	45	-	-	45
Total Guarantees and Letter of Credits	**11,378**	**-**	**-**	**11,378**
Loans commitments not yet disbursed	100,406	1,726	-	102,132
Total credit related commitments	**111,784**	**1,726**	**-**	**113,510**
Less: Provision for guarantees and Letter of Credits	(9)	-	-	(9)
Less: Provision for loan commitments	(267)	(67)	-	(334)
Total commitments	**111,508**	**1,659**	**-**	**113,167**

The Bank calculates ECL and LECL provision for guarantees and letter of credits following the same steps as for on-balance sheet exposures, differing only with respect to EAD calculation. Refer to Credit Risk disclosure in note 33.

Legal cases

In the normal course of the business, the Bank is presented with legal claims. The Bank's management is of the opinion that the possibility of an outflow of economic benefits in relation to legal claims outstanding as at 31 December 2023 and 2022 is remote, except for the provisions charged as shown in note 19 – Provisions for liabilities and Charges.

31. MANAGEMENT OF CAPITAL

The Bank's objectives when managing capital are:

- to comply with the capital requirements set by the Central Bank of Kosovo (CBK);
- to safeguard the Bank's ability to continue as a going concern and continue to provide returns for the shareholder; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are regularly monitored by the Bank's management, employing techniques based on the guidelines of the CBK. The required information is provided to the CBK on a monthly basis.

The Bank calculates capital for credit risk for balance and off balance sheet items, market risk, and operational risk.

The CBK Regulation on Capital Adequacy of Banks and Regulation, requires banks to hold a minimum regulatory capital of EUR 7,000 thousand, to maintain a minimum ratio of Tier I capital to risk-weighted assets of 9%, a minimum total regulatory capital to risk-weighted assets of 12%, and a minimum leverage ratio of 3%.

As of 31 December 2023 and 2022 the Bank is in compliance with all regulatory ratios: Tier I capital as of 31 December 2023 is 13.89% (2022: 13.14%), total regulatory capital is 14.74% (2022: 14.02%), and leverage ratio is 10.08% (2022: 8.97%).

The Bank was in compliance with regulatory requirements as at the reporting dates, at 31 December 2023 and 2022.

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

31. MANAGEMENT OF CAPITAL (CONTINUED)

Minimum Risk-Based Capital Ratios

The capital levels, risk weighted assets and capital adequacy ratios as per CBK regulations at 31 December 2023 and 2022, are as follows:

	2023	2022
Tier 1 capital		
Share capital	24,000	24,000
Retained earnings as per Central Bank of Kosovo reporting	70,993	52,506
Accumulated other comprehensive income (and other reserves)	(2,451)	(3,081)
Less: Intangible assets	(2,800)	(2,460)
Credits to Bank's related parties	(954)	(813)
Total qualifying Tier 1 capital	**88,788**	**70,152**
Provisions for loan losses *(limited to 1.25% of RWA)*	5,468	4,722
Total qualifying Tier 2 capital	**5,468**	**4,722**
Total regulatory capital	**94,256**	**74,874**
Risk-weighted assets:		
On balance sheet	569,113	469,658
Off balance sheet	11,804	11,576
Risk assets for operational risk	49,585	45,892
Market risk	8,779	6,839
Total risk-weighted assets	**639,281**	**533,965**
Tier I capital to risk-weighted assets ratio	13.89%	13.14%
Total regulatory capital to risk-weighted assets ratio	14.74%	14.02%
Total leverage ratio (regulatory reporting)	10.08%	8.97%

In accordance with CBK regulation on Credit Risk, starting from 1 January 2020 "IFRS 9 – Financial Instruments" is applicable also for financial statements prepared in accordance with financial reporting provisions of Law No.04/L-093 on Banks, Micro-finance Institutions and Non-Bank Financial Institutions.

Accumulated other comprehensive income (and other reserves) as of 31 December 2023 and 2022 is comprised of the following:

	2023	2022
First time impact of IFRS 9 and IFRS 16 application	(2,560)	(2,560)
Fair value of investment property (recognized through OCI)	351	325
Fair value of investment securities (recognized through OCI)	(242)	(846)
Accumulated other comprehensive income (and other reserves)	**(2,451)**	**(3,081)**

32. FINANCIAL RISK MANAGEMENT

The risk management function within the Bank is carried out with respect to financial risks and operational risks. Financial risk comprises credit risk, market risk (including currency risk, interest rate risk and other price risks), and liquidity risk. The primary function of risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits set by the regulatory body and by the Bank's Board of Directors. The operational and legal risk management functions are intended to ensure the proper functioning of internal control functions and policies and procedures in order to minimise operational and legal risks.

Market risk

The activities of the Bank are to some extent exposed to possible losses as a result of the exposure of its financial instruments to interest-rate risk, or exchange-rate risk resulting from fluctuations in the financial markets. The majority of transactions of the Bank are in local currency and majority and exposure to foreign exchange risk is limited.

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Policy on Management of the currency risk of TEB SH.A. defines the methods of currency risk management within the Bank. The Bank manages foreign currency risk through managing the currency structure of its assets and liabilities. Foreign exchange rate risk is managed and governed according to the policies of the TEB Group. TEB SH.A. continuously monitors exchange rate movements and foreign currency markets, and determines its currency positions on a daily basis.

Any exception to the policy is subject to approval by the Board of Directors of TEB SH.A.. The Bank does not maintain open currency position for speculative purposes. Nevertheless, foreign exchange derivatives may be used for hedging purposes to close certain positions, in which case they are closely monitored at both local and group levels. The Bank undertakes transactions in EUR and in foreign currencies.

The Bank has not entered into forward exchange derivatives and does not have any embedded derivative at 31 December 2023 and 2022.

As the currency in which the Bank presents its financial statements is Euro, the Bank's financial statements are effected by movements in the exchange rates between the Euro and other currencies.

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

Foreign currency sensitivity analysis

The Bank is mainly exposed to US Dollar (USD) and Swiss Franc (CHF). The following table details the Bank's sensitivity to the respective increase and decrease in the value of Euro against the foreign currencies. The percentage used is the sensitivity rate analysis represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a respective change in foreign currency rates. The Bank has applied a 10% increase or decrease to the current currency exchange rates. A positive number below indicates an increase in profit and other equity where the EUR strengthens with respective percentages against the relevant currency.

		2023		**2022**
	+10% Euro	**-10% Euro**	**+10% Euro**	**-10% Euro**
Assets:				
Impact on cash and due from banks	(2,496)	3,050	(2,117)	2,587
Liabilities:				
Impact on due to banks and customers	2,488	(3,041)	2,114	(2,584)
Net impact on profit or loss and equity	**(8)**	**9**	**(3)**	**3**

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	EURO	USD	CHF	Other	Total
Financial assets					
Cash and current accounts with banks	110,213	572	1,031	409	**112,225**
Loans and advances to banks	77,139	18,995	4,860	1,566	**102,560**
Net Loans and advances to customers	598,079	-	-	-	**598,079**
Loans to individuals	*314,223*	--	-	-	**314,223**
Loans to legal entities	*294,297*	-	-	-	**294,297**
Impaired Loans	*(10,441)*	-	-	-	**(10,441)**
Investments in debt securities	21,535	-	-	-	**21,535**
Other financial assets	8,086	-	0	-	**8,086**
Total assets	**815,052**	**19,567**	**5,891**	**1,975**	**842,485**
Financial liabilities					
Customer deposits	695,589	19,500	5,887	1,966	**722,942**
Lease liabilities	5,281	-	-	-	**5,281**
Other financial liabilities	12,310	0	2	0	**12,312**
Total liabilities	**713,180**	**19,500**	**5,889**	**1,966**	**740,535**
Net currency position at 31 December 2023	**101,872**	**67**	**2**	**9**	**101,950**

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

	EURO	USD	CHF	Other	Total
Financial assets					
Cash and current accounts with banks	106,137	1,451	5,746	1,454	**114,788**
Loans and advances to banks	36,641	12,920	-	-	**49,561**
Net Loans and advances to customers	535,048	-	-	-	**535,048**
Loans to individuals	285,394	-	-	-	**285,394**
Loans to legal entities	259,102	-	-	-	**259,102**
Impaired Loans	(9,448)	-	-	-	**(9,448)**
Investments in debt securities	40,153	1,680	-	-	**41,833**
Other financial assets	6,168	-	-	-	**6,168**
Total assets	**724,147**	**16,051**	**5,746**	**1,454**	**747,398**
Financial liabilities					
Customer deposits	628,184	16,026	5,745	1,453	**651,408**
Borrowings	-	-	-	-	**-**
Lease liabilities	3,388	-	-	-	**3,388**
Other financial liabilities	9,314	-	2	-	**9,316**
Total liabilities	**640,886**	**16,026**	**5,747**	**1,453**	**664,112**
Net currency position at 31 December 2022	**83,261**	**25**	**(1)**	**1**	**83,286**

Based on the Bank's policies, the individual open currency positions should not be greater than 5% of Tier 1 capital and the aggregate exposures in all currencies not greater than 10% of Tier 1 capital at any specific point of time, while as per CBK requirements, the open currency position for any single currency should not be more than 15% of Tier 1 capital and the aggregate exposure not more than 30% of Tier 1 capital.

As at 31 December 2023 and 31 December 2022 the Bank has complied with these ratios.

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

	31 December 2023	31 December 2022
United States Dollar (USD)	1.1050	1.0666
Swiss Franc (CHF)	0.9260	0.9847
British Pound (GBP)	0.8691	0.8869

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets (re-pricing risk). The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The interest rate risk the bank is exposed is derived from its financial assets and liabilities that are sensitive to IR. The IRR may arise in increase in liabilities interest rate and as a result can trigger higher funding costs, while on the asset side, if IR decreases, it can affect bank profitability. On both scenarios, duration gap analysis is crucial to identify the sensitivity of IR. Duration gap analysis is a simple IRR methodology that provides an easy way to identify repricing gaps for monitoring interest rate risk arising from maturity discrepancy on the balance sheet. Gap analysis helps to identify maturity and repricing mismatches between assets, liabilities and off-balance sheet instruments. Gap schedules segregate RSAs, RSLs, and off-balance sheet instruments according to their repricing characteristics. For liquidity purposes, maturity date is used, whereas for interest rate gaps, repricing date is important.

Moreover, the risk management department monitors exposure to interest rate risk using the interest rate gap analysis methodology, which is based on internal assumptions with the indicative limits set for different maturities.

The purpose of the policy, which is approved by BoD, is to manage the exposure to interest rate risk and limit the potential losses, as a result of the modification of levels of interest rates in the market and the effect of such changes on the business results and the market value of the Bank's capital.

IRR policies are approved by BoD and reviewed on regular basis, while the senior management is responsible for ensuring that BoD approved policies and procedures are appropriately executed. Such risk management policy approved by the BoD, define the method of identification, measurement, monitoring and controlling the risk in the event of interest rate modification.

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

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

Management believes that the Bank is not exposed to interest rate risk on its financial instruments.

IR Sensitivity analysis

Interest rate risk management is supplemented by monitoring the sensitivity of the Bank's net banking income and equity, to various floating interest rate scenarios. The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. The analysis assumes a parallel increase of interest rates by 100 basis points (±1%) on the level of net banking income for a one to three year period.

Results presented below represent the changes in profit or loss and equity, which would occur if interest rates will increase or decrease by 100 basis points within one and three years. Change in the estimated one-year net banking income should be +/- 8% of the planned net banking income while change in the estimated two-year net interest income should be +/- 5% of the budgeted net banking income.

The analysis of the sensitivity of profit or loss and equity to changes in interest rates is as follows:

Sensitivity of the OCI	**2023**	**2022**
Increase in basis points +100 bps parallel shift	32	420
Decrease in basis points -100 bps parallel shift	(32)	(420)

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below gives the contractual maturity on net interest rate position for financial assets and financial liabilities as monitored by management and in compliance with regulator. Financial assets and liabilities based on residual maturity:

31 December 2023	Less than 1 month	1–3 months	3-12 months	1–5 years	More than 5 years	Non interest bearing	Total
Financial assets							
Cash and current accounts with banks	65,493	-	-	-	-	46,732	**112,225**
Loans and advances to banks	94,905	7,655	-	-	-	-	**102,560**
Loans to customers	7,840	69,876	164,561	308,120	47,682	-	**598,079**
Investment in debt securities	-	-	1,525	20,010	-	-	**21,535**
Other financial assets	-	-	-	-	-	8,086	**8,086**
Total financial assets	**168,238**	**77,531**	**166,086**	**328,130**	**47,682**	**54,818**	**842,485**
Financial liabilities							
Customer deposits	77,284	2,477	4,799	12,148	5,097	621,137	**722,942**
Lease liabilities	-	360	1,050	2,946	925	-	**5,281**
Other financial liabilities	-	-	-	-	-	12,312	**12,312**
Total financial liabilities	**77,284**	**2,837**	**5,849**	**15,094**	**6,022**	**633,449**	**740,535**
Interest sensitivity gap	**90,954**	**74,694**	**160,237**	**313,036**	**41,660**	**(578,631)**	**101,950**

31 December 2022	Less than 1 month	1–3 months	3-12 months	1–5 years	More than 5 years	Non interest bearing	Total
Financial assets							
Cash and current accounts with banks	-	-	-	-	-	114,788	**114,788**
Loans and advances to banks	48,563	998	-	-	-	**-**	**49,561**
Loans to customers	42,807	9,534	52,706	292,000	138,001	**-**	**535,048**
Investment in debt securities	-	1,925	10,638	29,270	-	**-**	**41,833**
Other financial assets	-	-	-	-	-	6,168	**6,168**
Total financial assets	**91,370**	**12,457**	**63,344**	**321,270**	**138,001**	**120,956**	**747,398**
Financial liabilities							
Due to customers	77,411	1,065	4,922	12,471	4,071	551,468	**651,408**
Lease liabilities	-	311	799	2,278	-	**-**	**3,388**
Other financial liabilities	-	-	-	-	-	9,316	**9,316**
Total financial liabilities	**77,411**	**1,376**	**5,721**	**14,749**	**4,071**	**560,784**	**664,112**
Interest sensitivity gap	**13,959**	**11,081**	**57,623**	**306,521**	**133,930**	**(439,828)**	**83,286**

Credit risk

The Bank is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. In this respect, the credit risk for the Bank stems from the possibility that different counterparties might default on their contractual obligations. The management of the credit risk exposures to debtors is conducted through regular analysis of the debtors' credit worthiness. Exposure to credit risk is also managed in part by obtaining collateral and guarantees as other credit enhancement factors. Credit risk policies and procedures are reviewed and updated on a yearly basis in order to be in line with CBK regulations and Group standards.

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

All credit exposures are reviewed at least on an annual basis, while large exposures are monitored on regular basis by the Monitoring Department who have the mandate to observe and monitor large corporate exposures on a monthly basis, and to report to the Credit Committee or Watch List Doubtful Committee in case of any observed credit deterioration. The monitoring process considers but is not limited to cash flow and sales performance, credit covenants, payment behaviour, profitability, liquidity, solvency and debt ratio.

Concentrations of credit risk (including off balance sheet exposures) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would lead to inability to meet contractual obligations affected by changes in economic or other conditions.

For subsequent measurement and impairment of assets, the Bank assesses whether objective evidence of impairment exists. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The Bank has the Provisioning Committee which consists of the Managing Director of the Bank, CRO, CFO. The main responsibility of the Committee is to evaluate the overall loan impairment process in accordance with the bank's internal policies and procedures, CBK requirements, IFRS, and group standards. Moreover, the committee is responsible for validating the relevant provisions for legal litigations against the bank and the provisions related to operational risk incidents. The Committee has the authority to conduct or authorize reviews into any matters within its scope of responsibility covering Loan Expected Losses and other provisioning expenses.

The Bank has established a more efficient monitoring structure aiming to manage the exposures at the early stages of loan delinquency. In addition, the effectiveness of the local Private Enforcement Agents (PEA) and outsourcing of debt collection companies, led to increased recovery of non-performing loans.

Credit Risk Grading system

For measuring credit risk and grading financial instruments the Bank applies two approaches.

An Internal Rating-based risk system (IRB) or risk grades estimated by external international rating agencies for grading counterparty risk for Financial Institution and Sovereign risk, which are mapped on an internally defined group master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external international rating agencies (MOODY's)	Corresponding 1Y ECL PD interval
Excellent/ Very Good	[1+ / 2-]	Aaa to A3	0.01% - 0.04%
Good/ Above Average	[3+ / 4-]	Baa1-Baa2	0.06%-0.21%
Average-Below Average	[5+ / 6-]	Baa3 – Ba2	0.26% - 1.46%
Poor - Weak	[7+ / 8-]	Ba3 – B2	2.11% - 8.06%
Speculative – Substandard	[9+ /10-]	B3 – C	9.53% - 21.81%
Default	[11/12]	D	100%

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Grading system (continued)

Besides Group master scale grading which is applied for counterparty risk, for loans and advances to legal customers, the bank uses internal application grading tool calibrated to country risk which is based on quantitative (75%) and qualitative (25%) input and the customers rating is generated.

Such rating is not mapped to any external rating agencies, while it is only used for internal credit decision. Moreover, for individual exposures, the banks uses application and behaviour-scoring tool in order to score the individual portfolio which is based on several risk parameters.

Expected Credit Loss (ECL) measurement. ECL is an estimate of the present value of future cash shortfalls. ECL measurement is based on four components used by the Bank: PD, EAD, LGD and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor of 50% for Credit Cards and OVD and 20% for LG and LC.CCF is a coefficient that shows the probability of conversion of the commitment amounts to an on-balance sheet exposure within a defined period. PD is an estimate of the likelihood of default to occur over a given time period.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the EIR for the financial instrument or a proxy thereof.

Expected credit losses are modelled over financial assets lifetime period. The lifetime period is equal to the remaining contractual period to maturity of the asset adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, for credit cards and overdraft, the lifetime exposure is measured over a period of 12 months.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The Bank defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower is insolvent and is experiencing financial difficulties;
- the borrower is deceased;
- the borrower has on-going legal issues;
- market outlook for a specific industry;
- any other factors that can trigger a default event.

The default definition stated above is applied to all types of financial assets of the Bank.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Grading system (continued)

In principle the Bank will keep the defaulted client's exposure at Stage3 until the final payments. However, for exceptional cases the client can be re-classified as performing under below conditions:

- Regular repayments have to be made over a period of 6 months with DpD <30 days for a single repayment (instalment)
- The borrower does not have any past due exposures >90 days
- The financial situation of the borrower has improved to the extent that full repayments are likely to be made based on banks monitoring department evaluation criteria's. Such exposures will be brought forward and be submitted to WLDC, Credit Committee, and/or Provision Committee and decided accordingly.

A financial asset or a group of financial assets is impaired based on ECL and LECL as a result of one or more events that occurred after the initial recognition of the financial asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition.. Stage 1 refers to all facilities that do not show any deterioration in credit quality since the issuance of the loan. For all assets classified in Stage1, the remaining maturity period is 12 months for credits with a maturity period of more than 12 months, and for credits with a maturity period of less than 12 months, the provision is calculated for the remaining maturity period of the relevant credit. Stage 2 refers to all assets that show significant deterioration in credit quality since the initial date of the credit. A lifetime provision calculation is performed for all accounts classified in the Stage 2. And Stage 3 refers to all impaired assets and a lifetime provision calculation is performed for all assets classified in the Stage 3.

At the end of each observation period, the financial assets are classified as below:

- STAGE 1 - Delinquency 0 – 30 days - with no significant increase in credit risk
- STAGE 2 - Delinquency 31 - 90 days - with significant increase in credit risk and
- STAGE 3 - Delinquency >90 days the defaulted exposures

Impairment of loans and advances to customers is based upon a review of several qualitative and quantitative factors attended to the credit, contain the weaknesses that are inherent in a credit, or of whether there is a probability that a portion of the loan amount will not be paid.

The main criteria that the Bank observes to determine that there is objective evidence of an impairment loss include:

- Default or delinquency in interest or principal payments;
- Default in repayment of interest or principal in other financial institutions ("FI"), subject of certain thresholds;
- Liquidity difficulties of the borrower
- Breach of contract covenants or conditions;
- The borrower considers bankruptcy or a financial reorganisation;
- Deterioration of economic and market conditions.
- Downgrade of internal credit rating and scoring
- Forbearance measure is extended to the borrower

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Grading system (continued)

Collective assessment is established based on the ECL validated models that take into consideration raw data between January 2018 until July 2021 for the PD calculations. For Retail portfolio PD are calculated based on the Behaviour scoring threshold of Low Risk, Moderate Risk and High risk. Meanwhile for the Commercial portfolio based on the Rating master scale. For the LGD calculation raw data between June 2018 – November 2021 is used.At the end by using the equation of (EAD x PD x LGD x DF) the final ECL amounts are derived.

For Stage3 exposures, there are two different approaches for the ECL calculation applied for two different threshold : up to <50,000 ECL is calculated based on the parameters EAD, PD and LGD assigned for Stage3 and above >=50K ECL is calculated on a individually assed basis where Collection and Litigation Department,, Collection Department will estimate a cash inflow for each case individually and for each facility based on collateral liquidation expectation or any other source of cash inflow. Collection forecast are based on prudent and realistic estimates and should be based on the following credit enhancement factors: collateral market value and its liquidity, historical cash flow, third party guarantor/co-debtor capacity, time duration for the liquidation/repossession of the assets and legal country environment as external factor. Cash inflow estimate can cover a period of five years that will be discounted with an EIR or proxy EIR for each facility.

Restructured loans (Forborne Exposures) will be at stage 2 if the exposure was considered to be performing at the date when the measure was originated, otherwise it will remain at Stage 3.
For non-performing forborne exposures under stage 3, 24 months exit criteria to Stage 2 transfer plus additional 12 months as probation period for Stage 1 transfer will be observed. In total 36 months monitoring will be applied to transfer in Stage 1. For performing forborne exposures under Stage 2, 24 months exit criteria to Stage 1 transfer will be observed. In both instances, the payment behaviour for a single instalment should be less than 30 days in delay for the entire monitoring period, and regular payments have been made at least during the half of the probation period, otherwise the probation period will restart from zero and previous staging will be kept.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss in impairment charge for credit losses.

Impairment of financial assets classified as hold to collect and sell

Regarding financial assets measured at FVOCI, for Kosovo Government Bonds the Bank will use min PD of 0.05% which is Basel IRB approach and 1% PD for Turkish Government Bonds based on Group Master scale. On the other hand, for sovereign risk exposure including government bonds and central bank balances, the Bank will apply 45% LGD as defined under Basel IRB, and 45% for Turkish Government Bonds.

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Impairment of financial assets classified as hold to collect and sell (continued)

Maximum exposure to credit risk:

As at 31 December 2023	Gross maximum exposure	Expected credit losses	Net maximum exposure
Cash and current accounts with banks	74,383	(16)	74,367
Loans and advances to banks	102,739	(179)	102,560
Loans to individuals	**314,223**	**(5,722)**	**308,501**
Loans to customers	274,110	(4,498)	269,612
Overdrafts	2,405	(129)	2,276
Credit cards	37,708	(1,095)	36,613
Loans to legal entities	**294,297**	**(4,719)**	**289,578**
Loans to legal entities	241,214	(4,053)	237,161
Overdrafts	49,269	(522)	48,747
Credit Cards	3,814	(144)	3,670
Total loans and advances to customers	**608,520**	**(10,441)**	**598,079**
Investments in debt securities	**21,535**	**(43)**	**21,492**
Letters of credit	2,469	(0)	2,469
Letters of guarantees	9,270	(8)	9,262
Other guarantees and indemnities	78	(4)	74
Loan commitments	103,950	(279)	103,671
Contingent liabilities	**115,767**	**(291)**	**115,476**

As at 31 December 2022	Gross maximum exposure	Expected credit losses	Net maximum exposure
Cash and current accounts with banks	77,214	(16)	77,198
Loans and advances to banks	49,608	(47)	49,561
Loans to individuals	**285,394**	**(3,245)**	**282,149**
Loans to customers	248,399	(2,340)	246,059
Overdrafts	2,214	(89)	2,125
Credit cards	34,781	(816)	33,965
Loans to legal entities	**259,102**	**(6,203)**	**252,899**
Loans to legal entities	211,932	(5,323)	206,609
Overdrafts	43,429	(748)	42,681
Credit Cards	3,741	(132)	3,609
Total loans and advances to customers	**544,496**	**(9,448)**	**535,048**
Investments in debt securities	41,834	(56)	41,778
Letters of credit	1,875	(1)	1,874
Letters of guarantees	9,458	(8)	9,450
Other guarantees and indemnities	45	(0)	45
Loan commitments	102,132	(334)	101,798
Contingent liabilities	**113,510**	**(343)**	**113,167**

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration by geography

The following presents the Bank's main credit exposures by geographical region as at 31 December 2023 and 2022. The Bank has allocated exposures to regions based on the country of domicile of its counterparties.

Total Financial Assets	**OECD countries**	**Kosovo**	**Other**	**Total 2023**	**OECD countries**	**Kosovo**	**Other**	**Total 2022**
Cash and balances with the CBK	6,098	106,127		**112,225**	10,487	104,301	-	**114,788**
Loans and advances to banks	92,562	-	9,998	**102,560**	28,909	17,653	2,999	**49,561**
Loans and advances to customers	-	598,079		**598,079**	-	535,048	-	**535,048**
Investments in debt securities	8,646	12,889		**21,535**	10,632	31,201	-	**41,833**
Other financial assets	-	8,086		**8,086**	-	6,168	-	**6,168**
Total financial assets	**107,306**	**725,181**	**9,998**	**842,485**	**50,028**	**694,371**	**2,999**	**747,398**
Financial liabilities								
Customer Deposits	-	722,942	-	**722,942**	-	651,408	-	**651,408**
Borrowings	-	-	-	**-**	-	-	-	**-**
Lease liabilities	-	5,281	-	**5,281**	-	3,388	-	**3,388**
Other financial liabilities	-	12,312	-	**12,312**	-	9,316	-	**9,316**
Total financial liabilities	**-**	**740,535**	**-**	**740,535**	**-**	**664,112**	**-**	**664,112**

The balance of loans and advances to banks in OECD Countries includes placements in banks located in United States, Germany, France, Austria, and Turkey.

Write-offs

Write-offs are defined as the accounting reduction of a debt, which does not mean waiving the legal claim against the debtors and, hence, the debt may be revived. Proposals for (full or partial) write-offs on the debts may be submitted to the competent committee on the condition that certain procedures have been carried out.

Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations. The Bank monitors its liquidity on a daily, monthly and quarterly basis in order to manage its obligations as and when they fall due.

The following reports are used by the Bank for liquidity management purposes:

- Cash flow report, Liquidity Coverage Ratio (LCR) provided by the CBK regulation on a daily basis
- Net Stable Funding Ratio (NSFR) provided by the CBK regulation on a quarterly basis
- Other Liquidity Ratios including Liquidity Ratio (Liquidity Assets / ShTL) (>25% and >20%) on a daily basis
- ALCo Liquidity Coverage Ratio and Liquidity GAP reports: monthly basis
- ALCo and Board level reporting: quarterly basis.

The Liquidity GAP reports are prepared by the ALM-Treasury by using behavioural and modelled cash flows and limits approved by the BoD. Moreover, the Bank also uses the CBK Liquidity GAP reports. Funding limits of EUR 35 million are available from TEB A.S. to cover the Bank's liquidity needs.

Funds are raised using a broad range of instruments including deposits, borrowings and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required for meeting business goals and targets set in terms of the overall Bank strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy. The Management is monitoring liquidity ratios against internal and regulatory requirements on a daily basis. As a result, Management believes that the Bank has no short-term liquidity gap. The amount disclosed in tables below is contractual undiscounted cash flows:

31 December 2023	Carrying amount	Less than 1 month	1–3 months	3 -12 months	1–5 years	More than 5 years
Financial assets						
Cash and current accounts with banks	112,225	112,225	-	-	-	-
Loans and advances to banks	102,560	94,841	7,719	-	-	-
Loans to customers	598,079	30,674	43,223	166,577	310,202	47,403
Investment in debt securities	21,535	-	-	1,521	20,015	-
Other financial assets	8,086	7,095	230	545	169	47
Total financial assets	**842,485**	**244,835**	**51,172**	**168,643**	**330,386**	**47,450**
Financial liabilities						
Customer deposits	722,942	688,288	4,162	11,864	13,530	5,098
Lease liabilities	5,281	-	360	1,050	2,946	925
Other financial liabilities	12,312	10,072	900	627	638	75
Total financial liabilities	**740,535**	**698,360**	**5,422**	**13,541**	**17,114**	**6,098**
Unused loan commitments and guarantees	115,476	115,476	-	-	-	-
Total financial liabilities and commitments	**856,011**	**813,836**	**5,422**	**13,541**	**17,114**	**6,098**
Positive/(negative) gap	**(13,526)**	**(569,001)**	**45,750**	**155,102**	**313,272**	**41,352**

31 December 2022	Carrying amount	Less than 1 month	1–3 months	3 -12 months	1–5 years	More than 5 years
Financial assets						
Cash and current accounts with banks	114,788	114,788	-	-	-	-
Loans and advances to banks	49,561	48,563	998	-	-	-
Loans to customers	535,048	28,124	38,995	147,776	274,281	45,872
Investment in debt securities	41,833	-	515	9,830	33,339	-
Other financial assets	6,168	5,537	89	363	136	43
Total financial assets	**747,398**	**197,012**	**40,597**	**157,969**	**307,756**	**45,915**
Financial liabilities						
Customer deposits	651,408	617,780	2,954	15,376	15,443	-
Lease liabilities	3,388	-	311	799	2,278	-
Other financial liabilities	9,316	7,105	800	575	737	99
Total financial liabilities	**664,112**	**624,885**	**4,065**	**16,750**	**18,457**	**99**
Unused loan commitments and guarantees	113,167	113,167	-	-	-	-
Total financial liabilities and commitments	**777,279**	**738,052**	**4,065**	**16,750**	**18,457**	**99**
Positive/(negative) gap	**(29,881)**	**(541,040)**	**36,532**	**141,219**	**289,299**	**45,816**

For liquidity purposes, the Bank classifies demand and savings deposits as due on demand and maturing within one month. As a result, the contractual liquidity gap of up to twelve months is increased. However, the possibility that large amounts of customer deposits will leave the Bank is unlikely. Therefore, the Bank does not consider having any liquidity gap in the short term.

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

33. FAIR VALUE DISCLOSURES

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial instruments not measured at fair value but for which fair value is disclosed

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	2023			**Fair Value**	**2022**			**Fair Value**
Financial assets	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Cash and current accounts with banks	112,225	112,225		-	**114,788**	114,788	-	-
Loans and advances to banks	102,560	-	102,560	-	**49,561**	-	49,561	-
Loans and advances to customers	598,079	-		604,300	**535,048**	-	-	540,530
Loans to individuals	308,501			312,304	*282,149*	-	-	*283,683*
Loans to legal entities	289,578			291,996	*252,899*	-	-	*256,848*
Other financial assets	**8,086**			**8,086**	**6,168**	-	-	6,168
Financial liabilities								
Customer deposits	**722,942**	-	-	**723,752**	**651,408**	-	-	651,717
Borrowings	**-**	-	-		**-**	-	-	-
Lease liabilities	5,281	-	-	5,281	**3,388**	-	-	3,388
Other financial liabilities	12,312	-	-	12,312	**9,316**	-	-	9,316

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates and prepayment rates. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics.

Loans and advances to banks, and other financial assets and liabilities, include inter-bank placements and items in the course of collection. As such balances are short term, their fair value is considered to approximate their carrying amount.

The fair value of deposits and borrowings from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

There were no purchases or sales in level 3 financial assets and the change in the carrying value of the balance is a results of the change in the fair value.

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

33. FAIR VALUE DISCLOSURES (CONTINUED)

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The following table analyses assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

Investments in debt securities are interest-bearing assets. Because no active market exists for Kosovo Government Bonds, the fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity and they are classified as Level 2. The fair value of Euro Bonds has been determined using quoted market prices and are classified as level 1.

Investment property is land held for capital appreciation. In the absence of an active market, the fair value of the investment property has been estimated using a discounted cash flow model based on the current market rates for similar properties in the same market using a discount rate that reflects the current market assessment of the uncertainty in the amount and timing of cash flow.

	2023 Fair Value	Level 1	Level 2	Level 3	2022 Fair Value	Level 1	Level 2	Level 3
Assets at fair value								
Non-derivative financial assets								
Investment in debt securities	21,535	8,646	12,889	-	41,833	10,632	31,201	-
Investment property								
Investment property	2,035	-	-	2,035	1,920	-	-	1,920
Total	**23,570**	**8,646**	**12,889**	**2,035**	**43,753**	**10,632**	**31,201**	**1,920**

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently.

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

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY (CONTINUED)

As at 31 December 2023	**FVTPL (mandatory)**	**FVTPL (desig-nated)**	**Debt instruments at FVOCI**	**Equity instruments at FVOCI**	**AC**	**Total**
Financial Assets						
Cash and current accounts with banks	-	-	-	-	74,367	74,367
Loans and advances to banks	-	-	-	-	102,560	102,560
Other financial assets	-	-	-	-	8,086	8,086
Total loans and advances to customers	-	-	-	-	**598,079**	**598,079**
Loans to individuals	-	-	-	-	**308,501**	**308,501**
Loans to customers	-	-	-	-	269,612	269,612
Overdrafts	-	-	-	-	2,276	2,276
Credit cards	-	-	-	-	36,613	36,613
Loans to legal entities	-	-	-	-	**289,578**	**289,578**
Loans to legal entities	-	-	-	-	237,161	237,161
Overdrafts	-	-	-	-	48,747	48,747
Credit Cards	-	-	-	-	3,670	3,670
Investment in debt securities	**-**	**-**	**21,535**	**-**	**-**	**21,535**
Kosovo Government Bonds	-	-	12,889	-	-	12,889
Turkish Government Bonds			8,646			8,646
Total Financial Assets	**-**	**-**	**21,535**	**-**	**783,092**	**804,627**
Financial Liabilities						
Customer deposits	-	-	-	-	**722,942**	**722,942**
Demand deposits	-	-	-	-	687,453	687,453
Term deposits	-	-	-	-	35,489	35,489
Borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	5,281	5,281
Other financial liabilities	-	-	-	-	12,312	12,312
Total Financial Liabilities	-	-	-	-	**740,535**	**740,535**

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

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY (CONTINUED)

As at 31 December 2022

	FVTPL (mandatory)	FVTPL (designated)	Debt instruments at FVOCI	Equity instruments at FVOCI	AC	Total
Financial Assets						
Cash and current accounts with banks	-	-	-	-	77,198	77,198
Loans and advances to banks	-	-	-	-	49,561	49,561
Other financial assets	-	-	-	-	6,168	6,168
Total loans and advances to customers	**-**	**-**	**-**	**-**	**535,048**	**535,048**
Loans to individuals	**-**	**-**	**-**	**-**	**282,149**	**282,149**
Loans to customers	-	-	-	-	246,059	246,059
Overdrafts	-	-	-	-	2,125	2,125
Credit cards	-	-	-	-	33,965	33,965
Loans to legal entities	**-**	**-**	**-**	**-**	**252,899**	**252,899**
Loans to legal entities	-	-	-	-	206,609	206,609
Overdrafts	-	-	-	-	42,681	42,681
Credit Cards	-	-	-	-	3,609	3,609
Investment in debt securities	**-**	**-**	**41,833**	**-**	**-**	**41,833**
Kosovo Government Bonds	-	-	31,471	-	-	31,471
Turkish Government Bonds	-	-	10,362	-	-	10,362
Total Financial Assets	**-**	**-**	**41,833**	**-**	**667,975**	**709,808**
Financial Liabilities						
Customer deposits	**-**	**-**	**-**	**-**	**651,408**	**651,408**
Demand deposits	-	-	-	-	616,651	616,651
Term deposits	-	-	-	-	34,757	34,757
Borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	3,388	3,388
Other financial liabilities	-	-	-	-	9,316	9,316
Total Financial Liabilities	**-**	**-**	**-**	**-**	**664,112**	**664,112**

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after the reporting date that would require either adjustments or additional disclosures in the financial statements.

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