TEB

BNP PARIBAS JOINT VENTURE

ANNUAL REPORT 2024

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

- Client Satisfaction
- Commitment to Integrity
- Innovation & Technological Advancement
- Operational Efficiency
- Compliance Culture
- Our Team, Our Strength

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CORPORATE PROFILE CORPORATE OVERVIEW

Innovation, growth and sustainability are the cornerstones of our identity. Over the past 17 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.

TEB in Figures

34	Branch Network
611	Total Workforce
12%	Market Share[1] Based on Total Assets (Source:KBA)
5,593	Total POS Terminals
289,311	Total Active Customers

Competitive Advantages of TEB

0.92%	The Lowest NPL Ratio in the Sector. Sector Average is 1.9%
21.10%*	Effective Profitability with high ROE. Sector Average is 19.90%
98% Deposit Share in Total Liabilities	Cost-Effective Funding Structure

* Based on the CBK Calculation.

VISION MISSION AND STRATEGY

Vision

The vision of TEB SH.A. is to become the bank of choice in Kosovo for individual and business clients.

Mission

To continually create and increase the outstanding value for our customers, shareholders, employees and society.

Strategy

•**Sustainable Growth:** Expand market presence and customer base across all segments by implementing strategies that drive sustainable growth and strengthen customer relationships.

•**Digitalization:** Utilize technology to enhance operational efficiency and deliver an exceptional customer and employee experience through innovative digital solutions.

•**Financial Stability:** Ensure financial stability through effective risk management, high-quality credit allocation, and strict adherence to regulatory compliance processes.

Core Values

At TEB SHA, we are committed to upholding fundamental values that guide our corporate endeavors towards positive and sustainable outcomes across all dimensions.

Client Satisfaction

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.

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. This commitment to integrity not only strengthens our reputation but also ensures sustainable growth and resilience in a competitive and ever-evolving financial landscape.

Innovation & Technological Advancement

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.

Operational Efficiency

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.

Compliance Culture

Rooted in the esteemed compliance tradition of BNP Paribas, we have built a solid and resilient compliance framework that aligns with both international standards and internal regulations.

Our Team, Our Strength

We recognize that our team`s well-being is essential to our success. By promoting a culture of respect, inclusion, and empowerment, we aim to support each member`s development. Through collaboration, acknowledgment, and a focus on work-life balance, we strive to cultivate an environment where everyone feels valued and encouraged to reach their full potential.

SHARE HOLDER 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

*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.

Shareholder as of December 31, 2024	Share Ownership Paid in Capital (C)	Share
TEB HOLDING A.S*	24,000,000	100%

Bank's Social Responsibility and Awards in 2024

The Advertising and Corporate Communication Department role is critical in shaping the Banks brand identity, reputation and customer engagement. Over the Past year, the Department focused on strengthening brand positioning, enhancing digital presence and reinforcing stakeholder trust through targeted communication strategies.

Awards

- Taxpayer of the Year 2024 by the Kosovo Chamber of Commerce
- Employee of the Year 2024 by the Kosovo Chamber of Commerce
- CSR gratitude from the Kosovo Chamber of Commerce for sponsoring Kosova National football team
- Best in Class credit card Campaigns by VISA

Sponsorships:

- General Sponsor of the Football Federation of Kosova and National Team,
- General Sponsor of the Basketball Federation of Kosova and National Team,
- General Sponsor of the Paralympic Committee of Kosova and their first ever appearance in the Paralympics Paris 2024,
- Sponsor of the world class alpine climber Uta Ibrahimi (one of the 8 women of the world to climb 14 peaks),
- Main Sponsor of the Rame Lahaj International Opera Festival,
- General sponsor of Dielli TEB Open 2025 Tennis Tournament,
- Main Sponsor of the Francophonie week in Kosova,
- Main sponsor of the Prishtina International Jazz Festival,
- Main Sponsor of Türkiye-Kosovo Business Forum in Istanbul, Turkey
- "The Future of Business" Conference Sponsor,
- Vihuela Kids Music Festival,
- The American Chamber of Commerce in Kosovo Annual Charity Gala Dinner

Donations:

- Humanitarian Association of Parents with Mentally Handicapped Persons,
- Lyra Kids Festival,
- French Embassy – Bastille Day,
- Cardiology Society of Kosova,
- Music brings us together - International Music Day,
- Association of the Blind people,
- FIDAF Kosova that is member of International Federation of dancing festivals (FIDAF),
- Alpine club Prishtina - Mont Everest,
- Sports4All - Prishtina Street Fest,
- Klubi Germia - Athletics for Kids,
- Paintings International Art Festival - International Art Festival,
- Diving Club 038 - Cleaning inside the water of Batllava Lake,
- Embassy of Turkey - National Day.

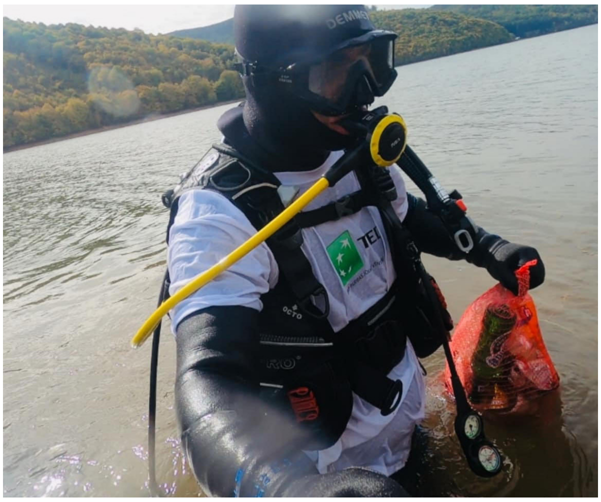
General Sponsor of the **Football Federation of Kosova and National Team**

General Sponsor of the **Basketball Federation of Kosova and National Team**

General sponsor of **Dielli TEB Open 2024 Tennis Tournament**

General Sponsor of the Paralympic Committee of Kosova and their first ever appearance in the Paralympics Paris 2024

TEB supported the cleaning of Batllava Lake



Sponsoring of the world class alpine climber Uta Ibrahimi

Supporting the mounting initiatives of TEB staff to achieve world peaks

Main Sponsor of the Rame Lahaj International Opera Festival

Sponsor of International Vihuela Guitar Festival

Lyra Kids Festival

Main sponsor of Prishtina International Jazz Festival

ATMOSPHERES...
Mitrovica, Capitale kosovare de la Francophonie 2024
Construisons la transformation ensemble
Building transformation together
Du 21 au 27 mars

TEB
BNP PARIBAS JOINT VENTURE

Main Sponsor of the Francophonie week in Kosova


SË BASHKU
TEB
ME KRENARI DHE PËRGJEGJËSI
VISA
Infinite
ZONA MIX
MIXED ZONE
HYRJA PËR MEDIA
MEDIA ENTRANCE

MARKING ANOTHER YEAR OF SIGNIFICANT ACHIEVEMENTS AND SUSTAINED GROWTH

Dear Shareholders,

It is with great pride that I present the 2024 Annual Report of TEB SH.A., marking another year of significant achievements and sustained growth. As a member of the BNP Paribas Group, recognized as a leader in banking and financial services in Europe, and Türk Ekonomi Bankası (TEB), one of Turkey's most established and deeply rooted banks, we draw upon a powerful blend of global expertise and regional know-how. This strategic partnership enhances our ability to deliver innovative, secure, and high-value financial solutions to our customers throughout Kosovo. The year 2024 was especially successful for Kosovo's banking sector. Economic fundamentals remained robust, and Kosovo's GDP grew by 4.4%, driven by strong domestic consumption, public investments, and a continued flow of remittances. Moreover, GDP per capita rose to EUR 6,431, reflecting improvements in individual prosperity and economic inclusiveness. Building upon this momentum, TEB SH.A. achieved remarkable results: our gross loan portfolio expanded by 18%, customer deposits grew by 13%, and we achieved a return on equity of 21.1%.

These results demonstrate the strength of our business model and our commitment to fostering sustainable economic growth in Kosovo.

Looking ahead to 2025, we maintain a highly optimistic and motivated outlook. Supported by our shareholders and enriched by the synergistic alliance of BNP Paribas and TEB Bank, we are dedicated to expediting our digital transformation, enhancing customer engagement, and broadening financial accessibility across the country. At the same time, we will remain fully aligned with regulatory standards and committed to the highest levels of governance and risk management, which are central to our long-term vision.

We are also committed to investing in the well-being of our society. In 2024, we proudly served as the general sponsor of Kosovo's national football and basketball teams and supported numerous initiatives in music, culture, and environmental sustainability. These endeavors reflect our belief that banking should actively contribute to enriching the social and cultural fabric of our community. On behalf of the Board of Directors, I would like to express my deepest gratitude to our employees, customers, and shareholders for their dedication, trust, and continued partnership. Collectively, we are shaping the future of banking in Kosovo through strength, innovation, and a unified vision for sustained success.

Ayşe Aşardağ

THE PREVIOUS YEAR HAS BEEN ANOTHER EXAMPLE OF THE UNIQUES OF KOSOVO

Defying expectations in economic growth, safety, and technological development, Kosovo continues to excel. We managed to go through a new population census which provided us with much more demographic data, we obtained a very favourable credit rating from Fitch, doubled our minimum wage, and we just went through peaceful elections which are exemplary in the whole Balkan region. As a Bank we are proud to serve our clients and be part of this wonderful society.

This growth and development has somewhat intensified the competition in the financial sector. Our Bank, together with other banks in the sector have been quickly developing new products and services that have greatly benefited clients overall. Digitalisation is happening quicker than anticipated, and it has become easier to use bank services without physically visiting the branches. We have seen that visa liberalisation has not materialised into a significant migration effect which means that, regardless of its external perception, Kosovo is a great place to live and full of potential. Kosovo as a country is still a very attractive place for foreign investment. In the past year, the pace of foreign companies establishing their production or service centres in Kosovo has increased. We expect the situation to improve exponentially if there is political stability in the region.

Our Bank continues to work on being client centric and concentrating its digitalization efforts by providing the channels that are used most by our clients. Our Mobile app has been updated significantly in the past year, providing more functionality than ever before, and we know that there is room to grow our app even more. With the upcoming regulatory changes, and Kosovo's plan to join SEPA, we expect banking to be much more dynamic in Kosovo. As this annual report will show, our Bank did an exceptional job in the previous year.

The Cost of Risk of our Bank remains historically low, and interest and non-interest income has increased while remaining in compliance with local and Group requirements. We are continually working on increasing client and employee satisfaction by making data driven decisions. I am grateful for the ongoing support from our Board of Directors and our Shareholders, who are an integral part in the execution of our vision through all the challenges that Kosovo has experienced in the past. Our Bank is in the best position to support our clients for any plans they may have in the future.

Orçun Özdemir

MACROECONOMIC OVERVIEW OF 2024

In 2024, the global economy continued to navigate a complex landscape marked by slowing growth, elevated inflation and heightened geopolitical tensions. According to the IMF Outlook, global GDP growth is projected of3.3% in 2025, up from 3.2% in 2024. In the euro area, growth is expected to pick up but at a more gradual pace with 1% in 2025, up from 0.8% in 2024.

GDP Growth: Kosovo's GDP reached to €10.3 billion in 2024, with a real GDP growth rate of 4.4%, above the 2023 figure of 4.1%. This growth is primarily driven by private consumption, public investments, and remittances, which remain a significant contributor to the economy. This growth rate underscores the country's ability to maintain a stable growth path despite external challenges. GDP Per Capita increased by EUR 940 due to the population decreasing from 1.8 million to 1.6 million in 2024. However, The IMF's 2025 projection continues to take into account the population as 1.8 million.

Unemployment: The unemployment rate continued its downward trend, reaching 11% by the end of 2023 and 10.8 by the end of second quarter of 2024. This improvement was driven by job creation in the private sector, particularly in construction, retail, and services.

Macroeconomic Environment in Kosovo

Kosovo's economy demonstrated resilience and steady growth in 2024, supported by robust domestic demand, increased remittances, and a stable financial sector. The country's macroeconomic indicators reflect a positive trajectory despite the challenging global and regional environment.

Inflation (CPI): Inflation, which peaked in 2022 due to global supply chain disruptions and energy price shocks, is moderated to 1.6% in 2024, down from 4.9% in 2023. This decline is attributed to stabilizing global commodity prices and tighter monetary policies in the Eurozone, Kosovo's main trading partner.

Remittances: Remittances, a critical component of Kosovo's economy, are expected to reach €1.3 billion in 2024, accounting for approximately 13.2% of GDP. This steady inflow of remittances continues to support household consumption and economic stability, underscoring the importance of disapora contributions to the national economy.

Macroeconomic Indicators of Kosovo

Indicators	2022	2023	2024	2025 (P)	2026 (P)
GDP (€ million)	8,896	9,680	10,305	10,949	11,611
GDP Growth (%)	4.3	4.1	4.4	4.0	4.0
GDP per capita (euros)	5,049	5,491	6,431	6,205	6,576
Inflation (%)	11.6	4.9	1.6	2.0	2.0
Unemployment (%)	12.6	10.9	10.8	-	-
Remittances (€ million)	1,219	1,336	1,357	1,456	1,544
Remittances (% GDP)	13.7	13.8	13.2	13.3	13.3

Source: IMF World Economic Outlook, 2024; Central Bank of Kosovo (CBK); Kosovo Agency of Statistics (KAS)

Outlook for 2025

Based on macroeconomic indicators of Kosovo, the banking sector benefitted from steady GDP growth, moderating inflation, and declining unemployment in 2024. The projected GDP of 4% for following years, driven by private consumption, public investments, and remittances, indicates a stable economic environment that will support lending and financial activity. Overall, the banking sector is expected to experience stable growth, with opportunities in lending and digital banking solutions to meet evolving consumer and business needs in 2025.

KOSOVO BANKING SECTOR

Financial system of Kosovo comprises Commercial Banks, Microfinance Institutions, Insurance Companies, and Pension Funds. In 2024, the lending activities of both Commercial Banks and Microfinance institutions exhibited significant growth. specifically, the loan portfolio of Commercial banks expended by 18 %, reaching a total of 5,813 million EUR, while the loans extended by Microfinance Institutions increased 21%, amounting to 552 million EUR. Commercial banks continue to solidify their dominant position within the financial system, accounting for 91% of the total financial needs, thereby reinforcing their pivotal role in the sector.

Structure of the Commercial Banks

	2023	2024	Changes
Number of Banks	12	11	-1
of which foreign owned	9	8	-1
Number of offices	215	227	12
Foreign Ownership	84.30%	83.60%	-0.007
Number of employees	4,022	4,143	121

Source: Central Bank of The Republic of Kosovo

Banking Performance

Total Assets: In 2024, the Kosovo banking sector continued to expand, with total assets growing by 13% to reach €8.556 billion. This growth was driven by increased lending activity and a steady rise in deposits, reflecting improved confidence in the financial system.

Loans (Gross): Gross loans grew by 18% to €5.813 billion, indicating strong demand for credit from households and businesses. The growth in lending was supported by the Central Bank of Kosovo's (CBK) efforts to enhance credit accessibility, particularly for small and medium-sized enterprises (SMEs).

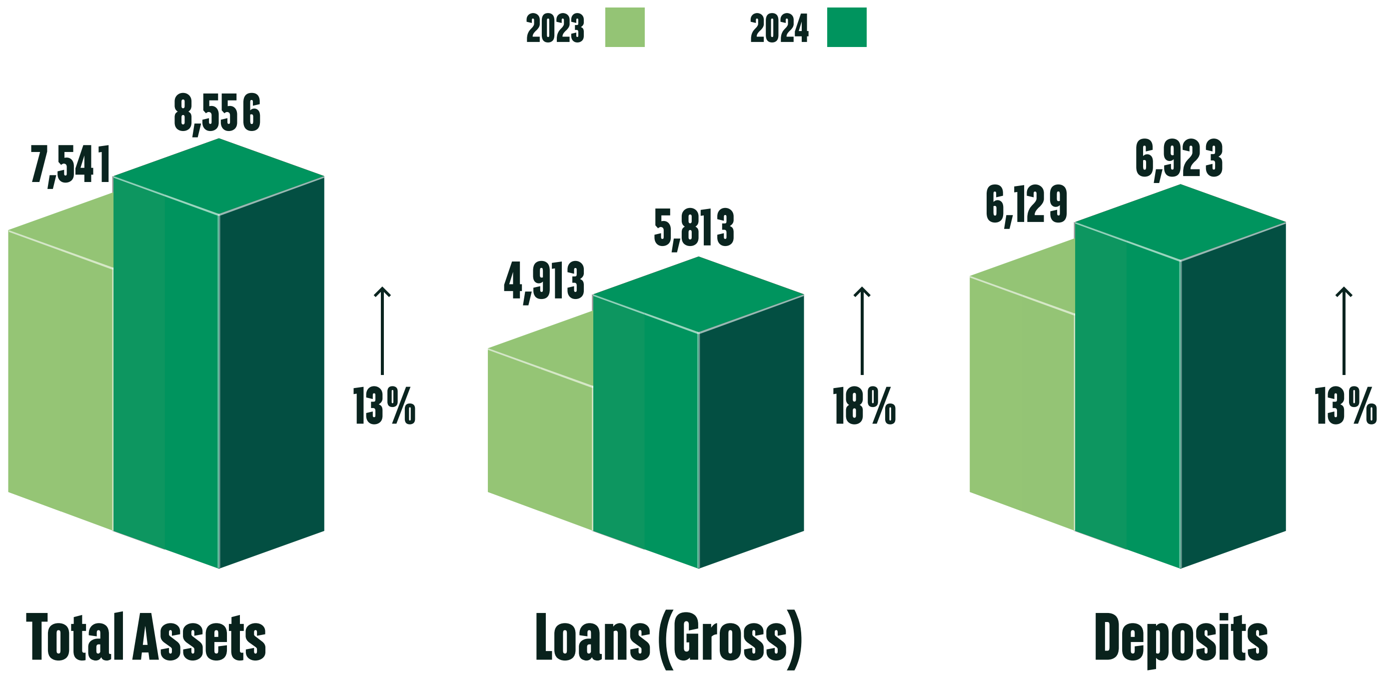
Deposits: Total deposits increased by 13% to €6.923 billion, reflecting a growing trend of financial inclusion. The rise in deposits was also supported by remittance inflows, which reached a record high of €1.357 billion in 2024, accounting for 13.2% of GDP.

This growth trajectory is expected to continue in 2025, with total assets projected to exceed €9 billion, driven by further credit expansion and increased deposit mobilization.

Loan growth will likely remain strong due to sustained business credit demand and consumer financing needs, supported by favorable economic conditions and improved financial infrastructure.

Deposit growth is anticipated to align with broader economic trends, with banks focusing on increasing customer deposits to maintain liquidity.

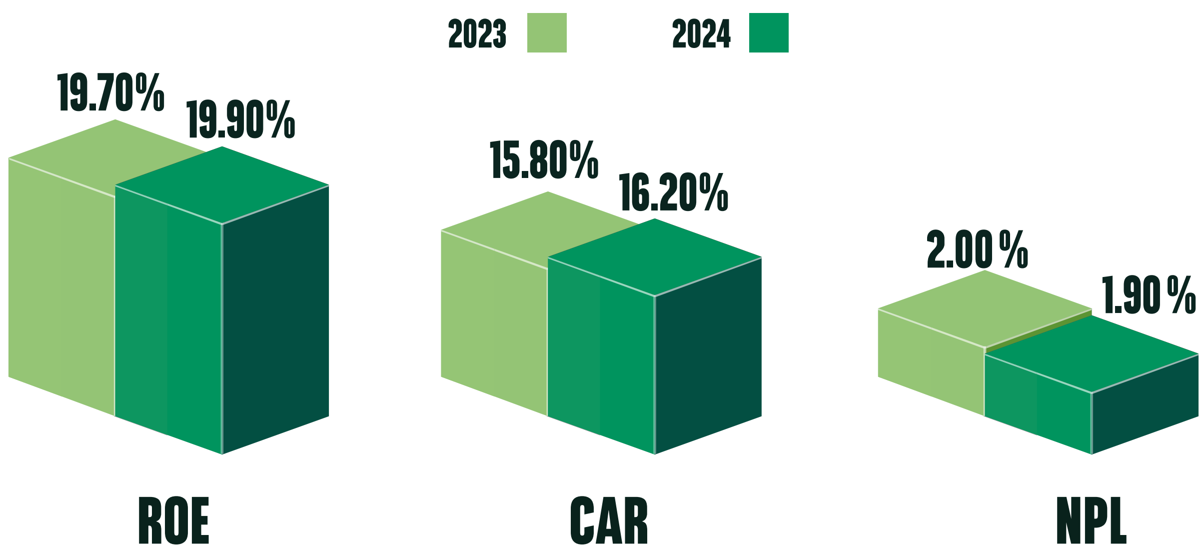
Growth Indicators (€ million)



Financial Stability

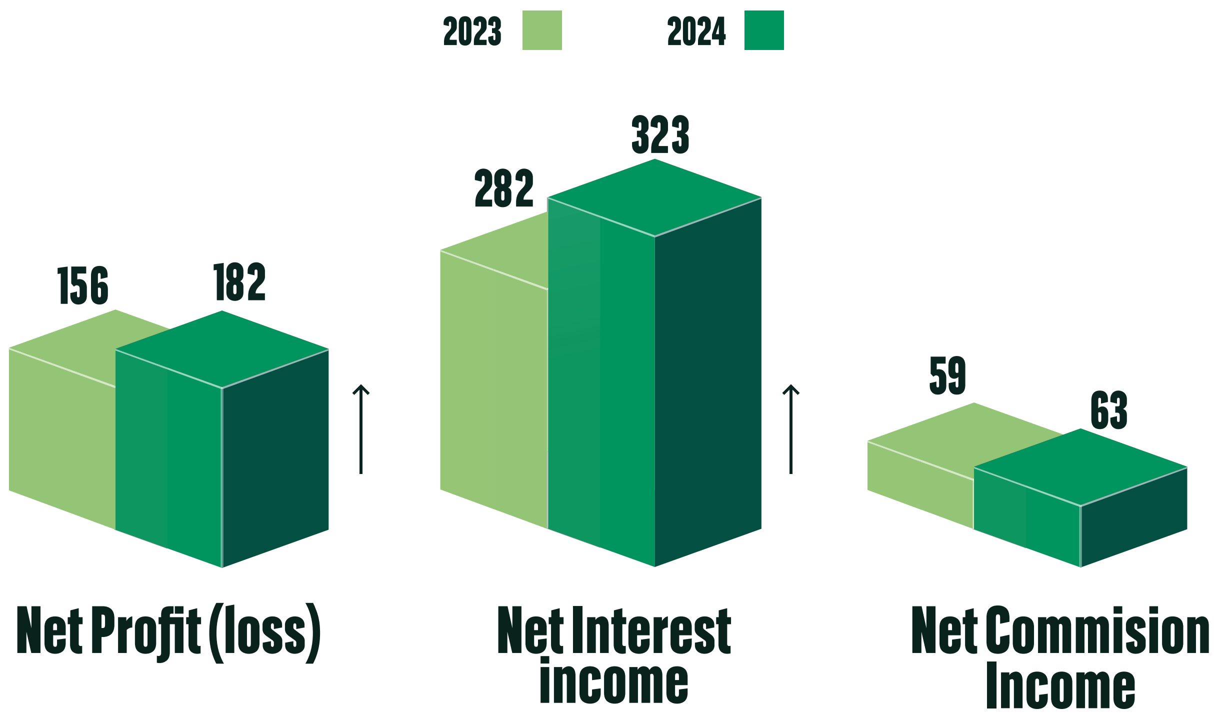
Return on Equity (ROE): The ROE stood at 19.9% in 2024, highlighting the sector's strong profitability and efficient capital utilization.
Non-Performing Loans (NPL): The sector's non-performing loan (NPL) ratio remained at low levels of 1.9%, fully provisioned, indicating sound credit risk management. The implementation of Basel III liquidity and capital adequacy standards further strengthened the sector's resilience.
CAR (Capital Adequacy Ratio): The sector ` s capital adequacy ratio at 16.2 % maintain in robust, and reflecting Basel III standards.

Financial Stability Indicators



Profitability

The sector's net profit increased by 17% to €182 million, reflecting higher interest income and fee-based revenues. This performance was driven by robust credit growth, improved operational efficiency, and a low NPL ratio of 1.9 %, which is fully provisioned.



Profitability Indicators (€ million)

In 2025, profitability is expected to sustain positive momentum, driven by continued credit growth, efficiency improvements, and fee-based income diversification. However, increased digital investments and competitive pressures may necessitate strategic cost management.

Digitalization and Sustainability Developments

The Kosovo banking sector made significant strides in digitalization and sustainability in 2024, aligning with global trends and regulatory requirements.

Digital Transformation: Kosovo's banking sector accelerated its digital transformation in 2024, aligning with the government's Digital Agenda of Kosovo 2030 (DAK 2030).

•The number of e-banking accounts surpassed 1 million, signaling a shift towards digital payments.

•Introducing SEPA membership application marked key milestone in enhancing financial integration and efficiency.

•The CBK also approved the QR Code Standard for payments, enhancing the efficiency and security of retail transactions.

•The sector saw a 32% increase in POS transactions, reflecting the growing preference for cashless payments.

Sustainability and Environmental and Social Aspects Management (ESG): Sustainability efforts in the banking system have gained momentum with the approval of the Green Agenda by the Government of Kosovo in 2021.

•The National Development Strategy and Plan 2030 (NDS 2030), funded by the European Union and signed by the Government in 2023, represents a significant milestone for the sustainability efforts in Kosovo. The strategy in structured around four pillars: (i) sustainable economic development, (ii) equal human development, (iii) security and the rule of law, and (iv) good governance. Notably, the focus on sustainable economic development encourages the banking sector to finance sustainable projects and support digital transformation initiatives.

•The banking sector embraced environmental, social, and governance (ESG) principles, with the CBK approving the Strategic Roadmap for Climate-Related and Environmental Risks in the Financial Sector (2025-2027). This roadmap aims to integrate ESG considerations into banks' risk management frameworks and promote sustainable financing.

•The CBK also joined the **Sustainable Banking and Finance Network (SBFN)**, providing access to advanced training and regulatory tools for managing climate risks.

•In 2024, Kosovo Banking Association (KBA) and the International Finance Corporation (IFC), part of the World Bank Group, have signed a cooperation agreement to enhance digital financial services and fintech ecosystems in Kosovo, supported by the Swiss State Secretariat for Economic Affairs (SECO). This initiative aims to align Kosovo ` s financial systems with European standards, promoting financial inclusion and sustainable economic growth.
In 2025, digitalization and sustainability will remain key focus areas for the sector. Implementing the TIPS Clone project, in collaboration with the Bank of Italy, is expected to revolutionize instant payments in Kosovo, further enhancing the efficiency of cross-border transactions. Additionally, banks will continue to develop ESG-compliant products and services, contributing to the country's green transition and sustainable development goals.

Outlook for 2025

Looking ahead to 2025, we anticipate that the banking sector will sustain its growth trajectory under ongoing macroeconomic stability, in line with the IMF ` s projections of 4% GDP growth. The sector is expected to retain its positive momentum; nonetheless, structural reforms and enhanced risk management will be essential to address ongoing challenges and secure sustainable growth. Regulatory developments and strategic initiatives will play a crucial role in shaping the future of Kosovo's banking landscape, ensuring resilience and competitiveness in an evolving financial environment.

TEB IN FIGURES

	2024	2023	Increase/(Decrease)	Percentage
Balance Sheet Indicators (000 EUR)				
Total Assets	1,001,117	858,736	142,381	16.6%
Total Loans (Gross)	730,036	608,520	121,516	20.0%
Deposits	846,175	722,942	123,234	17.0%
Shareholders' Equity	138,547	115,442	23,105	20.0%
Gross Loans / Total Assets	72.9%	70.9%	2.0pp	-
NPL / Total Loans	0.92%	1.13%	(0.2pp)	-
NPL Coverage Ratio	71.2%	72.0%	(0.8pp)	-
Income Statement Indicators				
Net Interest Income	48,540	41,320	7,220	17.5%
Net Non-Interest Income	10,271	9,101	1,170	12.9%
Net Banking Income	58,811	50,417	8,394	16.6%
Net Profit for the Year	27,030	22,900	4,130	18.0%
Cost / Income Ratio	48.2%	48.2%	0.0pp	-
Jaw effect	0.05%	0.70%	(0.65pp)	-
Profitability Ratios				
Return on Equity (“ROE”)	24.4%	25.1%	(0.7pp)	-
Return on Assets (“ROA”)	2.7%	2.7%	0.0pp	-
Net Interest / Average Interest Earning Assets	6.3%	6.1%	0.2pp	-
Solvency & Liquidity Ratios				
Capital Adequacy Ratio (“CAR”)	15.1%	14.7%	0.4pp	-
Liquid Assets / Short term liabilities	24.8%	26.9%	(2.1pp)	-
Risk Weighted Assets (“RWA”)	754,567	639,281	115,286	18.0%
Other Indicators				
Branches	34	30	4	13.3%
Employees	611	604	7	1.2%

KEY FINANCIAL INDICATORS

FINANCIAL POSITION OF THE BANK

As of December 31, 2024, the Bank's assets totaled EUR 1,001 million, marking a significant milestone as it surpassed EUR 1 billion in total assets. This reflects an increase of EUR 142 million from EUR 858.7 million at year-end 2023. As in the previous year's gross loans remained the predominant asset class, accounting for 72.9% of total assets. The gross loan portfolio grew by 20% (EUR 122 million), reaching EUR 730 million from EUR 608.5 million at the end of 2023.

Credit quality improved significantly, with the NPL ratio declining to 0.92% in 2024 from 1.13% in 2023, recording the lowest NPL ratio among major banks in Kosovo. The Bank maintained a strong NPL coverage ratio (Stage 3) of 71.1% in 2024, slightly lower than 72% in 2023. The cost of risk ratio at 0.15% in 2024, was in almost the same level as in 2023 (0.11%). These ratios reflect prudent risk management practices and robust corporate governance.

On the liabilities side, customer deposits rose to EUR 846.2 million as of December 31, 2024, a 17.0% increase from EUR 722.9 million at year-end 2023. At year-end 2024, the Bank's Loan-to-Deposit ratio stood at approximately 85%. Furthermore, with total equity amounting to EUR 138.5 million, the Bank maintains a stable funding base to support continued credit growth.

FINANCIAL PERFORMANCE OF THE BANK

Net interest income rose by 17.5%, to EUR 48.5 million in 2024, compared to EUR 41.3 million in 2023. This increase was driven by an 18.5% rise in total interest income, amounting to EUR 7.8 million

Additionally, net non-interest income reached EUR 10.3 million as of December 31, 2024, reflecting a 12.8% increase from EUR 9.1 million at year-end 2023.

This growth was primarily driven by higher fees and commissions income, mainly from accounts, cards, and money transfers. While fees and commission expenses also increased, the rise in fee and commission income outpaced expense growth. Consequently, net banking income grew to EUR 58.8 million in 2024 from EUR 50.4 million in 2023

In 2024, the Bank effectively managed its cost-to-income ratio, maintaining it at 48.2%, highlighting our ongoing commitment to operational efficiency. Additionally, the Bank achieved a positive jaw effect of 0.05% in 2024, as both net banking income and operating expenses increased by 16.6%.

Net profit grew by 18.0% to EUR 27.03 million in 2024, up from EUR 22.9 million in 2023, marking the highest net profit in the Bank's history. The Bank recorded a Return on Equity (ROE) of 24.4%, consistent with 2023 levels, and a Return on Assets (ROA) of 2.7%, also in line with the previous year. The Net Interest to Average Interest-Earning Assets ratio improved from 6.1% in 2023 to 6.3% in 2024, indicating enhanced efficiency in generating interest income from earning assets.

Solvency and Liquidity ratios

Regarding solvency and liquidity ratios, the Bank's Capital Adequacy Ratio remained robust at 15.1% at the end of 2024, exceeding the Central Bank of Kosovo (CBK) minimum requirement of 12%. Meanwhile, Risk-Weighted Assets increased by 18.0% (EUR 115.3 million), primarily due to loan portfolio growth.

Additionally, the Liquidity Coverage Ratio (LCR) stood at 273.08%, and the Net Stable Funding Ratio (NSFR) was 140.86%, both significantly above the regulatory requirement of 100%. These ratios indicate that ALMT effectively managed the Balance Sheet transformation.

Other indicators

In 2024, the Bank opened 4 new branches, bringing the total number to 34 (up from 30 in 2023). Meanwhile, the number of full-time employees increased slightly to 611 compared to 604 at the end of 2023.

Retail Banking

2024, A RECORD-BREAKING YEAR FOR RETAIL BANKING

The year 2024 has been a transformative one for the Retail Banking Division, as we set new benchmarks in customer experience, financial performance, and digital transformation. Our commitment to delivering best-in-class banking solutions has not only reinforced our position in the sector but has also positioned us for even greater success in 2025.

FINANCIAL PERSPECTIVE OF 2024

The financial landscape of 2024 was shaped by stable economic environment, moderate inflation, and a steady rise in consumer confidence, and a dynamic and competitive market environment, with changing customer preferences, regulatory developments and technological innovations.

These conditions allowed the banking industry to thrive, particularly in retail banking, where personal financial management and digital banking adoption reached new heights. Our bank capitalized on these trends by introducing new lending campaigns and offers, optimizing deposit portfolios, and leveraging data analytics to offer personalized solutions to our clients.

CUSTOMER EXPERIENCE: A KEY PRIORITY

Understanding that customer satisfaction is the backbone of our success, we made significant strides in enhancing our client experience. From simplifying the onboarding process to reducing response times in service delivery, our initiatives were designed to create a seamless banking journey for our customers. Enhanced client engagement through digital banking played a crucial role in strengthening our relationships with private individual clients.

INVESTMENTS IN TECHNOLOGY

Our digital transformation strategy in 2024 was centered on innovation, efficiency, and security. Major investments allowed us to refine our product offerings and predict customer needs with greater accuracy. The expansion of our mobile banking capabilities ensured a frictionless experience, while robust cybersecurity measures reinforced client trust in our digital ecosystem.

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

INNOVATIVE PRODUCTS AND CAMPAIGNS OF 2024

To further cement our strength in retail banking, we launched several groundbreaking products and campaigns tailored to diverse customer segments. Some of the key highlights include:

•Smart Loan Solutions: A dynamic lending product that adjusts interest rates based on customer credit behavior, providing better affordability and accessibility.

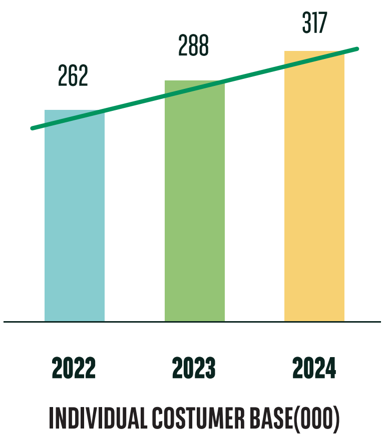
•Tailored Initiatives: A focused campaign for salary receivers, enabling them to seamlessly access loans, credit cards, overdrafts, and digital banking solutions.

•Digital Credit Products: Expanding the portfolio of digital credit offerings to provide seamless access to financing through our mobile and online banking platforms

•Widening Partnerships for Innovative Campaigns: Strengthening collaborations with mortgage and auto industry related partners to drive customer acquisition, financing and engagement.

•Focus on Non Remunerated Deposits: Encouraging the growth of low-cost deposits by offering tailored solutions that align with client financial goals and liquidity needs.

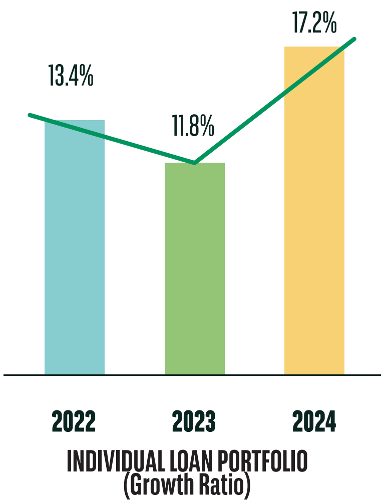
2024 STAND-ALONE PERFORMANCE OF MAIN PRODUCTS



CUSTOMER BASE DEVELOPMENT

The customer acquisition targets progressed in accordance with the strategic assumptions. In 2024, the customer base of Retail Banking has grown by 13.20% with 37,000 new customers. In terms of active customers, 76% of our customer base are active customers who continuously use the products of our bank.

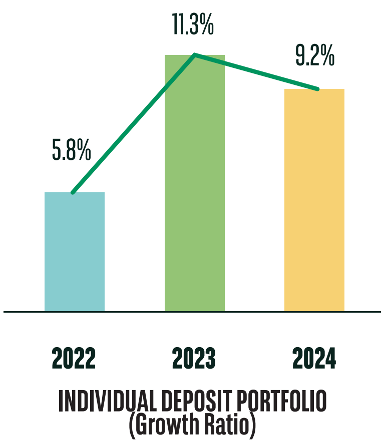
Among others, TEB Retail Banking has achieved to develop the base of salary receivers, thereby it achieved to increase existing base with 12.5%



INDIVIDUAL LOANS

Retail loans remained a key driver of growth in 2024, with significant expansion in personal loans and mortgage lending, surpassing our targets and expectations, with a year-over-year development of 17.2%. As a result, TEB in retail loans achieved an increase of 44.5 million with market share 14.7%. Total outstanding loan portfolio is 303 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.

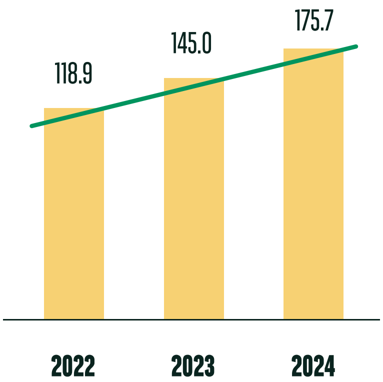


INDIVIDUAL DEPOSITS

In 2024, despite aggressive market conditions and rising competition, Retail Division successfully grew its deposit base by focusing on non-remunerated deposits. This achievement reflects the trust we have built over the years with our customers, who continue to see our bank as the preferred partner for their financial needs.

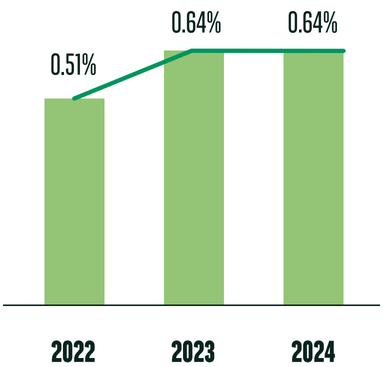
The total deposit base increased by 9.2% year-on-year, with non-remunerated deposits growing by an impressive 51 mil. This was accomplished through a combination of targeted client engagement, superior relationship management, and the value-added services that reinforced customer confidence in maintaining their funds with us.

In 2024, Retail Banking experienced growth in various areas of financial performance, driven by strategic initiatives and commitment to maintain a stable and sustainable business model.



MOBILE BANKING – TEB MOBILE

The Retail Banking has been revolutionized in recent years, with mobile technology playing a pivotal role in driving this transformation. As trends in mobile banking continue to ascend, our bank has proudly positioned itself at the forefront of this development.
Over the past year, we have witnessed a significant increase in the number of customers utilizing TEB Mobile, reaching a remarkable 175,700 customers—a growth rate of 2024 by 21.2%. This achievement underscores our unwavering commitment to providing convenient, secure, and innovative solutions for our customers, as well as our agility in adapting to the evolving needs and preferences of the market to ensure that our customers enjoy the best possible banking experience.



NPL MANAGEMENT [ratios]

QUALITY OF LOAN PORTFOLIO – NON-PERFORMING LOANS

In 2024, Retail Banking has demonstrated exceptional performance in managing the quality of individual loan portfolio. Through robust credit risk assessment and continuous monitoring, we maintained a healthy NPL ratio of below 1.43%, outperforming market averages. Key initiatives included enhanced early warning systems, proactive debt restructuring, increased recovery efforts and dedicated commitment from our branch network
Alongside the success in loan growth, we maintained the quality of our individual loan portfolio with non-performing loans ratio at 0.64%. As a result, our portfolio remained resilient, supporting sustainable growth and reinforcing customer confidence in our lending products.

Strategic Vision for Digital Transformation

In 2024, the Retail Banking Division was resolute in advancing our digital sales through robust digital channels. Our strategic focus was on the seamless digitalization of our products and services, ensuring customers had access to cutting-edge technology and innovative offerings. Following our comprehensive Digital Program, we delivered the following services via our digital platforms:
•Comprehensive Digital Lending Solutions: Facilitated loans, credit cards, and other financial products through digital interfaces with a holistic and efficient approach.
•Enhanced Digital KYC (Know Your Customer): Improved digital customer identification and verification processes directly from the mobile banking application to ensure having the most updated information.
•Expanding Digital Service Range: Enriched our digital ecosystem by introducing new services, enabling independent banking without branch visits.
•Efficiency Projects and Automation: Fully automated manual processes to enhance efficiency and reduce errors across operations.

Improving Digital Presence and Accessibility

To bolster our digital presence, we were dedicated to making our digital channels easily discoverable and accessible to customers. This strategic initiative aimed to drive increased traffic to our digital platforms. Additionally, we leveraged various marketing channels to promote our suite of products and guide customers toward our digital offerings.

Promoting Active Use of TEB Mobile

In 2024, one of our primary objectives was to equip our active customers, particularly those utilizing credit products, deposits, and salary customers with the TEB Mobile product. This aligned with our goal of increasing the adoption of TEB Mobile among our customer base.

Commitment to Exceptional Customer Service

Our commitment extended beyond technology. We recognized the critical importance of exceptional customer service. Therefore, we established dedicated gateways to handle all digital applications across our various channels, including TEB Mobile, Website, E-Banking, and Email. This investment ensured that customers received prompt and efficient assistance.

Innovative Digitalization Program

Looking ahead, our bank remains committed to our Digitalization Program. Our vision is to create an innovative ecosystem of digitally delivered banking services. By seamlessly transitioning from a 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, continued to be a driving force in our journey toward a technologically advanced banking landscape.

EMBRACING THE FUTURE: OUR VISION FOR 2025

As we look ahead to 2025, our strategic visionremains anchored in three fundamental pillars:

UNPARALLELED CUSTOMER EXPERIENCE

Our unwavering commitment to delivering an unmatched customer experience will continue to drive our efforts. In 2025, we will focus on enhancing personalization through data-driven insights, introducing digital onboarding, and ensuring seamless interactions across all channels. Also, we will invest in expanding our customer service teams, improving training programs, and leveraging technology to offer faster, more efficient resolutions to inquiries and concerns. Our goal is to make banking simpler, more intuitive, and deeply embedded in our clients' everyday financial needs.

EXPANDING HORIZONS FOR GROWTH

Sustainable growth remains at the heart of our strategy. We will focus on expanding our customer base by strengthening salary receiver client engagement, deepening product penetration, and growing our market share in individual loans and deposits. Additionally, we will drive the adoption of digital credit products, increase non-remunerated deposit balances, and establish new partnerships to accelerate financial inclusion.

EXCELLENCE THROUGH EFFICIENCY

Maximizing operational efficiency will be key to sustaining profitability in a dynamic banking environment. Our focus will be on digital transformation, automation, and optimizing cost structures. Through digital self-service platforms, we aim to enhance productivity while maintaining superior service standards

THE ROAD AHEAD: A TRANSFORMATIONAL 2025

As we step into 2025, we are prepared for a year of transformation, innovation, and growth. Our focus will be on delivering unparalleled customer experiences, expanding our market presence, and driving operational excellence. With a customer-centric approach, we will strengthen our digital ecosystem, introduce cutting-edge financial solutions, and reinforce our strength in the banking sector.

Our investments in seamless digital banking, enhanced service models, and personalized engagement will redefine convenience and accessibility for our clients. The upcoming year will be marked by strategic partnerships, technological advancements, and a relentless pursuit of excellence, ensuring that we remain the preferred banking partner for individuals and businesses alike. The future is bright, and 2025 will be a milestone year in our journey toward redefining banking excellence.

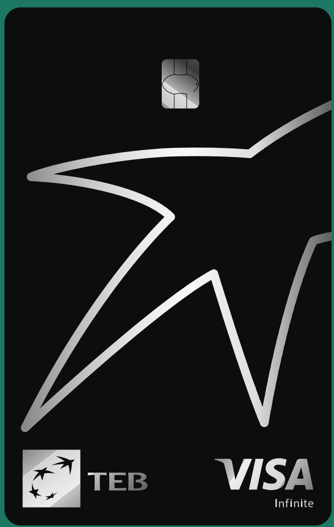
Card and POS Business

The Card and POS Business Division has made remarkable progress, driven by strategic initiatives and collaboration across departments. Over the past decade, we have become leaders in key performance areas such as Credit Card issuance, POS Terminals, E-commerce Merchant partnerships, and transaction volumes.

Our leadership in the market is a result of our commitment to creativity, efficiency, and proactive strategies. Over the past year, we successfully launched more than 270 campaigns, and our commitment to a loyalty program has led to the distribution of over €600,000 in bonuses to our credit and debit card users. We have also formed exclusive collaborations with merchants that provide bonuses of up to 20% on purchases. In addition, we have upgraded and introduced innovative initiatives, including new credit card offerings, e-commerce solutions, mobile cash services, QR withdrawal, TEB-Mobile card features, enhanced websites, and personalized domestic card options.

STARCARD (CREDIT CARD)

The Starcard initiative has significantly influenced consumer spending in Kosovo, with a projected increase in turnover for 2024. Our diverse credit card portfolio, including Visa Infinite, Starcard, Premium Starcard, Shecard, Business Credit Card, Agro Card, and Women Entrepreneur Card, remains the most comprehensive in Kosovo.



In 2024, the Visa Infinite card marked a milestone as the first metal card available in the country. The Infinite Card offers benefits such as a high credit limit, travel life insurance, access to 1,000+ airport lounges, extended product warranties, global ATM access, and emergency communication services. The introduction of the Visa Infinite aligns with TEB's strategy to meet evolving customer needs while maintaining our leadership in the financial services sector.

E-commerce

We are the exclusive provider of Payment Gateway services in Kosovo, with the unique feature of installment payments via Credit Card. Our Payment Gateway is trusted by well-known merchants, positioning us as the leader in e-commerce transaction volume. We have partnered with nearly all online retailers in the market.

Priorities for 2025

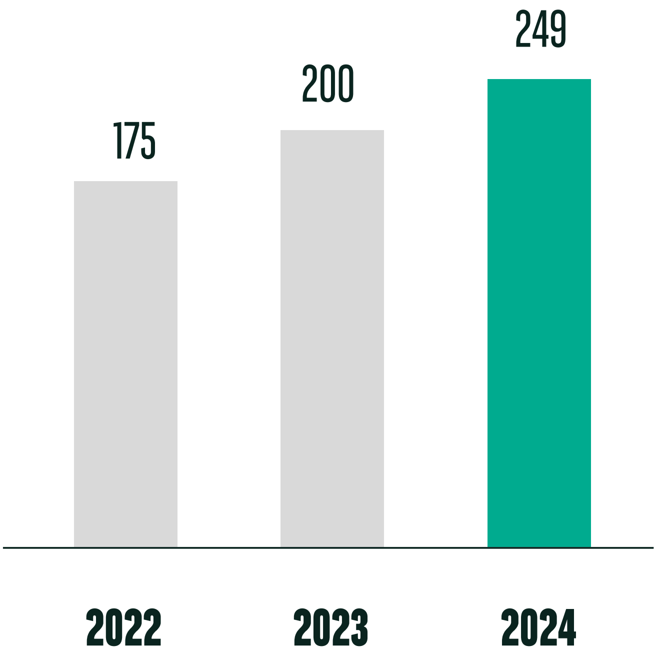
As technology rapidly advances, we are prepared to embrace digital transformation, enhancing our services and leading the digital revolution. A major aspect of this strategy involves improving operational efficiency through cutting-edge digital tools, resulting in time and cost savings for our customers.

Additionally, we are launching personalized campaigns offering installment plans, discounts, grace periods, and bonuses. These initiatives are designed to cater to the specific needs of our customers, further enhancing their banking experience.

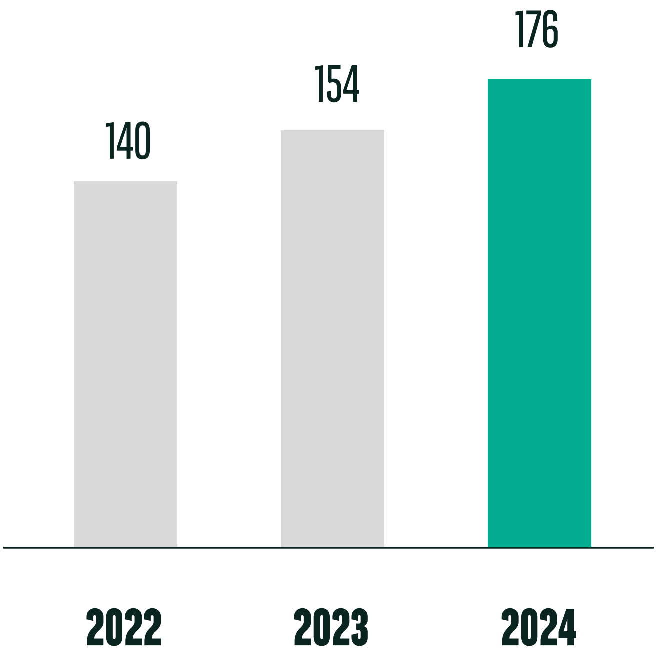
As we embark on this journey, we are excited about the endless opportunities ahead. Our commitment to innovation and customer-centric solutions will redefine the banking experience and deliver unmatched value.

SME Banking

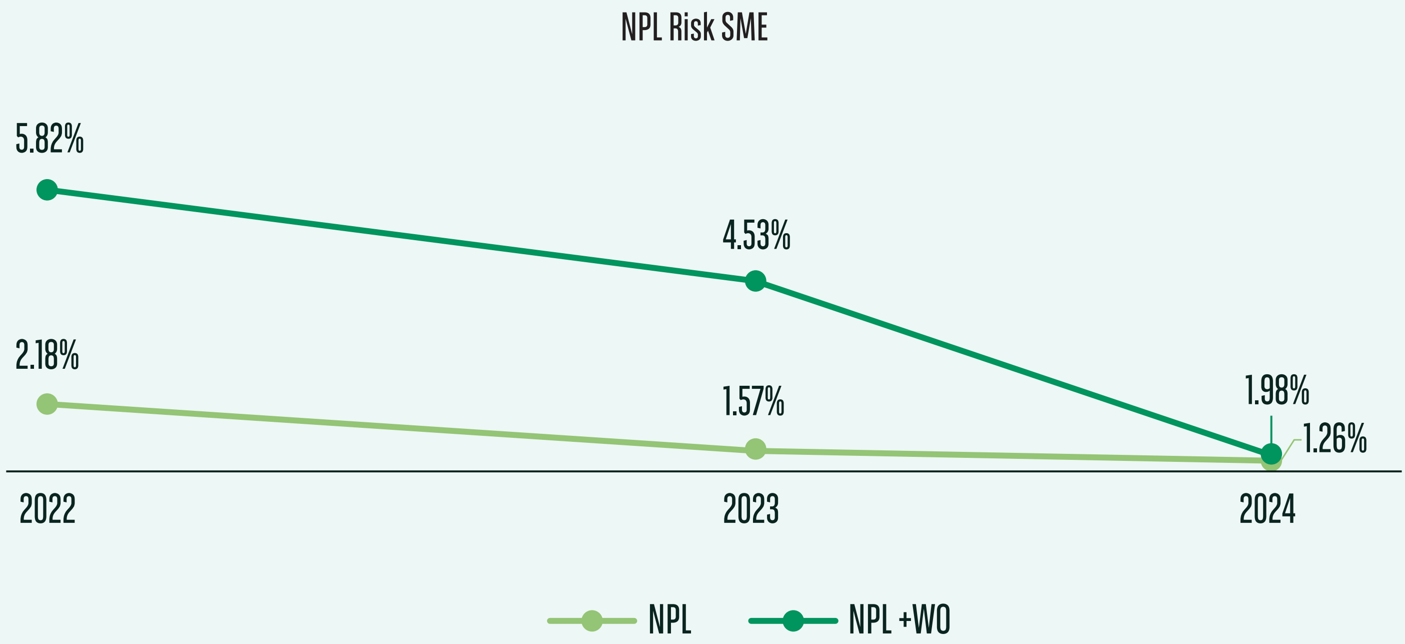
In 2024, TEB SHA Kosovo's SME Banking division achieved remarkable growth, driven by strong financial performance and operational advancements. The SME loan portfolio expanded by 25% year-over-year (YoY), reaching an outstanding balance of EUR 249 million, up from EUR 200 million in 2023. Similarly, SME deposits increased by 14% YoY, bringing the deposit portfolio to EUR 176 million, compared to EUR 154 million the previous year. The non-performing loan (NPL) ratio improved to 1.2%, down from 1.57% in 2023, highlighting the division's continued commitment to maintaining a high-quality loan portfolio.



SME Loan Outstanding Risk Development (millions)



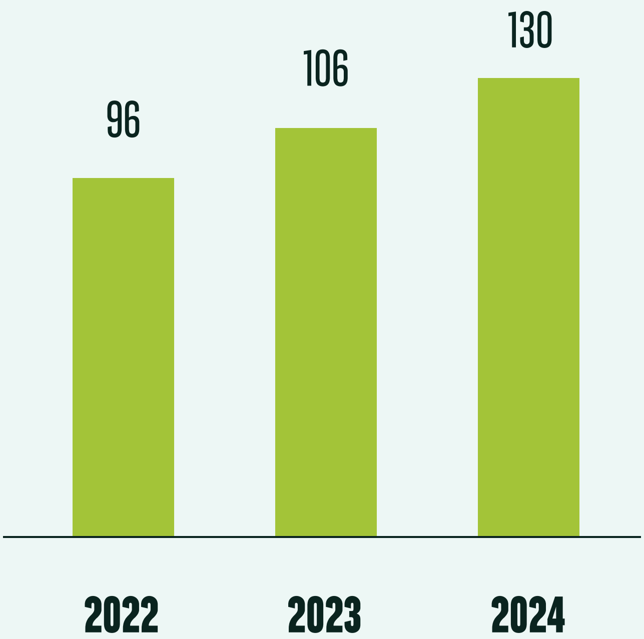
SME Deposit Development (millions)



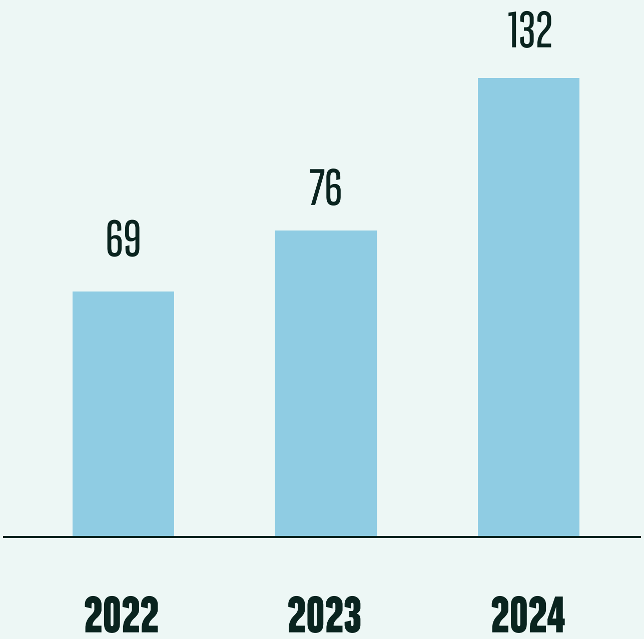
Operationally, 2024 was a year of enhanced efficiency and customer-centric innovations. The introduction of the Digital Package and Biznestar Package significantly contributed to customer acquisition. The division's market presence was further strengthened through the Biznestar campaign, which effectively raised brand awareness, engaged customers, and fueled lending activity.

Corporate Banking

The Corporate Banking division also experienced notable growth in 2024, underpinned by strong financial results and operational innovations. The corporate loan portfolio grew by 19% YoY, reaching EUR 130 million, up from EUR 106 million in 2023. Corporate deposits increased by 24% YoY, with the deposit portfolio rising to EUR 132 million, compared to EUR 76 million the prior year. The NPL ratio improved to 0.06%, down from 0.17% in 2023, reflecting the division's continued focus on maintaining a high-quality loan portfolio.

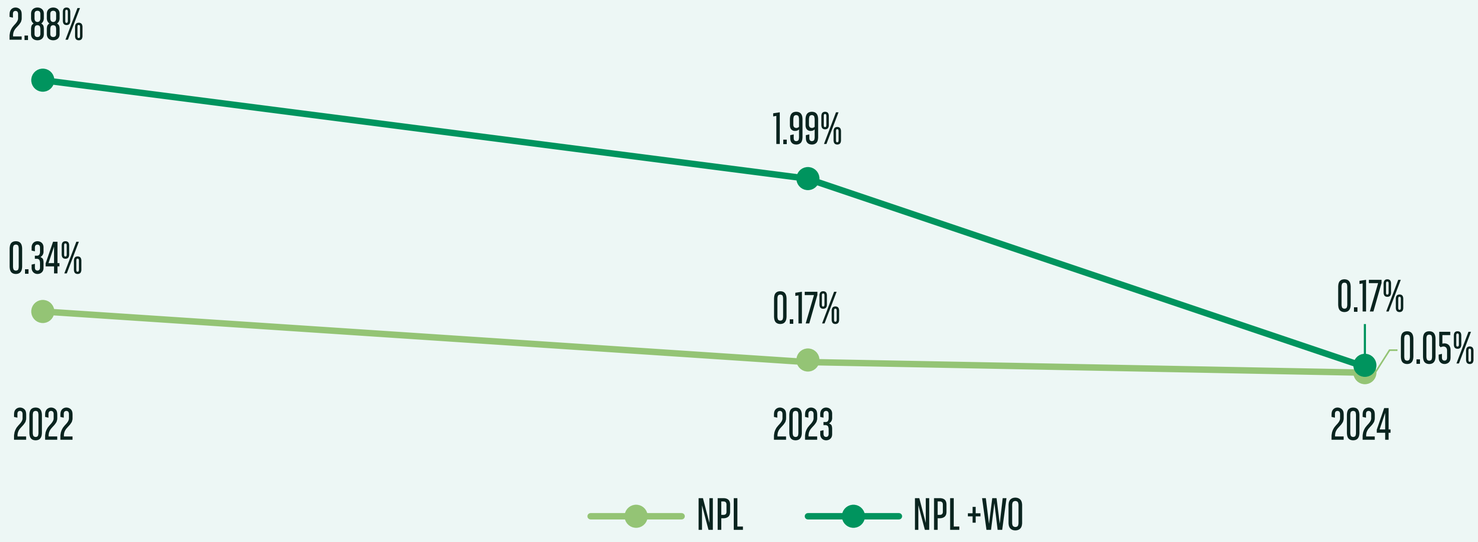


Corporate Loan Outstanding (millions)



Corporate Deposits (millions)

NPL Risk Corporate



The successful launch of the Biznestar Account Package in October 2024 contributed to customer acquisition. The division's strategic focus on high-growth sectors, particularly export-oriented industries and large manufacturing, facilitated larger loan sizes and portfolio expansion.

Looking Ahead: 2025 Strategic Priorities

As TEB SHA Kosovo looks toward 2025, the focus will be on streamlining and expanding lending operations. Emphasis will be placed on high-growth sectors, accelerating automation, and integrating ESG criteria into lending practices. The bank will also focus on modernizing sales and service functions by leveraging advanced digital tools for customer acquisition, onboarding, and remote advisory services. TEB SHA Kosovo aims to strengthen its position as the "HOME Bank" by developing a unique daily banking proposition, integrated cash management solutions, and trade finance services. Sustainability will remain a key priority, with continued efforts to advance ESG initiatives and expand sustainable financing offerings.

Sustainability and Environmental and Social Aspects Management (ESG)

At TEB Bank Kosovo, sustainability has become a key focus in recent years, driven by our affiliation with BNP Paribas, a global leader in sustainable finance and a proud signatory of the Paris Agreement and the United Nations Sustainability Development Goals. We recognize our responsibility to align with these global sustainability initiatives. This commitment is reflected in our GTS 2025 Strategy: Growth, Technology and Sustainability.

Our approach to sustainability is not just a regulatory requirement but a strategic pathway to long-term success and resilience in the financial sector.

Our Sustainability Commitments

TEB Bank Kosova has committed to several key sustainability pillars:

1. Transition to a low carbon economy We prioritize financing projects that support renewable energy, energy efficiency with a focus on transitioning clients from coal dependency to cleaner energy solutions.

2. Diverse and Inclusive Workplace: We strive to foster a diverse and inclusive workplace that values all employees. Our initiatives include targeted training and development programs to support employee health, well-being, and professional growth.

3. Community Investments: We actively contribute to local communities through sponsorships and donations to various initiatives in the fields of sports, arts and culture programs reinforcing our role as a responsible corporate citizen.

4. In-house Ecology: TEB Bank is committed to reducing carbon emissions through sustainable sourcing, energy efficiency, eco fleet cars, including a robust plan for capturing and offsetting our carbon footprint.

Driving Inclusive Business Growth

TEB Bank celebrates a decade of leadership in supporting women in business. Since the inception of our program, we have financed approximately 1,800 women-led businesses, disbursing over €94 million to empower women in leadership and ownership roles. Additionally, we have launched the Women Entrepreneurship Credit Card, designed specifically for women entrepreneurs

Supporting Agricultural Growth

We are committed to empowering the agricultural sector with specialized financial products and expertise. Through Agro Loans, we address seasonal cash flow challenges by offering flexible, tailored financing options for working capital, investments, and equipment, with repayment terms of 12 to 60 months. Our solutions help farmers and agribusinesses expand, renovate, and grow their operations effectively

The TEB Agro Card further supports farmers with 0% installment payments, a grace period from March to August, and access to a broad supplier network.

Governance and Risk Management

TEB Bank Kosova recognizes the importance of strict sector policies in our financing decisions. We have established clear guidelines that prohibit funding for high-risk sectors, such as palm oil plantations, new coal-fired power generation, mining, nuclear power, tobacco. This governance framework ensures that our financial activities align with our sustainability goals and reduce potential environmental and social risks.

Environmental Financing

Our financing strategy places a strong emphasis on renewable energy and energy efficiency projects, agriculture, and women-owned businesses. As Kosovo continues to produce energy from coal, we are dedicated to transitioning our clients toward clean energy solutions and sustainable practices. To facilitate this transition, we have developed partnerships with local and supranational entities for risk-sharing agreements and created dedicated programs for women entrepreneurs, addressing collateral challenges faced by many women in Kosovo.

As we publish our first comprehensive overview of Sustainability and ESG practices in the TEB Bank Kosova Annual Report 2024, we reaffirm our commitment to these principles. We believe that by prioritizing sustainability, we not only enhance our business resilience but also create a positive impact on society and the environment.

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 2024, ALM-T achieved the biggest profit ever by adapting to the rate changes. ALM-T reshuffled the Bank's bond portfolio by leaving low-yield, short tenor securities to redeem at maturity or selling them back before maturity so as to create a securities portfolio with longer tenor and higher yields before the rate cuts started. Remaining excess funds were mainly utilized in money market placements to high rating banks with the highest possible interest gaining remunerated accounts, also focused on keeping the portion at lowest without interest gain in non-remunerated accounts.

During 2025, ALM-T will continue to pay special attention to interest rate developments and will optimize all Balance Sheet items within the framework of sound and prudent management in order to contribute to the Bank's results as best as possible.

INFORMATION TECHNOLOGY

Introduction

The past year has been a remarkable one for our IT division as we navigated the evolving digital landscape with agility and innovation. Through strategic technological advancements, we have strengthened our infrastructure, enhanced security, and improved operational resilience. Our commitment to digital transformation has not only optimized performance but also reinforced the foundation for future growth. Below, we highlight our key achievements over the year.

It Infrastructure Department Highlights
Leveraging Cloud Technologies

Embracing cloud services has been a significant milestone, enabling greater scalability, flexibility, and cost efficiency. We have expanded our cloud adoption strategy, migrating mail workloads and to cloud platforms, ensuring seamless access to resources while optimizing operational expenses.

Enhancing IT Continuity and Resiliency

Ensuring uninterrupted operations remains a top priority. This year, we have strengthened our IT continuity framework by implementing robust disaster recovery mechanisms, enhancing system redundancies, and improving incident response capabilities. These efforts have significantly reduced downtime and increase operational resilience and initiated new Disaster Recovery Site in Prizren-ITP.

Advancing Backup Technologies

Recognizing the importance of data protection, we have modernized our backup strategies by implementing next-generation backup technologies. Our enhanced backup solutions now offer greater speed, security, and reliability, ensuring data integrity and rapid recovery in the event of any disruptions.

Advancing Security

Security remains a cornerstone of our IT strategy. This year, we have taken substantial steps in strengthening group-wide security measures, advancing in NIST (National Institute of Standards and Technology). These initiatives have reinforced our defenses against evolving cyber threats and ensured compliance with industry standards.

Business Solutions Department Highlights

Deeplink Phase 1

As part of this project, we integrated push notifications to seamlessly direct customers to specific application screens. By enabling redirection to all sections of TEB Mobile via both the EVAM platform and the TEBIS menu, we enhanced the user experience and significantly increased the effectiveness of sales campaigns.

Loan Application On TEB Mobile

This project introduced a seamless process for customers to apply for loans directly through TEB Mobile and immediately utilize approved loan offers. By integrating the loan application process with targeted marketing campaigns, we digitalized credit sales and enhanced the overall customer experience.

Obsolescence Management

Keeping our IT infrastructure up to date is crucial for long-term success. We have proactively managed obsolescence by phasing out outdated technologies, upgrading legacy systems, and ensuring that our IT environment remains compatible with the latest industry standards. This strategy has helped maintain efficiency, security, and operational excellence.

As we reflect on a year of significant progress, our IT Division remains committed to continuous innovation and improvement. Looking ahead, we will continue to explore emerging technologies, enhance our security posture, and drive digital transformation to support our organization's long-term goals. Our achievements this year set a strong foundation for future success, and we look forward to another year of technological excellence and resilience.

UI/UX Design for TEB Mobile

•TEB Mobile – Credit Card Statement download

Credit card holders can now easily view their monthly statements directly through TEB Mobile, download them in PDF format, and share them as needed. This feature provides customers with greater control over their financial management

•TEB Mobile-Transfer slip download

Customers can now access their transaction receipts for fund transfers (EFT & wire transfers) via TEB Mobile, download them in PDF format, and share them with third parties or institutions when required.

•TEB Mobile-Push Notification Inbox

A Notification Inbox feature was developed, allowing customers to revisit and review previously received push notifications within the mobile application. This ensures that users can access important messages at any time, enhancing communication efficiency and user engagement.

Human Resources

At TEB Sh.A, we recognize the paramount importance of fostering a culture of support and inclusivity, which is essential for the success of our team. A strong and positive work environment not only instills a sense of belonging but also empowers our colleagues to excel in their roles. We are committed to continuous feedback, personal growth, and professional development, ensuring that our efforts align with our core values and long-term vision.
Despite the complexities of rapidly evolving markets and an ever-changing global landscape, our team has shown remarkable resilience and determination. Their unwavering commitment to exceeding expectations in supporting our clients fills us with immense pride. We are gratified that our strategy, brand, and values resonate strongly with our workforce. Moving forward, we will continue to invest in career development and training programs to enhance their growth and professional success.

We firmly believe that employee engagement should be a continuous, two-way dialogue, where listening to our workforce and keeping them well-informed are equally prioritized. The perspectives and contributions of our employees are highly valued, and we actively incorporate their insights into our decision-making processes.
At TEB, we view our people as the foundation of our success. We are dedicated to providing a positive employee experience and cultivating strong relationships between employees and leadership. Maintaining high levels of enthusiasm, energy, and motivation is crucial to achieving outstanding job performance, fostering creativity, enhancing productivity, and driving innovation. Our unwavering commitment remains in fostering an inclusive culture, investing in the development of our employees, and engaging with them meaningfully to shape our collective success.

Career Development
TEB recognizes the importance of attracting and retaining top talent as a key driver of organizational success. Our commitment lies in creating a workplace environment that aligns with both individual aspirations and collective skill development. Understanding our employees' values and integrating them into our workplace culture is essential to our approach. We continuously identify the skills necessary for the bank's growth and provide employees with ample training and development opportunities, including on-the-job learning, leadership training, and external programs. By focusing on these initiatives, we strive to create an engaging work environment that retains top talent and equips employees with the expertise needed to contribute to the bank's long-term success.

Throughout 2024, our HR department organized various training programs to support employee growth, including onboarding sessions for new hires, refresher training for existing staff, leadership training across all managerial levels, future leadership development for high-potential employees, and specialized external training tailored to departmental needs.

By the end of 2024, TEB's workforce comprised 611 employees. Over the year, we welcomed 133 new banking and financial services professionals, from whom 70 were hired from our internship programs. These individuals embraced new challenges and became valuable members of our team. Additionally, 224 employees were promoted, demonstrating our commitment to internal career growth. In line with our principles of transparency and equal opportunity, all vacancies were advertised to employees, including interns, ensuring that career advancement is accessible to all. As part of our commitment to continuous learning and professional development, in 2024, we delivered a total of 37,500 training hours across various programs designed to enhance employees' knowledge, skills, and leadership potential.

Furthermore, we introduced the Navigating Stress and Enhancing Well-being program, which underscores the importance of maintaining a healthy work-life balance. This initiative reflects our dedication to fostering an environment where employees feel supported in managing workplace pressures while maintaining both their professional and personal well-being.

Attracting new talent remains a key priority for TEB, and in 2024, our "TEB Open Day" initiative was a resounding success. This innovative hiring approach allows us to meet, evaluate, and recruit students within a single day. Over two sessions, we engaged with 300 students, and 100 of them successfully enrolled in our internship program. This initiative continues to strengthen our talent pipeline by providing young professionals with valuable career opportunities while ensuring TEB remains a top employer of choice.

The Voice of Employees

Employee engagement remains a fundamental pillar of our HR strategy. Throughout the year, we conducted various surveys and focus groups to gain deeper insights into our employees' experiences and perspectives. These initiatives empowered our workforce to contribute actively to their well-being and that of their colleagues while also shaping improvements within our workplace. The insights gathered from these initiatives will serve as a foundation for our HR agenda in 2025, helping us refine our strategies to better align with employee needs and aspirations.

Social Activities

At TEB, we recognize that fostering employee motivation and satisfaction is as important as professional development. Alongside our emphasis on collaboration and teamwork, we actively organize social activities that strengthen interpersonal relationships and enhance our work environment. These initiatives are essential in creating a culture of camaraderie, where employees feel valued and appreciated. Social activities play a key role in building a strong support system and reinforcing the sense of unity within our organization.

What's Next?

As we enter 2025, our HR department remains dedicated to career development, talent management, employee well-being, and talent acquisition, while broadening our strategic focus to cultivate a resilient and high-performing workforce. A key priority will be leadership excellence and succession planning, ensuring that future leaders are equipped with the skills, knowledge, and vision to drive innovation and sustain long-term growth. We will continue to enhance employee experience and engagement, fostering a workplace where individuals feel empowered, valued, and aligned with the organization's mission. Strengthening our diversity, equity, and inclusion initiatives, we are committed to fostering an inclusive culture that embraces diverse perspectives and encourages collaboration. Additionally, our learning and development programs will be expanded, offering personalized training and mentorship opportunities designed to equip employees with the critical skills needed to excel in an ever-evolving industry. Beyond professional growth, we remain dedicated to corporate responsibility and will further reinforce employee-driven social responsibility initiatives, encouraging meaningful contributions that positively impact our communities. Following the successful introduction of the Navigating Stress and Enhancing Well-being program in 2024, we will continue to expand initiatives that promote mental wellness and holistic employee support, ensuring that TEB remains not just a place of work, but a thriving environment where individuals can grow, contribute, and succeed.

MANAGEMENT / CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Chairwoman **Ayşe Aşardağ**	Vice Chairman **Alp Yılmaz**	Vice Chairman **Luc Delvaux**

Member **Patrick Poupon**	Member **Nilsen Altıntaş**	Member **Esra Peri Aydoğan**	Member **Hakan Tıraşın**	Member **Osman Durmus**

Member **Fatma Gülden Yüncüoğlu**	Member **Nimet Elif Kocaayan**	Member **Oya Gökçen**

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.

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 Patrick Poupon Hakan Tıraşın Esra Peri Aydoğan
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 Gokçen

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 Orçun Özdemir

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.

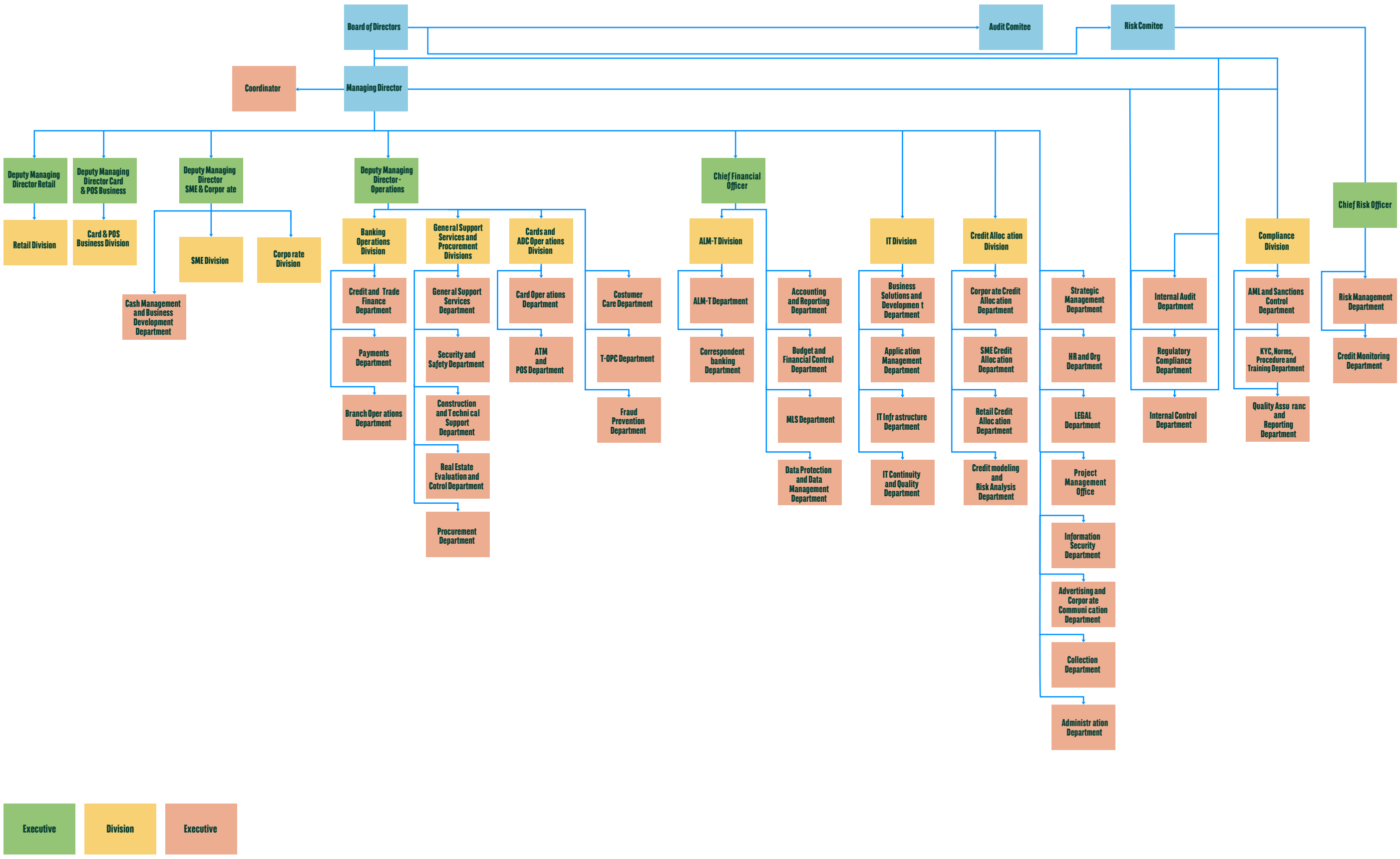
IT and Data Management Committee	
Committee Chair:	Fatma Gülden Yüncüoğlu
Members:	Ayşe Aşardağ Luc Delvaux Alp Yılmaz Orçun Özdemir

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.

ORGANIZATIONAL STRUCTURE


Board of Directors
Audit Comitee
Risk Comitee
Coordinator
Managing Director
Deputy Managing Director Retail
Retail Division
Deputy Managing Director Card & POS Business
Card & POS Business Division
Deputy Managing Director SME & Corporate
SME Division
Corporate Division
Cash Management and Business Development Department
Deputy Managing Director - Operations
Banking Operations Division
Credit and Trade Finance Department
Payments Department
Branch Operations Department
General Support Services and Procurement Divisions
General Support Services Department
Security and Safety Department
Construction and Technical Support Department
Real Estate Evaluation and Cotrol Department
Procurement Department
Cards and ADC Operations Division
Card Operations Department
ATM and POS Department
Costumer Care Department
T-OPC Department
Fraud Prevention Department
Chief Financial Officer
ALM-T Division
ALM-T Department
Correspondent banking Department
Accounting and Reporting Department
Budget and Financial Control Department
MLS Department
Data Protection and Data Management Department
IT Division
Business Solutions and Development Department
Application Management Department
IT Infrastructure Department
IT Continuity and Quality Department
Credit Allocation Division
Corporate Credit Allocation Department
SME Credit Allocation Department
Retail Credit Allocation Department
Credit modeling and Risk Analysis Department
Strategic Management Department
HR and Org Department
LEGAL Department
Project Management Office
Information Security Department
Advertising and Corporate Communication Department
Collection Department
Administration Department
Internal Audit Department
Regulatory Compliance Department
Internal Control Department
Compliance Division
AML and Sanctions Control Department
KYC, Norms, Procedure and Training Department
Quality Assurance and Reporting Department
Chief Risk Officer
Risk Management Department
Credit Monitoring Department
Executive
Division
Executive

RISK MANAGEMENT

In the banking industry, banks face various risks, including credit, market and liquidity and operational risks. Our Bank identifies and monitors these risks carefully in accordance with BNPP Group and international standards. The Bank adopts a prudent approach to measuring and managing these risks in a cautious and conservative manner.
The Risk Management function operates within a regulatory framework that aligns with relevant regulations, ensuring effective management and oversight of bank's risk exposure. It establishes clear, practical policies and procedures that are well understood at all levels within the Bank. The policies also adhere the Group guidelines, regulatory requirements and the Bank's risk appetite.
The department is managed by the Chief Risk Officer (CRO) and maintains its independence in its key functions, as it reports directly to the Board of Directors through the Risk Committee (RC).
The department is comprised of three units: Financial Risk, Operational Risk and Business Continuity and Crisis Management. The Financial Risk unit encompasses the management of credit risk, liquidity risk and market risk.
The Credit Monitoring Department started to operate under the umbrella of the CRO to monitor the credit portfolio on an individual bases according to policy established for watchlist doubtful file.
Our core bank practices involve understanding and managing risks effectively, making objective credit decisions with a long-term perspective. We prioritize risk diversification, proactively anticipate and adapt to changes in risk environment, and maintain discipline and accountability in our risk-taking. We are committed to transparent and timely reporting of all risk-related issues, ensuring clear communication and robust oversight.
In 2024 the Bank has successfully managed to maintain the lowest level of nonperforming loans (NPL) in the banking sector, demonstrating strong credit risk management practices. Furthermore, it has kept operational losses at a minimal level reflecting its robust internal controls and effective risk mitigation strategies.

Credit Risk

Credit risk is the most common type of 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 carried out through regular analysis of debtors' creditworthiness. All credit exposures are reviewed at least on an annually, while large exposures are monitored on an ongoing basis.
The monitoring function has the mandate to observe and monitor large exposures monthly within Watch List Doubtful Committee for observing 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 (CEO) 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. On the other hand, Risk Management Department reports to the Risk Committee monthly 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 "International Financial Reporting Standard 9" (IFRS 9) principles for the assessment and calculation of expected credit loss and calculation of impairment for its financial assets.

Interest-Rate Risk on balance sheet

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 monthly. 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. In 2024 there was no breach at the internal Board limit as well as regulatory limit. The Bank is keeping balanced position at interest rate risk.

Exchange-Rate Risk

Exchange-rate risk is defined as a possible loss that a bank may incur with all its currency assets and liabilities in the event of changes in exchange rates. Position limits determined by the Board of Directors are monitored daily as are possible changes in the Bank's monetary positions that may occur as a result of routine foreign currency transactions.
In 2024 the Bank continued to process mainly in Euro currency, keeping very low level of foreign currency exchange risk.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank may be unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due or can only do so at materially disadvantaged 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.
In 2024 liquidity coverage ratio was higher than the regulatory limit, the Bank is keeping high liquidity position at any time.
Liquidity stress tests are another important tool to measure bank liquidity at different business assumptions, which are reported monthly to the Risk Committee. Stress test results show that the Bank is at confidence level in any scenario, in any time interval.

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 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, with specialized training for those responsible for reporting incidents, assessing all processes in terms of operational risk. Operational risks are defined, evaluated and reported according to the Group Standard Risk Control Self-assessment (RCSA)
Given the various changes and threats in cybersecurity, as well as natural or geopolitical issues in today's world, the Bank has placed a strong focus on business continuity and crisis management. It is concentrating on strategies to ensure operational stability and effective communication during disruptions, whether they arise from internal or external factors or a full-scale crisis. To ensure a comprehensive and effective approach to continuity and crisis management, a separate function for business continuity and crisis management has been established. The function reports the CRO and the Business Continuity Committee.
The results of Operational Risk and Business Continuity are reported monthly to the Risk Committee and quarterly to Board of Directors.
In 2024 there were no major operational losses except minimal amounts of cash deficits.

AUDIT, CONTROL, COMPLIANCE AND LEGAL

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. Internal Audit Department is involved in joint assignments with IG HUB Turkey and Central IG, further enriching the department's knowledge and experience.

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.

Compliance

Our Compliance Function ensures that TEB SH. A remains a trustworthy Bank, not only by complying with laws and regulations, but also by complying with the spirit of laws and regulation.
We are committed to responsible banking and to act with integrity and responsibility in everything we do. It goes without saying that compliance with laws and regulations and the highest international standards and guidelines is part of our identity and forms the foundation for how our Compliance functions. Our Compliance Function works to be in line with regulations and standards, Kosovo laws as well as international laws, including globally recognized best practices and standards of the prevention of money laundering, terrorism financing and corruption. We analyze our clients and their transactions to prevent our name, clients itself names and our products and services from being misused for such purposes. This can be seen in the size Compliance Function in terms of the number of employees, as well as in the implementation of advanced tools related to AML/CTF and International Financial Sanctions.
Regulatory, geopolitical and societal changes place Compliance at the crossroads of the strategy and everyday action of the bank and its clients. In an environment where regulatory, geopolitical and social developments are numerous and complex, our Compliance Function ensures that all banking, financial and other regulations are complied with, thereby helping to ensure the security of the bank and its clients.

Our KYC process establishes Group BNP Paribas policies on client knowledge, aiding in policy implementation and operational efficiency. It includes a control plan and metrics, following bank procedures and Kosovo's laws. Our Compliance Function, central to TEB SH. A risk management and internal control, collaborates with key stakeholders and provides expert advisory on sanctions compliance. Our Procedures, and Training ensure that our bank adheres to laws, regulations, and industry standards, ensuring compliance with AML/CFT Law in Kosovo, Central Bank of the Republic of Kosovo Regulations, standardizing processes for efficiency, providing training, and guiding bank's employees on mitigating compliance risks.
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 Anti-Bribery and Corruption regulations and requirements to prevent, detect and report bribery and corruption.
In 2024 we had progress in different compliance areas which strengthen further our compliance set-up especially on AML/CFT. We continued strengthening our sanctions framework to address evolving geopolitical challenges and enhanced our KYC process with improvements such as regular adverse news screening.

Below are listed Compliance main achievements for year 2024:

•Different Missions on Financial Security have been managed by Compliance, resulting in satisfactory results
•The compliance sustainability of the governance, risk management and control framework related to Financial Security is further strengthened
•Compliance persistently and constantly supports Business Line while remaining steady on Compliance Principle
•We maintained the compliant bank approach with requirements of Regulations of Central Bank of the Republic of Kosovo, Financial Intelligence Unit of the Republic of Kosovo and Group BNP Paribas principles
•The AML Compliance set-up has been significantly reinforced.

The goals and objectives for the year 2025 are as follows:

•In line with BNP Paribas Group principles, as well as local regulatory requirements by CBK and FIU compliance will remain the Bank's top priority
•We will continue to follow BNP Paribas GTS 2025 Plan which provides us with a solid foundation to achieve our compliance goals and make our framework even more effective
•Keep the staff awareness and training level on Compliance related topics, specifically those related to AML/CFT
•Re-enforcing current AML automated detection solutions to be in coherence with new trends in AML/CFT/ABC and International Financial Sanctions
•Anticipate mobility and manage compliance staffing to maintain a robust compliance set-up
•Ensure that there is fluid communication within our compliance teams, BNP Paribas and TEB A.S Türkiye teams
•Support the Business Line in the deployment of new controls, policies and procedures, reporting, and processes
•We will accelerate the streamlining of the control and risk assessment pillars of our compliance risk management framework as well as the corresponding tool infrastructure in close cooperation with BNP Paribas to supervise in a more effective way our compliance risks
•We are determined to increase the operating models' efficiency of our key Compliance processes, most notably with regards to combat money laundering, terrorism financing, corruption and to prevent violation of international financial sanctions and embargoes.
•Our Bank will continue its prudent compliance policies, closely following our Group BNP Paribas principles
•Finally, we will continue to increase efficiency in compliance domain as top priority of the Bank, using technology to ease the processes without compromising from the robust set-up.

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 2024 and monitored all the changes in regulatory framework and created actions plans for the stakeholders.

During 2024, 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.
In 2024, the Regulatory Compliance Department has implement also the Reputational Risk framework, by embedding the reputational risk in the decision making committees.
For 2025, one of the priorities will be the implementation of regulatory requirements within the framework of Kosovo's membership in Single Euro Payment Area SEPA.
The Regulatory Compliance Department works closely with Central Bank of Kosovo and BNPP Group in order to implement the highest compliance, ethical and integrity standards, while always protecting the interest of customers

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 permanent 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.

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. The Group has established a few core activities that the LEGAL function is responsible for 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 Advisory activity, the Legal Risk management activity). The LEGAL function is distinctly independent, and it does its own first and second level controls, its own risk assessment, and has its own budget.
During the previous year, the Legal Department continued to positively contribute to the Bank, in ensuring that its new product offers eliminated legal risk, as well as by increasing the efficiency of the operational work of the Bank. Legal disputes continue to remain very low, and the Legal Department continues to resolve most disputes before going to the courts.
For the next year, the Legal Department of the Bank plans to focus on contributing to the Bank's plan to offer almost all of its credit products remotely, through its mobile banking apps. This involves evaluating the legal risk of remote services (electronic identification and signatures), as well as ensuring that there are no obstacles in enforcing electronic agree-

AUDITORS REPORT

TEB SH.A. Financial Statements prepared in accordance with IFRS Accounting Standards as at and for the year ended 31 December 2024

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Building a better
working world

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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 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including 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 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 information included in TEB Sh.A. 2024 Annual Report

Other information consists of the information included in Bank's 2024 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. The Bank's 2024 Annual Report is expected to be made available to us after the date of this audit's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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 Accounting Standards 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

12 March 2025

Prishtinë, Kosovë

Mario Vangjeli

Certified Auditor

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

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and balances with banks	5	139,705	112,225
Loans and advances to banks	6	86,299	102,560
Debt securities at fair value through other comprehensive income	7	31,167	21,535
Loans and advances to customers	8	719,007	598,079
Investment properties	9	2,080	2,035
Other financial assets	10	7,189	8,086
Other assets	11	1,963	1,643
Premises and equipment	12	5,079	4,559
Right-of-use-assets	13	5,631	5,214
Intangible assets	14	2,997	2,800
TOTAL ASSETS		**1,001,117**	**858,736**
LIABILITIES			
Customer deposits	15	846,175	722,942
Other liabilities	18	776	992
Lease liabilities	13	5,738	5,281
Other financial liabilities	16	8,707	12,312
Provisions for liabilities and charges	17	835	1,035
Corporate income tax liability		223	681
Deferred tax liabilities	28	116	51
TOTAL LIABILITIES		**862,570**	**743,294**
SHAREHOLDER'S EQUITY			
Share capital	19	24,000	24,000
Retained earnings		113,863	91,333
Other reserves		684	109
TOTAL SHAREHOLDER'S EQUITY		**138,547**	**115,442**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**1,001,117**	**858,736**

These financial statements have been approved by the Executive Management of the Bank on 10 March 2025 and signed on their behalf by:

Mr. Orçun Özdemir
Managing Director

Mr. Rezak Fetai
Chief Financial Officer

The notes on pages 5 to 68 are an integral part of these financial statements.

TEB SH.A.
Statement of profit or loss and other comprehensive income
(All amounts are expressed in thousand EUR, unless otherwise stated)

	Note	2024	2023
Interest income at effective interest rate	20	49,843	42,060
Interest expense	21	(1,303)	(740)
Net margin on interest and similar income		**48,540**	**41,320**
Credit loss expenses	8	(980)	(613)
Net margin on interest and similar income after allowance for expected credit losses		**47,560**	**40,707**
Fee and commission income	22	20,554	17,777
Fee and commission expense	23	(8,679)	(7,224)
Net fee and commission income		**11,875**	**10,553**
Net operating income		**59,435**	**51,260**
Net gains/(losses) from foreign currencies from transactions and revaluation		583	511
Net gains/(losses) on revaluation of investment properties		45	115
Other operating incomes		422	355
Other operating expenses	24	(2,307)	(1,873)
Other impairments and provisions	25	(272)	(534)
Personnel costs	26	(11,482)	(10,057)
Depreciation and amortisation	12,13,14	(6,116)	(4,953)
Administrative expenses	27	(10,748)	(9,301)
PROFIT BEFORE TAX		**29,560**	**25,523**
Income tax expense	28	(2,530)	(2,623)
PROFIT FOR THE YEAR		**27,030**	**22,900**
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:		575	630
Other comprehensive income for the year		**575**	**630**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**27,605**	**23,530**

The notes on pages 5 to 68 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 2023	**24,000**	**70,933**	**(521)**	**94,412**
Profit for the year		22,900		**22,900**
Other comprehensive income			630	**630**
Total comprehensive income	**-**	**22,900**	**630**	**23,530**
Dividend paid		(2,500)		**(2,500)**
Balance at 31 December 2023	**24,000**	**91,333**	**109**	**115,442**
Balance at 1 January 2024	**24,000**	**91,333**	**109**	**115,442**
Profit for the year		27,030		**27,030**
Other comprehensive income			575	**575**
Total comprehensive income	**-**	**27,030**	**575**	**27,605**
Dividend paid		(4,500)		**(4,500)**
Balance at 31 December 2024	**24,000**	**113,863**	**684**	**138,547**

The notes on pages 5 to 68 are an integral part of these financial statements.

TEB SH.A.
Statement of cash flows
(All amounts are expressed in EUR thousand, unless otherwise stated)

	Notes	2024	2023
Cash flows from operating activities			
Profit before tax		**29,560**	**25,523**
Adjustments for:			
Depreciation of premises and equipment	12	1,995	1,614
Depreciation of right-of-use-assets	13	1,272	1,306
Amortization of intangible assets	14	2,849	2,033
Net Gains on disposal of premises and equipment		(50)	(11)
Gain from fair value of investment property		(45)	(115)
Gains on investments in debt securities		53	(13)
Loans expected credit losses	8,17	2,062	2,348
Expected credit losses of other financial assets and credit related commitments	24,17	83	66
Miscellaneous provisions	24	288	623
Interest income	20	(49,843)	(42,060)
Interest expense	21	1,303	740
		(10,473)	**(7,946)**
Net decrease/(increase) in:			
Mandatory reserve with CBK		(11,815)	(3,024)
Loans and advances to customers		(122,500)	(65,139)
Other financial assets		362	(2,089)
Other assets		(469)	(213)
Net increase/(decrease) in:			
Customer deposits		122,882	71,601
Other financial liabilities		(3,605)	2,996
Provision for liabilities and charges		(200)	221
Other liabilities		13	144
		(15,332)	**4,497**
Interest received		49,339	41,869
Interest paid		(952)	(698)
Income taxes paid		(2,987)	(2,395)
Net Cash flows from operating activities		**19,595**	**35,327**
Cash flows from investing activities			
Acquisition of debt securities at fair value through other comprehensive income		(19,706)	-
Proceeds from disposal or maturity of investments in debt securities		10,852	20,757
Proceeds from disposal of premises and equipment		59	33
Gains on investments in debt securities		-	-
Acquisition of premises and equipment	12	(2,526)	(2,319)
Acquisition of intangible assets	14	(3,046)	(2,363)
Net cash flows used in investing activities		**(14,367)**	**16,108**
Cash flow from financing activities			
Dividend payment		(4,500)	(2,500)
Repayment of principal portion of lease liabilities		(1,383)	(1,393)
Net cash flows from/used in financing activities		**(5,883)**	**(3,893)**
Net increase in cash and cash equivalents		**(655)**	**47,542**
Cash and cash equivalents at 1 January		149,486	101,944
Cash and cash equivalents at 31 December	5	**148,831**	**149,486**

The notes on pages 5 to 68 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 34 (2023: 30) main branches located in Prishtina, Gjakova, Peja, Prizren, Ferizaj, Mitrovica and Gjilan.

At 31 December 2024, 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)
- Patrick Poupon (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 POLICY INFORMATION

Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board ("IASB"), under the historical cost basis except for valuation 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 Bank does not have any derivative financial instruments or hedged items that would be measured at fair value.

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
IFRS	International Financial Reporting Standard
EIR	Effective interest rate
IR	Interest Rate
IRR	Interest Rate Risk
RSA	Rate-sensitive assets
RSL	Rate-sensitive liabilities
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 market 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 POLICY INFORMATION (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 consider 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 POLICY INFORMATION (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 POLICY INFORMATION (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 is 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 were 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 sold by the Bank within 5 years from repossession based on regulation of central bank.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (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 recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized 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 unamortized 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 recognized 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 recognized 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 POLICY INFORMATION (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 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 POLICY INFORMATION (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 POLICY INFORMATION (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 POLICY INFORMATION (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 POLICY INFORMATION (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 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 per 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.

Under IFRS 9, the Bank incorporates forward-looking information into its Expected Credit Loss (ECL) assessment using a discrete scenario approach. Three scenarios—base, good, and worse—are developed, with the base scenario derived from IMF macroeconomic forecasts. Probability weights for each scenario are based on the historical frequency of similar economic episodes, reviewed at least annually. Regression analysis, conducted in R software, models the relationship between GDP (identified as the primary significant macroeconomic factor) and Point-in-Time Probability of Default (PiT PD) for business and retail loan portfolios.

Extensive statistical tests ensure model robustness, and the resulting weighted-average PD is used to calculate ECL, reflecting non-linear credit risk dynamics. These tests, including checks for (i) stationarity, (ii) autocorrelation, and (iii) heteroscedasticity, validate the reliability of the regression model linking GDP to PD. The weighted-average PD, derived from probability-weighted scenarios, captures the disproportionate impact of adverse economic conditions, ensuring compliance with IFRS 9's forward-looking requirements."

In 2023, ECL methodology calculation changed from a simplified approach which didn't include forward looking information, to an advance ECL calculation approach. In the methodology of the ECL, forward-looking information is integrated by considering macroeconomic indicators and scenarios. The defined macroeconomic indicators for the forecast of 3 years are applied.

GDP, CPI, Annual Remittance, Loan Growth indicators are used in the macroeconomic model for the Commercial portfolio. As a result of the correlation test the GDP is the only variable significant for the model based on the default history of The Bank.

GDP, CPI, Annual Remittance, Loan Growth indicators are used in the macroeconomic model for the Retail portfolio. The Annual Remittance and CPI (avg: 6month) variables 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.

As of the end of December 2024, the Bank continued to apply an additional overlay provision to the estimated Expected Credit Loss (ECL) amounting to EUR 828K (2023: EUR 1 million). This provision serves as an add-on factor for customers and sectors in Construction and Trade Materials, as well as for individually assessed cases evaluated by the WLDC and the Provision Committee. According to management's assessment, the ECL recorded after applying the add-on factor is appropriate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Expected Credit Loss (ECL) measurement (continued)

Considering the Visa liberalization process starting from January 2024, TEB SH. A conducted a sensitivity analysis on the retail unsecured part of the portfolio. It was estimated that 3.6% of this portfolio would experience delays of more than 30 days, resulting in these assets being moved to Stage 2, with a provisioning rate of 7.76%.

As a result of the analysis for December 2023 ECL results, the Bank's management decided on an additional provision overlay for Stage 1, amounting to EUR 712K. The Bank decided to maintain this same provision amount at the end of December 2024. The potential risk of credit deterioration will be continuously monitored 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 PDs.

If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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 requires 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.

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 2024 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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.

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 standards/amendments that are effective and have been endorsed by the European Union

- **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, and are applied retrospectively. 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 within twelve months after the reporting period. The amendments had no material impact on the financial statements of the Bank.

- **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. 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. Under the amendments, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise 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. The amendments apply retrospectively 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. The amendments had no impact on the financial statements of the Bank.

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendments supplement requirements already in IFRS accounting standards 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 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. The amendments had no impact on the financial statements of the Bank.

Standards issued but not yet effective and not early adopted

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique Management has assessed that will not have material impact.

4 STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD (CONTINUED)

The standards/amendments that are not yet effective and have not yet been endorsed by the European Union

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments).** In May 2024, the IASB issued amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and they become effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.
- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments).** In December 2024, the IASB issued targeted amendments for a better reflection of Contracts Referencing Nature-dependent Electricity, which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and they become effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.
- **IFRS 18 Presentation and Disclosure in Financial Statements.** In April 2024, the IASB issued the IFRS 18 - Presentation and Disclosure in Financial Statements which replaces IAS 1 - Presentation of Financial Statements and it becomes effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures.** In May 2024, the IASB issued the IFRS 19 - Subsidiaries without Public Accountability: Disclosures, and it becomes effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.
- **Annual Improvements to IFRS Accounting Standards – Volume 11.** In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted.
- **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.** In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

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.

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

5 CASH AND BALANCES WITH BANKS

	2024	2023
Cash on hand	**49,315**	**37,858**
Cash at banks		
- Current accounts with banks	2,727	6,099
- Current account with Central Bank of Kosova ("CBK")	10,375	2,791
- Statutory reserve account with CBK	77,308	65,493
	90,410	**74,383**
Cash and balances with banks before credit loss allowance	**139,725**	**112,241**
Expected credit loss allowance	(20)	(16)
Total cash balances with banks	**139,705**	**112,225**

As of 31 December 2024, the Bank has recognized EUR 20 thousand (2023: 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 2024, and 2023 statutory reserve is comprised of cash held at CBK.

Cash and cash equivalents in the statement of cash flows as of 31 December 2024 and 31 December 2023 comprise:

	2024	2023
Cash on hand and current accounts with banks	52,042	43,956
Unrestricted balance with the CBK	10,375	2,791
Loans and advances to banks (note 6)	86,414	102,739
Total	**148,831**	**149,486**
Credit loss allowance	(117)	(180)
Total	**148,714**	**149,306**

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 (2023: 7) are performing in Stage 1.

Ratings	**2024**	**2023**
A+	698	5,902
A3	-	12
B3	-	185
A1	2,018	-
BB-	11	-
Not Rated	-	-
CBK balances – not rated	87,683	68,284
Total cash and balances with Central Bank (excluding cash on hand)	**90,410**	**74,383**
Expected credit loss allowance	(20)	(16)
Total cash on hand and at banks (carrying amount)	**90,390**	**74,367**

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

6 LOANS AND ADVANCES TO BANKS

	2024	2023
Loans and advances to banks	86,414	102,739
Expected credit loss allowance	(115)	(179)
Total loans and advances to banks	**86,299**	**102,560**

Loans and advances to banks on 31 December 2024 and 31 December 2023 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: 2024 – max I/R 4.50%, min I/R 2.00% EUR: 2023 – max I/R 5.3%, min I/R 1.40%
- USD: 2024 – max I/R 5.55%, min I/R 3.25% USD: 2023 – max I/R 5.67%, min I/R 2.87%

Credit quality. Credit rating for below assets 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 2024 below also represents the Bank's maximum exposure to credit risk on these assets:

	31 December 2024	31 December 2023
AA1	-	20,266
A2	-	17,004
Aa2	16,943	
Aa3	17,016	16,918
A+	16,908	
Ba3	10,003	-
B3	-	29,010
Unrated	25,544	19,541
Gross carrying amount	**86,414**	**102,739**
Expected credit loss allowance	(115)	(179)
Carrying amount	**86,299**	**102,560**

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								
On 1 January 2024	(179)	-	-	**(179)**	102,739	-	-	**102,739**
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(115)	-	-	**(115)**	86,414	-	-	**86,414**
Derecognized during the period	179	-	-	**179**	(102,739)	-	-	**(102,739)**
Total movements with impact on credit loss allowance charge for the period	**64**	-	-	**64**	**(16,325)**	-	-	**(16,325)**
On 31 December 2024	**(115)**	-	-	**(115)**	**86,414**	-	-	**86,414**

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

6 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 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								
On 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**
On 31 December 2023	**(179)**	**-**	**-**	**(179)**	**102,739**	**-**	**-**	**102,739**

7 INVESTMENTS IN DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2024	**31 December 2023**
Kosovo Government Bonds	14,338	12,889
Turkish Government Bonds	16,829	8,646
Total	**31,167**	**21,535**

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

- Kosovo Gov. Bonds: 2024 – max yield 4.54%, min yield 1.80% 2023 – max yield 3.18%, min yield 1.29%
- Turkish Gov. Bonds: 2024 – max yield 7.67%, min yield 7.12% 2023 – max yield 3.02%, min yield 2.97%

Republic of Kosovo got its first rating from Fitch as BB- in April 2024 and 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 on 31 December 2024 and 2023 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:

	2024	**2023**
Opening balance	21,535	41,833
Additions	19,706	-
Matured investments	(1,508)	(12,877)
Sold investments	(9,397)	(7,867)
Charge of accrued interest	(16)	265
Revaluation of Investment securities at FVTOCI	570	379
Exchange rate effect	(51)	12
Premium amortization	328	(210)
Closing balance	**31,167**	**21,535**

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

7 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 on 31 December 2024 and 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 1.46% PD and LGD 45% for Turkish Government Bonds.

There are no securities at stage 2, stage 3 or POCI.

	Stage 1 (12-months ECL 31.12.2204)	**Stage 1 12 months ECL 31.12.2023)**
Kosovo Government Bonds		
Not rated	14,386	13,193
Total AC gross carrying amount	**14,386**	**13,193**
Less credit loss allowance	(3)	(3)
Less fair value adjustment from AC to FVOCI	(45)	(301)
Net Kosovo Government Bonds	**14,338**	**12,889**
Turkish Government Bonds		
2024: BB- (2023: B)	16,524	8,654
Total AC gross carrying amount	**16,523**	**8,654**
Less credit loss allowance	(109)	(40)
Less fair value adjustment from AC to FV	415	32
Net Turkish Government Bonds	**16,829**	**8,646**
Total Carrying value (fair value)	**31,167**	**21,535**

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

8 LOANS AND ADVANCES TO CUSTOMERS

	31 December 2024	31 December 2023
Gross carrying amount of loans and advances to customers at AC	730,036	608,520
Credit loss allowance	(11,029)	(10,441)
Total carrying amount of loans and advances to customers at AC	**719,007**	**598,079**

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 on 31 December 2024 and 31 December 2023 are summarised below:

	31 December 2024			31 December 2023		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to individuals	**360,969**	**(6,614)**	**354,355**	**314,223**	**(5,722)**	**308,501**
Standard lending	316,388	(5,096)	311,292	274,110	(4,498)	269,612
Overdrafts	2,520	(149)	2,371	2,405	(129)	2,276
Credit Cards	42,061	(1,369)	40,692	37,708	(1,095)	36,613
Loans to legal entities	**369,067**	**(4,415)**	**364,652**	**294,297**	**(4,719)**	**289,578**
Standard lending	303,708	(3,828)	299,880	241,214	(4,053)	237,161
Overdrafts	61,491	(457)	61,034	49,269	(522)	48,747
Credit Cards	3,868	(130)	3,738	3,814	(144)	3,670
Total loans and advances to customers at AC	**730,036**	**(11,029)**	**719,007**	**608,520**	**(10,441)**	**598,079**

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

	2024			2023		
	Individuals	Legal Entities	Total	Individuals	Legal Entities	Total
Balance at 1 January	5,722	4,719	10,441	3,245	6,203	**9,448**
(Release)/loss for the year	2,057	5	2,062	3,163	(815)	**2,348**
Loans written-off	(1,165)	(309)	(1,474)	(686)	(669)	**(1,355)**
Balance at 31 December	**6,614**	**4,415**	**11,029**	**5,722**	**4,719**	**10,441**

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

	2024			2023		
	Individuals	Legal Entities	Total	Individuals	Legal Entities	Total
Release/(charge) during the year	(2,057)	(5)	(2,062)	(3,163)	814	**(2,349)**
Recoveries from written off loans	785	467	1,252	635	1,203	**1,838**
	(1,272)	**462**	**(810)**	**(2,528)**	**2,017**	**(511)**

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the ECL charges on financial instruments for the year recorded in the income statement. Recoveries from write of loans have been treated under Stage 3.

31 December 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Cash at central bank and sight	4	-	-	-	**4**
Loans and advances to banks	(64)	-	-	-	**(64)**
Investment Securities at FVOCI	68		-	-	**68**
Loans and advances to Customers	362	391	57	-	**810**
Letters of credit	(5)			-	**(5)**
Unused commitments	42	38	-	-	**80**
Other financial assets	-	20	67	-	**87**
Total impairment loss	**407**	**449**	**124**	-	**980**

31 December 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Cash at central bank and sight	(1)	-	-	-	**(1)**
Loans and advances to banks	135	-	-	-	**135**
Investment Securities at FVOCI	(13)		-	-	**(13)**
Loans and advances to Customers	(215)	962	(236)	-	**511**
Letters of credit	(1)			-	**(1)**
Unused commitments	(104)	50	-	-	**(54)**
Other financial assets	-	-	36	-	**36**
Total impairment loss	**(199)**	**1,012**	**(200)**	-	**613**

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

On 31 December 2024, the ten largest borrowers represent 5.39% (2023: 5.32%) of the total loans. Loans and advances to customers include accrued interest of EUR 3,448 thousand (2023: EUR 2,946 thousand) and deferred disbursement fee of EUR 1,865 thousand (2023: EUR 1,642 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								
On 1 January 2024	**2,161**	**2,403**	**3,987**	**8,551**	**489,671**	**20,253**	**5,400**	**515,324**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(154)	1,284	-	**1,130**	(20,956)	15,381	-	**(5,575)**
Transfer from Stage 1 to Stage 3	(9)	-	415	**406**	(942)	-	762	**(180)**
Transfer from Stage 2 to Stage 1	39	(544)	-	**(505)**	4,055	(5,393)	-	**(1,338)**
Transfer from Stage 2 to Stage 3	-	(188)	688	**500**	-	(1,462)	1,230	**(232)**
Transfer from Stage 3 to Stage 1	0	-	(1)	**(1)**	2	-	(5)	**(3)**
Transfer from Stage 3 to Stage 2	-	-	(7)	**(7)**	-	8	(30)	**(22)**
(Release/ Increase from the same Stage	(178)	(461)	(159)	**(798)**	(99,588)	(1,924)	(741)	**(102,253)**
Fully repaid during the year	(334)	(678)	(330)	**(1,342)**	(110,627)	(5,891)	(674)	**(117,192)**
New originated	939	838	63	**1,840**	320,052	11,785	133	**331,970**
Modifications	-	57	15	**72**	-	482	37	**519**
Total movements with impact on credit loss allowance charge for the period	**2,464**	**2,711**	**4,671**	**9,846**	**581,667**	**33,239**	**6,112**	**621,018**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(922)	**(922)**	-	-	(922)	**(922)**
On 31 December 2024	**2,464**	**2,711**	**3,749**	**8,924**	**581,667**	**33,239**	**5,190**	**620,096**

	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								
On 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 3	17	(178)	-	**(161)**	1,537	(2,175)	-	**(638)**
Transfer from Stage 3 to Stage 2	-	(279)	622	**343**	-	(1,105)	903	**(202)**
Transfer from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	25	(31)	**(6)**	-	42	(93)	**(51)**
(Release/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	626	69	**2,033**	235,892	6,968	104	**242,964**
Modifications	-	102	55	**157**	-	425	106	**531**
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)**
On 31 December 2023	**2,161**	**2,403**	**3,987**	**8,551**	**489,671**	**20,253**	**5,400**	**515,324**

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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 2024 and 2023 and are still active loans as of 31 December 2024 and 2023, and whose Stage has remained unchanged during 2024 and 2023.

Loans fully repaid during the year, represent the loans that were active as of 1 January 2024 and 2023, but were fully repaid during the year and are not anymore active as of 31 December 2024 and 2023.

	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								
On 1 January 2024	**78**	**264**	**309**	**651**	**49,811**	**1,484**	**379**	**51,674**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(13)	139	-	**126**	(1,693)	1,813	-	**120**
Transfer from Stage 1 to Stage 3	(1)	-	64	**63**	(138)	-	120	**(18)**
Transfer from Stage 2 to Stage 1	1	(18)	-	**(17)**	242	(285)	-	**(43)**
Transfer from Stage 2 to Stage 2	-	(27)	71	**44**	-	(136)	122	**(14)**
Transfer from Stage 3 to Stage 1	0	-	(0)	**(0)**	1	-	(1)	**0**
Transfer from Stage 3 to Stage 2	-	0	(0)	**0**	-	0	-	**0**
(Release /Increase from the same Stage	22	(63)	(8)	**(49)**	8,756	8	(32)	**8,732**
Fully repaid during the year	(23)	(86)	(50)	**(159)**	(10,872)	(486)	(91)	**(11,449)**
New originated	15	34	11	**60**	14,622	478	22	**15,122**
Total movements with impact on credit loss allowance charge for the period	**79**	**243**	**397**	**719**	**60,729**	**2,876**	**519**	**64,124**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(113)	**(113)**	-	-	(113)	**(113)**
On 31 December 2024	**79**	**243**	**284**	**606**	**60,729**	**2,876**	**406**	**64,011**

	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								
On 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 3	1	(99)	-	**(98)**	401	(392)	-	**9**
Transfer from Stage 3 to Stage 2	-	(29)	44	**15**	-	(103)	61	**(42)**
Transfer from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
(Release /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)**
On 31 December 2023	**78**	**264**	**309**	**651**	**49,811**	**1,484**	**379**	**51,674**

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 2024 and 2023 and are still active overdrafts as of 31 December 2024 and 2023, and whose Stage has remained unchanged during 2024 and 2023.-

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Overdrafts fully repaid during the year, represent the overdrafts that were active as of 1 January 2024 and 2023, but were fully repaid during the year and are not anymore active as of 31 December 2024 and 2023.

	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								
On 1 January 2024	**159**	**413**	**667**	**1,239**	**35,519**	**4,896**	**1,107**	**41,522**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
Transfer from Stage 1 to Stage 2	(16)	194	-	**178**	(1,820)	2,130	-	**310**
Transfer from Stage 1 to Stage 3	(3)	-	164	**161**	(317)	-	288	**(29)**
Transfer from Stage 2 to Stage 1	13	(130)	-	**(117)**	1,412	(1,606)	-	**(194)**
Transfer from Stage 2 to Stage 3	-	(62)	325	**263**	-	(707)	482	**(225)**
Transfer from Stage 3 to Stage 1	0	-	(34)	**(34)**	68	-	(92)	**(24)**
Transfer from Stage 3 to Stage 2	-	4	(16)	**(12)**	-	48	(47)	**1**
(Release)/Increase from the same Stage	35	13	65	**113**	2,769	12	(110)	**2,671**
Fully repaid during the year	(25)	(75)	(40)	**(140)**	(6,272)	(990)	(191)	**(7,453)**
New originated	53	160	75	**288**	8,096	1,549	145	**9,790**
Total movements with impact on credit loss allowance charge for the period	**216**	**517**	**1,206**	**1,939**	**39,455**	**5,332**	**1,582**	**46,369**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	(2)	(2)	(436)	**(440)**	(2)	(2)	(436)	**(440)**
On 31 December 2024	**214**	**515**	**770**	**1,499**	**39,453**	**5,330**	**1,146**	**45,929**

	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								
On 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 3	3	(21)	-	**(18)**	400	(441)	-	**(41)**
Transfer from Stage 3 to Stage 2	-	(51)	217	**166**	-	(493)	344	**(149)**
Transfer from Stage 2 to Stage 1	0	-	(1)	**(1)**	4	-	(2)	**2**
Transfer from Stage 3 to Stage 1	-	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)**
On 31 December 2023	**159**	**413**	**667**	**1,239**	**35,519**	**4,896**	**1,107**	**41,522**

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 2024 and 2023 and are still active credit cards as of 31 December 2024 and 2023, and whose Stage has remained unchanged during 2024 and 2023.

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Credit cards fully repaid during the year, represent the credit cards that were active as of 1 January 2024 and 2023, but were fully repaid during the year and are not anymore active as of 31 December 2024 and 2023.

Analysis by credit quality of loans outstanding on 31 December 2024 and 2023 is as follows:

	2024			2023		
	Individuals	Entities	Total	Individuals	Entities	Total
Stage 1 Collectively impaired loans						
0 days past due	334,398	346,819	**681,217**	289,567	284,224	**573,791**
1 to 30 days past due	465	172	**637**	457	751	**1,208**
31 to 90 days past due	-	-	-	-	-	-
Stage 2 Collectively impaired loans						
0 days past due	20,454	12,597	**33,051**	18,966	4,254	**23,220**
1 to 30 days past due	1,070	791	**1,861**	1,168	847	**2,015**
31 to 90 days past due	922	504	**1,426**	655	494	**1,149**
Total Stage 1 and Stage 2 Collectively impaired loans	**357,309**	**360,883**	**718,192**	**310,813**	**290,570**	**601,383**
Stage 1 Individually impaired loans						
0 days past due	-	-	-	-	-	-
1 to 30 days past due	-	-	-	-	-	-
31 to 90 days past due	-	-	-	-	-	-
Stage 2 Individually impaired loans						
0 days past due	61	3,771	**3,832**	-	100	**100**
1 to 30 days past due	-	758	**758**	-	-	-
31 to 90 days past due	-	512	**512**	-	141	**141**
Total Stage 1 and Stage 2 Individually impaired loans	**61**	**5,041**	**5,102**	**-**	**241**	**241**
Stage 3 collectively impaired loans						
0 days past due	428	75	**503**	303	78	**381**
1 to 30 days past due	36	44	**80**	150	40	**190**
31 to 90 days past due	101	80	**181**	94	28	**122**
over 90 days past due	2,638	958	**3,596**	2,346	724	**3,070**
Total Stage 3 Collectively impaired loans	**3,203**	**1,157**	**4,360**	2,893	870	**3,763**
Stage 3 Individually impaired loans						
0 days past due	81	211	**292**	122	407	**529**
1 to 30 days past due	-	35	**35**	-	156	**156**
31 to 90 days past due	29	38	**67**	123	45	**168**
over 90 days past	286	1,702	**1,988**	272	2,008	**2,280**
Total Stage 3 Individually impaired loans	**396**	**1,986**	**2,382**	**517**	**2,616**	**3,133**
Total loans	**360,969**	**369,067**	**730,036**	**314,223**	**294,297**	**608,520**
Expected credit losses	(6,614)	(4,415)	**(11,029)**	(5,722)	(4,719)	**(10,441)**
Net loans	**354,355**	**364,652**	**719,007**	**308,501**	**289,578**	**598,079**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system.

ECL distribution based on Behaviour Rating Scale for bussines clients- December 2024

	ECL				Gross carrying amount			
Internal Rating Master Scale	**Stage1**	**Stage2**	**Stage3**	**Grand Total**	**Stage1**	**Stage2**	**Stage 3**	**Grand Total**
5 (Good)	2	-	-	**2**	42,121	-	-	**42,121**
6 (Above Average)	58	-	-	**58**	207,544	-	-	**207,544**
7 (Average)	212	64	-	**276**	82,437	2,589	-	**85,026**
8 (Below average)	159	193	-	**352**	11,897	6,655	-	**18,552**
9 (Poor)	82	250	-	**332**	2,993	3,230	-	**6,223**
10 (Weak)	-	1,093	-	**1,093**	-	6,458	-	**6,458**
Default	-	-	2,302	**2,302**	-	-	3,143	**3,143**
Total	**513**	**1,600**	**2,302**	**4,415**	**346,992**	**18,932**	**3,143**	**369,067**

*The rating are reported according to BNP master scale, where 5 is consider as best rating.

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

ECL distribution based on Behaviour Rating Scale - December 2023

Internal Rating Master Scale	Stage1	Stage2	Stage3	Grand Total	Stage1	Stage2	Stage 3	Grand Total
5 (Good)	2	-	-	**2**	73,381	89	-	**73,470**
6 (Above Average)	215	35	1	**251**	169,701	303	3	**170,007**
7 (Average)	164	127	4	**295**	32,165	343	13	**32,521**
8 (Below average)	149	40	1	**190**	8,109	157	7	**8,273**
9 (Poor)	60	107	-	**167**	1,593	268	-	**1,861**
10 (Weak)	1	1,158	-	**1,159**	10	4,675	-	**4,685**
Default	-	-	2,655	**2,655**	-	-	3,480	**3,480**
Total	**591**	**1,467**	**2,661**	**4,719**	**284,959**	**5,835**	**3,503**	**294,297**

ECL distribution based on Behaviour Rating Scale for individuals clients- December 2024

Internal Rating Master Scale	Stage1	Stage2	Stage3	Grand Total	Stage1	Stage2	Stage 3	Grand Total
Low risk	719	3	58	**780**	266,872	64	94	**267,030**
Moderate risk	1,512	2	68	**1,582**	67,778	69	136	**67,983**
High risk	11	1,860	2,381	**4,252**	205	22,373	3,378	**25,956**
Total	**2,242**	**1,865**	**2,507**	**6,614**	**334,855**	**22,506**	**3,608**	**360,969**

ECL distribution based on Behaviour Rating Scale for individuals clients- December 2023

Internal Rating Master Scale	Stage1	Stage2	Stage3	Grand Total	Stage1	Stage2	Stage 3	Grand Total
Low risk	763	9	54	**826**	261,247	95	95	**261,437**
Moderate risk	1,039	1,212	68	**2,319**	28,778	15,604	160	**44,542**
High risk	-	386	2,191	**2,577**	-	5,090	3,154	**8,244**
Total	**1,802**	**1,607**	**2,313**	**5,722**	**290,025**	**20,789**	**3,409**	**314,223**

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	**2024**	**2023**
Stage 1	223	287
Stage 2	1,129	1,178
Stage 3	628	995
Total gross amount	**1,980**	**2,460**
Individual impairment	(459)	(618)
Collective impairment	(177)	(394)
Net loans with renegotiated terms	**1,344**	**1,448**

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 2024		31 December 2023	
	Net loans	**%**	**Net loans**	**%**
Individuals	354,355	49.3%	309,213	51.70%
Electricity, gas, water	3,977	0.6%	1,046	0.17%
Industry	74,933	10.4%	53,159	8.89%
Agriculture	12,142	1.7%	10,874	1.82%
Services and other	29,971	4.2%	22,907	3.83%
Hotels and restaurants	17,436	2.4%	12,290	2.05%
Transport and communication	12,696	1.8%	9,348	1.56%
Construction	28,766	4.0%	24,370	4.07%
Trading	184,731	25.7%	154,872	25.89%
Net loans to customers	**719,007**	**100.0%**	**598,079**	**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.

	2024			2023		
	Individuals	**Corporate**	**Total**	**Individuals**	**Corporate**	**Total**
Mortgages	75,825	417,223	**493,048**	65,818	362,919	**428,737**
Cash collateral	2,133	4,008	**6,141**	2,479	3,957	**6,436**
Merchandise and equipment pledged	57,776	644,006	**701,782**	75,350	558,162	**633,512**
Cars pledged	30,326	84,907	**115,233**	22,305	66,021	**88,326**
Total	**166,060**	**1,150,144**	**1,316,204**	**165,952**	**991,059**	**1,157,011**

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 on 31 December 2024:

	Over-collateralised Assets		Under-collateralised Assets		Non-collateralised Assets*
	Gross value of loans	**Fair value of collateral**	**Gross value of loans**	**Fair value of collateral**	**Gross value of loans**
Loans to individuals	68,305	157,454	61,753	8,606	230,911
Loans to legal entities	321,165	1,130,904	28,728	19,241	19,174
Total	**389,470**	**1,288,358**	**90,481**	**27,847**	**250,085**

Unsecured individual loans are primarily granted to clients who have their salary or employment account with the bank.

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

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The effect of collateral on 31 December 2023:

	Over-collateralised assets		Under-collateralised Assets		Non-collateralised Assets*
	Gross value of loans	Fair value of collateral	Gross value of loans	Fair value of collateral	Gross value of loans
Loans to individuals	66,026	160,525	48,847	5,427	199,350
Loans to legal entities	267,099	978,427	19,294	12,634	7,904
Total	**333,125**	**1,138,952**	**68,141**	**18,061**	**207,254**

The outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows on 31 December 2024 and 2023:

	31 December 2024	31 December 2023
Loans to corporate customers	**9,022**	**9,200**
Loans	6,797	7,018
Overdraft	1,428	1,397
Credit Card	797	785
Loans to individuals	**4,799**	**4,209**
Loans	2,715	2,266
Overdraft	238	207
Credit Card	1,846	1,736
Total	**13,821**	**13,409**

9 INVESTMENT PROPERTIES

	31 December 2024	31 December 2023
Investment properties at fair value on 1 January	**2,035**	**1,920**
Increase in fair value from valuation	45	115
Investment properties at fair value on 31 December	**2,080**	**2,035**

Investment property of the Bank includes a construction land transferred from owner occupied property to investment property held for capital appreciation. The 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 2024 was determined by using the Sales Comparison Method and Residual Method.

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

9 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 approximately 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 ask price with similar conditions, was adjusted with the offer factor minus -10%/20%.
Residual method	The residual method evaluates property value by determining its potential value after development. It involves calculating the market value by deducting the development or reconstruction costs and the developer's profit from the completed development value.

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 208 thousand (2023: 203,5 thousand).

The fair value of the Bank's investment property at initial recognition and subsequently as of 31 December 2024 and 2023 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.

10 OTHER FINANCIAL ASSETS

	2024	2023
Account maintenance and credit card fees receivable	2,316	2,012
Receivables from financial institutions	5,581	6,822
Other financial assets	379	328
Total other financial assets (gross amount)	**8,276**	**9,162**
Impairment allowance	(1,087)	(1,076)
Total other financial assets (carrying amount)	**7,189**	**8,086**

Receivables from financial institutions are related to withdrawals or payments performed with cards of other banks in the Bank's POSs or ATMs,these are cleared in a short time with card providers (see note 32).
The Bank assessed a provision for other financial assets that are due for more than 3 months (see note 8).

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

11 OTHER ASSETS

	2024	2023
Repossessed assets, net	248	300
Prepaid expenses	1,774	1,286
Other	38	57
Provisions for other assets	(97)	-
Total other assets	**1,963**	**1,643**

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

	2024	2023
At 1 January	301	342
Additions	91	184
Write down to NRV	(144)	(225)
At 31 December	**248**	**301**

12 PREMISES AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
Cost					
As at 1 January 2023	**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**
Additions	382	334	1,152	658	**2,526**
Disposals	(1,994)	(1)	(48)	(242)	**(2,285)**
As at 31 December 2024	**4,141**	**2,645**	**13,565**	**1,503**	**21,854**
Accumulated depreciation					
As at 1 January 2023	**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**
Charge for the year	235	364	1,234	162	**1,995**
Disposals	(1,988)	(0)	(44)	(242)	**(2,274)**
As at 31 December 2024	**3,358**	**1,656**	**10,982**	**779**	**16,775**
Carrying amount					
As at 31 December 2023	**642**	**1,020**	**2,669**	**228**	**4,559**
As at 31 December 2024	**783**	**989**	**2,583**	**724**	**5,079**

Despite being fully depreciated, some assets continue to remain in use and contribute to the organization's operations in purchase value amount approximately 2.8mil which comes mainly from leasehold improvements, vehicles, and alarms.

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

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

	Office buildings	ATM space	Total
Carrying amount at 1 January 2023	**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**
Additions	2,302	59	**2,361**
Disposals	(649)	(23)	**(672)**
Depreciation charge	(1,114)	(158)	**(1,272)**
Carrying amount at 31 December 2024	**5,464**	**167**	**5,631**

Lease liability analysed as per maturity is as follows:

Maturity analysis	**2024**	**2023**
Year 1	1,188	1,410
Year 2	1,010	1,083
Year 3	824	922
Year 4	480	705
Year 5	434	235
Onwards	1,802	926
Total	**5,738**	**5,281**
Analysed as:		
Current	1,188	1,410
Non-current	4,550	3,871
Total	**5,738**	**5,281**

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

	2024	**2023**
At 1 January	**5,281**	**3,388**
Additions	2,361	3,326
Disposals	(672)	(144)
Accrual of interest	151	109
Lease payment	(1,383)	(1,398)
At 31 December	**5,738**	**5,281**

Amounts recognized in profit and loss	**2024**	**2023**
Depreciation expense on right-of-use-assets	1,272	1,306
Interest expense on lease liabilities	151	109
Expense relating to short-term leases	49	17
Tax and other expenses related to leases	259	255
Total cash outflow for leases	**1,731**	**1,687**

Total payments made to lessors in 2024 (excluding tax) was 1,429 thousand (2023: 1,393 thousand).

As of 31 December 2024, the Bank is committed for EUR 1.2 thousand (2023: 1.4 thousand) for short term leases.

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

14 INTANGIBLE ASSETS

	Software and licences
Cost	
As at 1 January 2023	**17,620**
Additions	2,363
Disposals	(302)
As at 31 December 2023	**19,681**
Additions	3,046
Disposals	-
As at 31 December 2024	**22,727**
Accumulated amortization	
As at 1 January 2023	**15,160**
Charge for the year	2,033
Disposals	(312)
As at 31 December 2023	**16,881**
Charge for the year	2,849
Disposals	-
As at 31 December 2024	**19,730**
Carrying amount	
As at 31 December 2023	**2,800**
As at 31 December 2024	**2,997**

All intangible assets are acquired assets and are amortized during their useful life. Additions primarily consist of Microsoft licenses, quarterly IT services, Banksoft software license etc.

15 CUSTOMER DEPOSITS

	31 December 2024	**31 December 2023**
Demand Deposits		
Individuals	559,429	508,583
Legal entities	219,667	178,870
	779,096	**687,453**
Term Deposits		
Individuals	26,593	32,444
Legal entities	40,486	3,045
	67,079	**35,489**
Total Customer deposits	**846,175**	**722,942**

As of 31 December 2024, term deposits include accrued interest of EUR 477 thousand (2023: EUR 126 thousand).

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

16 OTHER FINANCIAL LIABILITIES

	31 December 2024	31 December 2023
Customers' funds in transit	3,311	7,364
Due to suppliers	2,017	2,242
Staff bonuses	1,307	1,043
Credit cards bonus payable	848	767
SMS services for mobile-banking	726	384
Other payables to customers for credit cards	355	328
Other financial liabilities	143	184
Total other financial liabilities	**8,707**	**12,312**

Customers' funds in transit represents the payments collected from transfers, 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.
SMS banking mobile represent liabilities to telecom service providers for SMS delivery.

17 PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	31 December 2024	31 December 2023
Provisions for:		
ECL for unused commitments	360	279
Legal cases	51	77
ECL for Guarantees	5	12
Unused vacation	56	44
Tax provision	-	112
Other	363	511
Total provisions for liabilities and other charges	**835**	**1,035**

18 OTHER LIABILITIES

	31 December 2024	31 December 2023
Withholding tax	18	31
Social security	76	80
Personnel income tax	53	53
VAT and other taxes	124	210
Other	505	618
Total other liabilities	**776**	**992**

Other liabilities include amounts payable to various suppliers.

19 SHARE CAPITAL

The authorised and paid-up share capital of the Bank as of 31 December 2024 and 2023 comprises 2,400 thousand ordinary shares with a nominal value of EUR 10 each.

Shareholder	**As at 31 December 2024**		**As at 31 December 2023**	
	Percentage ownership	**Amount**	**Percentage ownership**	**Amount**
TEB Holding A.S.	**100%**	**24,000**	**100%**	**24,000**

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.

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

20 INTEREST INCOME

	2024	2023
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	45,348	38,794
Investments in debt securities at FVOCI	1,226	683
Due from other banks at AC	3,269	2,583
Total interest income	**49,843**	**42,060**

21 INTEREST EXPENSE

	2024	2023
Term deposits	961	563
Savings accounts	153	46
Borrowed funds	38	22
Interest expense on lease liabilities	151	109
Total interest expense	**1,303**	**740**

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:

- 2024 – max I/R 3.2 %, min I/R 0.0%
- 2023 – max I/R 2.5 %, min I/R 0.0%

22 FEE AND COMMISSION INCOME

	2024	2023
Credit cards	11,583	10,454
Account service fees (net of provisions)	4,904	3,774
International payments	2,459	2,261
SMS Banking	416	380
Domestic payments	768	624
Guarantees and letters of credit	173	161
Other fees	251	123
Total fee and commission income	**20,554**	**17,777**

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 2024, fees and commission incomes from individuals represent approximately 44% and fees and commission incomes from businesses represent approximately 56% of total fee and commission incomes.

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

23 FEE AND COMMISSION EXPENSES

	2024	2023
Credit cards	6,561	5,298
Central bank fees	591	598
International payments	647	597
Domestic payments	444	336
Other fees	435	393
Guarantees and letters of credit	1	2
Total fee and commission expense	**8,679**	**7,224**

24 OTHER OPERATING EXPENSES

	2024	2023
Expenses for deposit insurance fund	1,476	1,329
Expenses for credit guaranty fund	571	470
Other	260	74
Total other operating expenses	**2,307**	**1,873**

25 OTHER IMPAIRMENTS AND PROVISIONS

	2024	2023
Legal cases and litigations	26	13
Provision for operational losses (note 11)	(97)	-
Unused annual leave	(12)	(10)
Impairment for repossessed property	(144)	(225)
Provision for taxes	-	(112)
Other provisions	(45)	(200)
Total other impairments and provisions	**(272)**	**(534)**

26 PERSONNEL COSTS

	2024	2023
Salaries and wages	8,816	8,002
Bonuses	1,635	1,266
Mandatory pension contributions	492	437
Health insurance	247	223
Staff training	192	94
Other costs	100	35
Total personnel costs	**11,482**	**10,057**

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

27 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2024	**2023**
Software maintenance fee	1,581	1,399
Marketing and sponsorship	1,524	1,371
Other expense	751	597
Telecommunication	878	761
Security and insurance	784	729
Consultancy and professional fees	752	606
Representation	723	647
Repair and maintenance	642	655
Service expenses, credit cards	624	338
Travel	564	533
Utilities	329	318
Office supplies	311	291
Tax and other expenses related to leases	259	255
Cleaning expenses	232	186
Legal, collateral execution, and audit fees	547	415
Business taxes and licenses	197	183
Operating lease expenses for premises	50	17
Total administrative and other operating expenses	**10,748**	**9,301**

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

	2024	**2023**
Current tax expense	2,530	2,587
Deferred tax expense/(credit)	-	36
Total income taxes	**2,530**	**2,623**

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:

	2024	**2023**
Profit before taxation	**29,560**	**25,523**
Theoretical tax charge at statutory rate of 10%	2,956	2,552
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	273	379
- Sponsorships	71	-
- Non-taxable income	(32)	(41)
- Deductible sponsorship	(712)	(220)
- CIT adjustment	(26)	(47)
Income tax expense for the year	**2,530**	**2,623**

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% (2023: 10%).
Non-deductible expenses consist of interest expense and depreciation for ROU, rent expenses, entertainment, interest expense etc.
Non-taxable income consists of interest income from securities

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

28 INCOME TAXES (CONTINUED)

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% (2023:10%).

The tax effect of the movements in the temporary differences in 2024 is detailed below.

	1-Jan-2024	Charged/ (credited) to profit or loss	Charged / (credited) directly to other comprehensive income	31-Dec-2024
Tax effect of deductible/(taxable) temporary differences				
Lease liabilities	461	112	-	573
Fair valuation of Investment properties	(84)	(5)	-	(89)
Right-of-use assets	(456)	(107)	-	(563)
Fair valuation of investments in debt securities	27	-	(64)	(37)
Net deferred tax asset/(liability)	**(52)**	**-**	**(64)**	**(116)**
Recognised deferred tax asset	33	-	(64)	(31)
Recognised deferred tax liability	(85)	-		(85)
Net deferred tax asset/(liability)	**(52)**	**-**	**(64)**	**(116)**

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)**

(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 of 31 December 2024 and 2023 (see Note 1). The following table summarizes the related party transactions and balances on 31 December 2024 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 consistently with arm's length principles.

On 31 December 2024, 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	128	-	581	-
Loans and advances to customers	-	-	-	286
Intangible assets	-	-	1,000	-
Due to Customers	-	-	-	63
Other financial liabilities	172	41	282	-

The income and expense items with related parties for 2024 were as follows:

	Ultimate parent company	Immediate parent company	Entities under common control
Interest income	3	-	19
Commission expenses	22	-	288
Operating expenses	-	332	16

On 31 December 2024, 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	200	-	4,327	53

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

29 RELATED PARTY DISCLOSURES (CONTINUED)

On 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	-	-	-	156
Intangible assets	-	-	-	-
Due to customers	-	-	-	302
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	-

On 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	52

Key management compensation is presented below:

	2024	**2023**
Salaries	471	442
Bonuses	259	157
Total	**730**	**599**

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.

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.

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

30 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guarantees and letters of credit (continued)

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

	2024	2023
Financial guarantee	10,115	9,270
Letters of credit	1,655	2,469
Other guarantees	51	78
Total	**11,821**	**11,817**
Unused commitments for revolving facilities	124,552	103,950
Total credit related commitments	**136,373**	**115,767**
ECL for guarantees	(5)	(12)
ECL for revolving facilities	(360)	(279)
Total credit related commitments, net of ECL	**136,008**	**115,476**

Commitments by credit quality based on credit risk grades at 31 December 2024 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	10,037	78	-	**10,115**
Letters of credit	1,655	-	-	**1,655**
Other guarantees	38	13	-	**51**
Total Guarantees and Letter of Credits	**11,730**	**91**	**-**	**11,821**
Loans commitments not yet disbursed	120,849	3,703	-	**124,552**
Total credit related commitments	**132,579**	**3,794**	**-**	**136,373**
Less: Provision for guarantees and Letter of Credits	(3)	(2)	-	**(5)**
Less: Provision for loan commitments	(204)	(156)	-	**(360)**
Total commitments	**132,372**	**3,636**	**-**	**136,008**

(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 2023 is as follows.

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	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**

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 32.

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 2024 and 2023 is remote, except for the provisions charged as shown in note 17 – 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 2024, and 2023 the Bank is in compliance with all regulatory ratios: Tier I capital as of 31 December 2024 is 14.23% (2023: 13.89%), total regulatory capital is 15.05% (2023: 14.74%), and leverage ratio is 10.48% (2023: 10.08%).

The Bank was in compliance with regulatory requirements as at the reporting dates, on 31 December 2024 and 2023.

(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 2024 and 2023, are as follows:

	2024	**2023**
Tier 1 capital		
Share capital	24,000	24,000
Retained earnings as per Central Bank of Kosovo reporting	89,393	70,993
Accumulated other comprehensive income (and other reserves)	(1,877)	(2,451)
Less: Intangible assets	(2,997)	(2,800)
Credits to Bank's related parties	(1,148)	(954)
Total qualifying Tier 1 capital	**107,371**	**88,788**
Provisions for loan losses *(limited to 1.25% of RWA)*	6,221	5,468
Total qualifying Tier 2 capital	**6,221**	**5,468**
Total regulatory capital	**113,592**	**94,256**
Risk-weighted assets:		
On balance sheet	668,145	569,113
Off balance sheet	11,816	11,804
Risk assets for operational risk	57,310	49,585
Market risk	17,296	8,779
Total risk-weighted assets	**754,567**	**639,281**
Tier I capital to risk-weighted assets ratio	14.23%	13.89%
Total regulatory capital to risk-weighted assets ratio	15.05%	14.74%
Total leverage ratio (regulatory reporting)	10.48%	10.08%

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.

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 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 on 31 December 2024 and 2023.

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

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognized in the profit 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.

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

	EURO	USD	CHF	Other	Total
Financial assets					
Cash and current accounts with banks	136,378	1,148	1,606	573	**139,705**
Loans and advances to banks	78,402	2,311	4,706	880	**86,299**
Net Loans and advances to customers	719,007	-	-	-	**719,007**
Loans to individuals	*360,969*	-	-	-	***360,969***
Loans to legal entities	*369,067*	-	-	-	***369,067***
Impaired Loans	*(11,029)*	-	-	-	***(11,029)***
Investments in debt securities	14,338	16,829	-	-	**31,167**
Other financial assets	7,179	8	2	-	**7,189**
Total assets	**955,304**	**20,296**	**6,314**	**1,453**	**983,367**
Financial liabilities					
Customer deposits	818,784	19,655	6,284	1,452	**846,175**
Lease liabilities	5,738	-	-	-	**5,738**
Other financial liabilities	8,706	1	-	-	**8,707**
Total liabilities	**833,228**	**19,656**	**6,284**	**1,452**	**860,620**
Net currency position at 31 December 2024	**122,076**	**640**	**30**	**1**	**122,747**

(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 liability	5,281	-	-	-	**5,281**
Other financial liabilities	12,310	**-**	2	**-**	**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**

Currency sensitivity analysis:

-	2024		2023	
-	**Effect on profit before tax**	**Effect on profit before tax**	**Effect on profit before tax**	**Effect on profit before tax**
	10+	10-	10+	10-
USD	90.39	(41.14)	14.4	(0.4)
CHF	(0.96)	5.05	0.1	(0.7)

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 of 31 December 2024 and 31 December 2023 the Bank has complied with these ratios.

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

	31 December 2024	31 December 2023
United States Dollar (USD)	1.0389	1.1050
Swiss Franc (CHF)	0.9412	0.9260
British Pound (GBP)	0.8292	0.8691

(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 profit or loss	**2024**	**2023**
Increase in basis points +100 bps parallel shift	(548)	32
Decrease in basis points -100 bps parallel shift	548	(32)

(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 2024	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	80,034	-	-	-	-	59,671	**139,705**
Loans and advances to banks	77,278	9,021	-	-	-	-	**86,299**
Loans to customers	13,520	80,098	198,235	369,475	56,109	1,570	**719,007**
Investment in debt securities	-	-	3,012	13,684	14,471	-	**31,167**
Other financial assets	-	-	-	-	-	7,189	**7,189**
Total financial assets	**170,832**	**89,119**	**201,247**	**383,159**	**70,580**	**68,430**	**983,367**
Financial liabilities							
Customer deposits	93,181	20,383	1,666	10,313	2,787	717,845	**846,175**
Lease liabilities	-	346	843	2,748	1,801	-	**5,738**
Other financial liabilities	-	-	-	-	-	8,707	**8,707**
Total financial liabilities	**93,181**	**20,729**	**2,509**	**13,061**	**4,588**	**726,552**	**860,620**
Interest sensitivity gap	**77,651**	**68,390**	**198,738**	**370,098**	**65,992**	**(658,122)**	**122,747**

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	71,591	-	-	-	-	40,634	**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	**174,336**	**77,531**	**166,086**	**328,130**	**47,682**	**48,720**	**842,485**
Financial liabilities							
Due to customers	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	**97,052**	**74,694**	**160,237**	**313,036**	**41,660**	**(584,729)**	**101,950**

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

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

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. 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 Risk Management Department who have the mandate to observe and monitor large corporate exposures on a monthly basis, and to report to the Risk Committee regularly. Credit Monitoring Department monitor the portfolio on an individual basis, report to CRO and WLDC. The monitoring process considers but is not limited to cash flow and sales performance, credit covenants, payment behaviour, profitability, liquidity, solvency and debt ratio based on monitoring form and key risk indicators of unlikely to pay criteria's (UTP).

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.

Forward looking assumption for ECL

The FLI analysis includes the macroeconomic indicators. Data taken from IMF are used as base scenario. At the good scenario the forecasted figures are estimated by 100bp ameliorated, and at worse scenario, 200bp deteriorated according to the banks Executive Committee.

	Base	Good	Worse
2025	50%	10%	40%
2026	50%	10%	40%
2027	50%	10%	40%

The base, good and worse of macroeconomic expectations:

Base	Real GDP growth (%)	CPI (%)	Annual Remittance Growth %
2025	4	2	6.58
2026	4	2	6.91
2027	3.9	2	6.69

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

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

ECL sensitivity analysis (continued)

Good	Real GDP growth (%)	CPI (%)	Annual Remittance %
2025	4.7	1.5	7.58
2026	4.2	1.5	7.91
2027	4	1.5	7.69

Worse	Real GDP growth (%)	CPI (%)	Annual Remittance %
2025	1.7	4.5	4.58
2026	1.5	4.5	4.91
2027	1.3	4.5	4.69

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:

Corresponding internal ratings	Corresponding ratings of external international rating agencies (MOODY's)	Corresponding 1Y ECL PD interval
5 (Average)	Baa3	0.0296%
6 (Below Average)	Ba2	0.17%
7 (Poor)	Ba3	1.46%
8 (Weak)	B2	6.32%
9 (Speculative)	B3	14.44%
10 (Substandard)	C	43.11%
Default	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 17.11% for Credit Cards and 40.55% for retail OVD and 9.81 % for business 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. 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.

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 2024 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 – July 2024 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 three 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 1.46% PD for Turkish Government Bonds based on Group Master scale. Kosovo bonds are zero risk rated for regulatory purpose by the CBK 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)

Maximum exposure to credit risk:

As at 31 December 2024	Gross maximum exposure	Expected credit losses	Net maximum exposure
Current accounts with banks	90,410	(20)	90,390
Loans and advances to banks	86,414	(115)	86,299
Loans to individuals	**360,969**	**(6,614)**	**354,355**
Loans to customers	316,388	(5,096)	311,292
Overdrafts	2,520	(149)	2,371
Credit cards	42,061	(1,369)	40,692
Loans to legal entities	**369,067**	**(4,415)**	**364,652**
Loans to legal entities	303,708	(3,828)	299,880
Overdrafts	61,491	(457)	61,034
Credit Cards	3,868	(130)	3,738
Total loans and advances to customers	**730,036**	**(11,029)**	**719,007**
Investments in debt securities	**31,166**	**(112)**	**31,054**
Letters of credit	1,655	(1)	1,654
Letters of guarantees	10,115	(3)	10,112
Other guarantees and indemnities	51	(1)	50
Loan commitments	124,552	(360)	124,192
Contingent liabilities	**136,373**	**(365)**	**136,008**

As at 31 December 2023	Gross maximum exposure	Expected credit losses	Net maximum exposure
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**

(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 of 31 December 2024 and 2023. The Bank has allocated exposures to regions based on the country of domicile of its counterparties.

Total Financial Assets	**OECD countries**	**Kosovo**	**Other**	**Total 2024**	**OECD countries**	**Kosovo**	**Other**	**Total 2023**
Cash and balances with the CBK	2,726	136,979	-	**139,705**	6,098	106,127	-	**112,225**
Loans and advances to banks	67,284	9,021	9,994	**86,299**	92,562	-	9,998	**102,560**
Loans and advances to customers	-	719,007	-	**719,007**	-	598,079	-	**598,079**
Investments in debt securities	16,829	14,338	-	**31,167**	8,646	12,889	-	**21,535**
Other financial assets	-	7,189	-	**7,189**	-	8,086	-	**8,086**
Total financial assets	**86,839**	**886,534**	**9,994**	**983,367**	**107,306**	**725,181**	**9,998**	**842,485**
Financial liabilities								
Customer Deposits	-	846,175	-	**846,175**	-	722,942	-	**722,942**
Lease liabilities	-	5,738	-	**5,738**	-	5,281	-	**5,281**
Other financial liabilities	-	8,707	-	**8,707**	-	12,312	-	**12,312**
Total financial liabilities	**-**	**860,620**	**-**	**860,620**	**-**	**740,535**	**-**	**740,535**

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
- 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 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 2024	Carrying amount	Gross in-flow/out	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	139,705	139,705	139,705	-	-	-	-
Loans and advances to banks	86,299	86,299	77,278	9,021	-	-	-
Loans to customers	719,007	809,906	77,919	49,440	211,082	408,009	63,456
Investment in debt securities	31,167	32,080	80	75	3,408	13,637	14,880
Other financial assets	7,189	7,189	4,825	415	606	1,295	48
Total financial assets	**983,367**	**1,075,179**	**299,807**	**58,951**	**215,096**	**422,941**	**78,384**
Financial liabilities							
Customer deposits	846,175	846,432	800,402	5,022	30,259	10,744	5
Lease liabilities	5,738	5,738	-	345	843	2,748	1,802
Other financial liabilities	8,707	8,707	6,330	1,337	588	343	109
Total financial liabilities	**860,620**	**860,877**	**806,732**	**6,704**	**31,690**	**13,835**	**1,916**
Unused loan commitments and guarantees	136,007	136,373	136,373	-	-	-	-
Total financial liabilities and commitments	**996,627**	**997,250**	**943,105**	**6,704**	**31,690**	**13,835**	**1,916**
Positive/(negative) gap	**(13,260)**	**77,929**	**(643,298)**	**52,247**	**183,406**	**409,106**	**76,468**

31 December 2023	Carrying amount	Gross in-flow/out	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	112,225	-	-	-	-
Loans and advances to banks	102,560	102,560	94,905	7,655	-	-	-
Loans to customers	598,079	632,375	26,298	41,224	172,854	339,167	52,832
Investment in debt securities	21,535	21,935	-	-	1,555	20,380	-
Other financial assets	8,086	8,086	7,095	230	545	169	47
Total financial assets	**842,485**	**877,181**	**240,523**	**49,109**	**174,954**	**359,716**	**52,879**
Financial liabilities							
Customer deposits	722,942	723,099	688,253	4,166	15,675	15,005	-
Lease liabilities	5,281	5,281	-	360	1,050	2,946	925
Other financial liabilities	12,312	12,312	10,072	900	627	638	75
Total financial liabilities	**740,535**	**740,692**	**698,325**	**5,426**	**17,352**	**18,589**	**1,000**
Unused loan commitments and guar-antees	115,481	115,766	115,766	-	-	-	-
Total financial liabilities and com-mitments	**856,016**	**856,458**	**814,091**	**5,426**	**17,352**	**18,589**	**1,000**
Positive/(negative) gap	**(13,531)**	**20,723**	**(573,568)**	**43,683**	**157,602**	**341,127**	**51,879**

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

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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.

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to their contractual maturity. Due to customers portfolio within 12 months are renewable and is expected to be recovered or settled after one year.

31 December 2024	**Within 12 months**	**After 12 months**	**Total**
Cash and current accounts with banks	139,705	-	**139,705**
Loans and advances to banks	86,299	-	**86,299**
Loans to customers	290,300	428,707	**719,007**
Investment in debt securities	3,013	28,154	**31,167**
Other financial assets	5,845	1,344	**7,189**
Other assets	-	1,963	**1,963**
Investment Property	-	2,080	**2,080**
Right of use assets	-	5,631	**5,631**
Premises and equipment	-	5,079	**5,079**
Intangible	-	2,997	**2,997**
Total assets	**525,162**	**475,955**	**1,001,117**
Financial liabilities			
Customer deposits	832,610	13,565	**846,175**
Lease liabilities	1,188	4,550	**5,738**
Other financial liabilities	8,255	452	**8,707**
Other liabilities		1,727	**1,727**
Corporate income tax	223	-	**223**
Equity	-	138,547	**138,547**
Total liabilities and equity	**842,276**	**158,841**	**1,001,117**

31 December 2023	**Within 12 months**	**After 12 months**	**Total**
Cash and current accounts with banks	112,225	-	**112,225**
Loans and advances to banks	102,560	-	**102,560**
Loans to customers	240,474	357,605	**598,079**
Investment in debt securities	1,521	20,014	**21,535**
Other financial assets	7,871	215	**8,086**
Other assets	-	1,643	**1,643**
Investment Property	-	2,035	**2,035**
Right of use assets	-	5,214	**5,214**
Premises and equipment	-	4,559	**4,559**
Intangible	-	2,800	**2,800**
Total assets	**464,651**	**394,085**	**858,736**
Financial liabilities			
Customer deposits	704,314	18,628	**722,942**
Lease liabilities	1,410	3,871	**5,281**
Other financial liabilities	11,598	714	**12,312**
Other liabilities	-	2,078	**2,078**
Corporate income tax	681	-	**681**
Equity	-	115,442	**115,442**
Total liabilities and equity	**718,003**	**140,733**	**858,736**

(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.

	2024			Fair Value	2023			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	139,705	139,705			112,225	112,225		-
Loans and advances to banks	86,299		86,299		102,560	-	102,560	-
Loans and advances to customers	719,007			726,076	598,079	-		604,300
Loans to individuals	354,355			359,277	308,501			312,304
Loans to legal entities	364,652			366,798	289,578			291,996
Other financial assets	7,189			7,189	8,086			8,086
Financial liabilities								
Customer deposits	846,175			847,711	722,942	-	-	723,752
Borrowings	-			-	-	-	-	
Lease liabilities	5,738			5,738	5,281	-	-	5,281
Other financial liabilities	8,707			8,707	12,312	-	-	12,312

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 result of the change in the fair value.The fair value of loans is calculated by using the average effective interest rate of a segmented portfolio, which includes loans and overdrafts (OVD), as the discounting factor.

(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.

	2024 Fair Value	Level 1	Level 2	Level 3	2023 Fair Value	Level 1	Level 2	Level 3
Assets at fair value								
Non-derivative financial assets								
Investment in debt securities	31,167	16,829	14,338	-	21,535	8,646	12,889	-
Investment property								
Investment property	2,080	-	-	2,080	2,035	-	-	2,035
Total	**33,247**	**16,829**	**14,338**	**2,080**	**23,570**	**8,646**	**12,889**	**2,035**

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 2024	FVTPL (mandatory)	FVTPL (designated)	Debt instruments at FVOCI	Equity instruments at FVOCI	AC	Total
Financial Assets						
Cash and current accounts with banks	-	-	-	-	90,390	**90,390**
Loans and advances to banks	-	-	-	-	86,299	**86,299**
Other financial assets	-	-	-	-	7,189	**7,189**
Total loans and advances to customers	**-**	**-**	**-**	**-**	**719,007**	**719,007**
Loans to individuals	**-**	**-**	**-**	**-**	**354,355**	**354,355**
Loans to customers	-	-	-	-	311,292	**311,292**
Overdrafts	-	-	-	-	2,371	**2,371**
Credit cards	-	-	-	-	40,692	**40,692**
Loans to legal entities	**-**	**-**	**-**	**-**	**364,652**	**364,652**
Loans to legal entities	-	-	-	-	299,880	**299,880**
Overdrafts	-	-	-	-	61,034	**61,034**
Credit Cards	-	-	-	-	3,738	**3,738**
Investment in debt securities	**-**	**-**	**31,167**	**-**	**-**	**31,167**
Kosovo Government Bonds	-	-	14,338	-	-	**14,338**
Turkish Government Bonds	-	-	16,829			**16,829**
Total Financial Assets	**-**	**-**	**31,167**	**-**	**902,884**	**934,051**
Financial Liabilities						
Customer deposits	**-**	**-**	**-**	**-**	**846,175**	**846,175**
Demand deposits	-	-	-	-	779,096	**779,096**
Term deposits	-	-	-	-	67,079	**67,079**
Borrowings	-	-	-	-		
Lease liabilities	-	-	-	-	5,738	**5,738**
Other financial liabilities	-	-	-	-	8,707	**8,707**
Total Financial Liabilities	**-**	**-**	**-**	**-**	**860,620**	**860,620**

(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 (designated)**	**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**

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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